

**West Sussex County Council
Completion Report for Those
Charged with Governance**

Year ended 31 March 2023

Report issued - 13 November 2024



**Building a Better
working world**

5 November 2024

Regulations Audit and accounts Committee
West Sussex County Council
County Hall
West Street
Chichester

Dear Regulation, Audit and Accounts Committee

Completion Report for Those Charged With Governance

Attached is our Completion Report for Those Charged With Governance. The purpose of this report is to provide the Regulations, Audit and Accounts Committee of West Sussex County Council (the Council) with a detailed complete report covering our approach and outcomes of the 2023 audit.

Given that Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" (the SI) imposes a backstop date of 13 December 2024 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016).4 (Ref: Para. A77&A78)

Taking the above into account, for the year ended 31 March 2023 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit report.

In completing our work for this audit year we have taken into account Statutory Instrument (2024) No. 907 - "The Accounts and Audit (Amendment) Regulations 2024" and Local Authority Reset and Recovery Implementation Guidance. We have also taken into account the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice (including recent 2024 updates), the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements, against this backdrop we have also considered the Committee's service expectations.

The Regulations Audit and accounts Committee, as the Authority's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Authority's wider arrangements to support the delivery of a timely and efficient audit.

We consider and report on the adequacy of the Authority's external financial reporting arrangements and the effectiveness of the Regulations Audit and accounts Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

We draw the Regulations Audit and accounts Committee members and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix A).

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

We continue to note management's quality in terms of audit readiness, working papers and communications. The above outcome is driven by wider sector challenges and **not** a specific West Sussex issue.

Yours faithfully

Ben Lazarus

Partner

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. The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) 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 Regulation, Audit and Accounts Committee and management of West Sussex County Council. Our work has been undertaken so that we might state to the Regulation, Audit and Accounts Committee and management of West Sussex County 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 Regulation, Audit and Accounts Committee and management of West Sussex County 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 Executive Summary



Executive Summary – System wide context

Context for the audit – Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

Lack of capacity within the local authority financial accounting professions

Increased complexity of reporting requirements within the sector

Lack of capacity within audit firms with public sector experience

Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed

DLUHC has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. Statutory Instrument (2024) No. 907 - “The Accounts and Audit (Amendment) Regulations 2024” (the SI), together with the updated NAO Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, which have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.

Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.

Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

As a result of the system wide implementation of backstop dates we anticipate issuing a disclaimed audit opinion on the Authority's 2022/23 accounts. The proposed disclaimer of the Council's 2022/23 accounts impacts the audit procedures that we have planned and undertaken to gain assurance on the 2022/23 financial statements and the form of the audit report.

Local Background and Context

West Sussex County Council has been in a position to present draft statements of account for audit within the regulatory timeframe in recent years, and the draft 2022/23 accounts were submitted and available on time by 31 May 2023. Due to audit resource constraints, we were unable to schedule the 2021/22 audit in order to meet the reporting timeline of 30 September 2022, and instead issued the audit opinion in February 2023. We then did not have the audit resource necessary to perform the 2022/23 audit for the Authority before the back stop date.



Executive Summary – Local context

Local Background and Context

The position has developed over the past few years resulting in unaudited financial statements for 31 March 2023.

The main reasons for the Council's financial statements not being audited and signed to date include:

- ▶ The post pandemic timelines resulted in audit teams trying to move delayed audits on to completion, whilst finance teams were trying to catch up, deal with current priorities and plan for the future. This used a significant amount of our finite audit resource, leading to a lack of capacity to move onto the 2022/23 audit year.
- ▶ In addition, there were a number of new technical issues and challenges to address during this period, including, accounting for infrastructure assets, taking into account the updated pension fund valuations, which led to delays to the prior year 2021/22 audit being completed.



Executive Summary - Report structure and work completed

Report structure and work completed

This report covers the work we have completed to meet the requirements of the International Standards on Auditing (UK&I), (ISAs) and the Local Audit Reset and Recovery Implementation Guidance (LARRIGs) along with the National Audit Office Value for Money Code (NAO VFM Code). It has been split into the following sections.

Section 1 - Executive Summary - this section setting out the national and local context and the structure of our report.

Section 2 - Work Plan - we have completed the following planning tasks

- ▶ Completed required independence procedures.
- ▶ Set a level of materiality.
- ▶ Issued letters of inquiry to Management, Those Charged with Governance, the Head of Internal Audit and the Monitoring Officer.
- ▶ Updated our understanding of the business, including review of responses to inquiry letters, internal team meeting, minute review, etc.
- ▶ Identified significant, inherent and other areas of higher risk or focus.
- ▶ Considered any other matters that may require reporting to regulators or which may result in a modification to the audit report e.g. Non-compliance with laws and regulations, (Noclar), Objections, Significant weaknesses in arrangements for vfm, any matters that may result in the use of the auditor's powers etc.

Section 3 - Results and findings - Work completed to issue the disclaimer, findings and results:

- ▶ Review of the financial statements.
- ▶ Consideration of any matters that came to light during our planning and review procedures in relation to laws and regulations, fraud, related parties, litigation and claims, significant changes to contracts and systems, service organisations, and report as appropriate.
- ▶ Reporting on any other matters that may require the use of the auditor's powers, formal reporting or a modification to the auditor's report e.g. Non-compliance with laws and regulations, (Noclar), Objections, Significant weaknesses in arrangements for vfm, any matters that may result in the use of the etc.

Section 4 - Value for money reporting

- ▶ The value for money report covering all open years to 31 March 2023.

Section 5 - Appendices



02 Work Plan

Work Plan – Audit Scope

Audit scope

This Completion report covers the work that we performed in relation to:

- ▶ Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2023 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 VFM in Section 4.

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.

Given that Statutory Instrument (2024) No. 907 - The Accounts and Audit (Amendment) Regulations 2024 imposes a backstop date of the 13 December 2024 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

This decision is in line with ISA 200: Failure to Achieve an Objective 24.

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Taking the above into account, for the year ended 31 March 2023 we have determined that we cannot meet the objectives of the ISAs(UK) and we anticipate issuing a disclaimed audit report.

Work Plan - Materiality

Materiality

Planning materiality

£30m

Materiality for y/e 31 March 2023 has been set at £29.9m, which represents 1.8% of 2023 gross expenditure on provision of services, levies and interest payable.

Performance materiality

£22m

Performance materiality for y/e 31 March 2023 has been set at £22.4m, which represents 75% of planning materiality.

Audit differences

£1.5m

We will report all uncorrected misstatements relating to the primary statements greater than £1.49m for y/e 31 March 2023. Other misstatements identified will be communicated to the extent that they merit the attention of the Regulations, Audit and Accounts Committee .

In order to ascertain the significance of issues in the draft financial statements we have set materiality based on the 2022/23 audit year. These levels are being used to assess our response to any issues identified in the Council's financial statements.

Work Plan – Significant, inherent and other risk areas

The following 'dashboard' summarises the significant accounting and auditing matters identified as part of our planning work. It seeks to provide Those Charged with Governance with an overview of our initial risk identification for the year 31 March 2023.

Audit risks and areas of focus

Risk/area of focus	Applicable year	Risk identified	Change from PY	Details
Inappropriate Capitalisation of revenue	31 March 2023	Significant and Fraud risk	No change in risk	There is a risk that some revenue will be incorrectly capitalised and be presented in the balance sheet accounts
Misstatement due to fraud or error	31 March 2023	Significant and Fraud risk	No change in risk	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Valuation of operational land and buildings classified as PPE - Existing Use Value (sig risk)	31 March 2023	Significant Risk	No change in risk	<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.</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>
Valuation of non-operational land and buildings classified as IP and surplus assets (sig risk)	31 March 2023	Significant Risk	No change in risk	<p>The valuation of non-operational land and buildings classified as IP and Surplus Assets are likely to represent material figures within the Council's financial statements. The valuation is reliant on the work of the Council's external professionally qualified valuer and based on information provided by the Council, which includes a number of judgements and assumptions.</p> <p>Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.</p>

Work Plan – Significant, inherent and other risk areas

The following ‘dashboard’ summarises the significant accounting and auditing matters identified as part of our planning work. It seeks to provide Those Charged with Governance with an overview of our initial risk identification for the year 31 March 2023.

Audit risks and areas of focus

Risk/area of focus	Applicable year	Risk identified	Change from PY	Details
Valuation of operational land and buildings classified as PPE - Depreciated Replacement Cost (sig risk)	31 March 2023	Significant risk	No change in risk	<p>The valuation of operational land and buildings classified as PPE is likely to represent a material figure within the Council's financial statements. The valuation is reliant on the work of the Council's external professionally qualified valuer and based on information provided by the Council, which includes a number of judgements and assumptions.</p> <p>Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.</p>
Pensions liability valuation (inherent risk)	31 March 2023	Inherent Risk	No change in risk	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council / Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme. 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>
Going concern (area of focus)	31 March 2023	Area of focus	No change in 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.</p> <p>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.</p>

Work Plan – Significant, inherent and other risk areas

The following ‘dashboard’ summarises the significant accounting and auditing matters identified as part of our planning work. It seeks to provide Those Charged with Governance with an overview of our initial risk identification for the year 31 March 2023.

Audit risks and areas of focus

Risk/area of focus	Applicable year	Risk identified	Change from PY	Details
Teachers’ Pensions (area of focus)	31 March 2023	Area of focus	No change in focus	We became aware in September 2021 that the Council reported a breach of the Teachers’ Pension Regulations to the Pensions Regulator in June 2021. This relates to a failure over a number of years dating back to 2007 to auto-enrol some part time and casual teaching staff onto the pension scheme as required following a change to regulations in 2007. The underlying failure to auto-enrol was fully rectified from September 2017, so this is not a continuing issue. Work completed by a professional actuary in September 2021 fully scoped the number of records and individuals impacted historically. The Council was not, however, able at that point in time to quantify the cost of the breach until further work had been completed by the Teachers’ Pensions Service and impacted individuals were contacted to confirm whether or not they intend to join the scheme. We also note that we consulted internally on this issue through the Firm’s non-compliance with laws and regulations (NOCLAR) process. This supported our judgements in relation to the impact on the financial statements (disclosure as a contingent liability) and VFM (not indicative of a significant weaknesses in arrangements but reporting points and related non-statutory recommendations issued).
Accounting for infrastructure assets (sig risk)	31 March 2022	Significant Risk	Not applicable for this year	This risk is not applicable for the year 2022/23.
Accounting for Covid-19 related grant funding (inherent risk)	31 March 2022	Inherent Risk	Not applicable for this year	This risk is not applicable for the year 2022/23.

Work Plan - Independence

The FRC Ethical Standard 2019 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 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/additional 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.

Work Plan - Independence

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.

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 Ben Lazarus, 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 your company. Examples include where we have an investment in your company; 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 those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you. At the time of writing, there are no non-audit fees. No additional safeguards are required.

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

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 your company. 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.

Other threats

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

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



03 Results and findings



Results and findings

Status of the audit

The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- ▶ Completion of subsequent events procedures;
- ▶ Receipt of a signed management representation letter

Given that the audit process is still ongoing, we will continue to consider existing and new information which could influence our final audit opinion.

Value for Money

Our value for money (VFM) work is complete and reported in Section 4 of this report. We identified a risk of significant weakness in relation to the Council's arrangements over the SmartCore programme for replacement of the Council's Finance, HR and Procurement systems as part of our risk assessment procedures. Having updated and completed the planned procedures in these areas we did identify a significant weakness. See Section 4 of the report for further details.

Audit differences

Based on the limited procedures performed over the 2022/23 financial statements we identified no audit differences.

Other Reporting Issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

The Comptroller and Auditor General has confirmed that he plans to issue his opinion and certificate on the 2022-23 Whole of Government Accounts on 22 November 2024. Given we expect to issue our 2022/23 audit report after that date (and within 5 days of West Sussex signing) but before the statutory backstop of 13 December 2024, we therefore expect to be able to certify completion of the audit as part of our final 2022/23 audit report.



Results and findings

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of West Sussex County Council. We concluded we would disclaim the audit and therefore have not completed detailed audit testing on these areas but instead have reported any matters that came to light from the work we did complete.

In this instance there are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Regulation, Audit and Accounts Committee or Board of Directors.

Control observations

During the audit, we did not identify any significant deficiencies in internal control.

Independence

Further to our review of independence in section 2 of this report we have not identified any issues to bring to your attention..

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ Any significant difficulties encountered during the audit;
- ▶ Any significant matters arising from the audit that were discussed with management;
- ▶ Written representations we have requested;
- ▶ Expected modifications to the audit report;
- ▶ Any other matters significant to overseeing the financial reporting process;
- ▶ Findings and issues around the opening balance on initial audits (if applicable);
- ▶ Related parties;
- ▶ External confirmations;
- ▶ Going concern; and
- ▶ Consideration of laws and regulations.

We have no other matters to report.

Results and findings - Audit Report

Draft audit report

Draft 2022/23 disclaimed audit opinion

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST SUSSEX COUNTY COUNCIL

Disclaimer of opinion

We were engaged to audit the financial statements and the firefighters' pension fund financial statements of West Sussex County Council for the year ended 31 March 2023. The financial statements comprise the:

- Movement in Reserves Statement,
- Balance Sheet,
- Comprehensive Income and Expenditure Statement,
- Cash Flow Statement,
- the related notes 1 to 40 including a summary of significant accounting policies and including the Expenditure and Funding Analysis on page 26,
- and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement, at Note 41.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We do not express an opinion on the accompanying financial statements of the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accountability statements for this financial year to be approved not later than 13th December 2024.

We completed the audit of the 2021/22 financial statements in February 2023 and issued our audit opinion on 28 February 2023.

The backstop date and the wider requirements of the local audit system reset meant we did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2022/23 financial statements. Therefore, we are disclaiming our opinion on the financial statements.

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements, performed subject to the pervasive limitation described above, we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)

Results and findings - Audit Report

Draft audit report

Draft 2022/23 disclaimed audit opinion

Our opinion on the financial statements

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

We have nothing to report in these respects.

Report on the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources

We report to you if we are not satisfied that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

On the basis of our work, having regard to the Code of Audit Practice 2020 and the guidance issued by the Comptroller and Auditor General in January 2023, we have identified the following significant weakness in the Council's arrangements for the year ended 31 March 2023.

Significant weaknesses in arrangements

The weaknesses identified:

West Sussex County Council took the decision in November 2019 to upgrade its Business Management System from SAP to Oracle Fusion, known as the 'SmartCore' Project. Since June 2020 the Council have been working with an external delivery partner, on the implementing the project. The Council's Internal Audit performed an initial review of the SmartCore programme which was reported in September 2021 which highlighted a number of weaknesses regarding budgeting, governance and risk management. An additional review by an independent consultant and further review by Internal Audit during 2022/23 continued to identify weaknesses in governance and issues with delivery of the project, many of which were similar to those already included in the original 2021/22 Internal Audit Report.

Following consideration of these continued issues, in addition to further difficulties in the relationship between the Council and the delivery partner, the Council determined in July 2023 that there was no real prospect of a deliverable plan being agreed and terminated the agreement with the delivery partner on 1 September 2023, over three years since the Council originally engaged with the contractor.

We have formed our views on the Council's arrangements considering the following:

- No risks relating to the Smartcore project were included on the Corporate Risk Register during 2022/23, which would have allowed for a greater awareness of the issues across senior officers and members, the more timely agreement of mitigating actions and better governance.
- Meetings of the Performance and Finance Scrutiny Committee held from November 2022 through to the end of the period did not include Smartcore as an agenda item despite the known delays to the project timetable and deterioration in relationship with the delivery partner. Although we have seen evidence that other work was undertaken by the Council during this time to seek to address these issues, we have concluded that the limited nature of reporting to the Performance and Finance Scrutiny committee did not allow for adequate, timely and transparent challenge of the issues arising in delivery of the SmartCore programme in the 2022/23 period.
- The Council did not have adequate arrangements during 2022/23 to provide assurance that either the replacement business management system itself, or the contractual arrangements with the delivery partner to manage the transition, were delivering the expected benefits.

The evidence on which our view is based:

- Relevant Internal Audit reports in 2021/22 and 2022/23.
- The Annual Governance Statement in 2021/22 and 2022/23.

Results and findings - Audit Report

Draft audit report

Draft 2022/23 disclaimed audit opinion

Our opinion on the financial statements

- Relevant reports to committee and other relevant reports produced by management in 2021/22 and 2022/23.
- Meetings with officers throughout the 2022/23 year, and into 2023/24.

The impact on West Sussex County Council:

Although work on the project has been ongoing since June 2020 the Council had not been able to upgrade its Business Management System from SAP to Oracle Fusion by the end of 2022/23. The Council has therefore not been able to optimize its back-office operations as quickly as desired.

Further work and additional costs have been incurred in 2023/24 and 2024/25 to commission a replacement external delivery partner for further implementation of the project which remains ongoing.

The action the Council needs to take to address the weaknesses:

- Build on the work already done in 2023/24 to improve the governance arrangements for the re-launched project.
- Ensure reporting of progress and risks is clear and consistent across all relevant committees and the Council's established corporate risk management arrangements.
- Seek to learn lessons from the project to date as part of the process to revise the business case and commission a new implementation partner.
- Establish revised programme and budget management arrangements for the project sufficient to gain comfort that both timetables and budgets for delivery are both realistic and adhered to.

We consider the issues above as evidence of weaknesses in arrangements in relation to:

Governance, including:

- how the body monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- how the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, and
- 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.

Economy, Efficiency and Effectiveness, including:

- 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

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 22, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the Council financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Results and findings - Audit Report

Draft audit report

Draft 2022/23 disclaimed audit opinion

Our opinion on the financial statements

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to cease operations, or has no realistic alternative but to do so.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in January 2023, as to whether West Sussex County Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether West Sussex County Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

Certificate

We certify that we have completed the audit of the accounts of West Sussex County Council in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of West Sussex County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.



04 Value for Money



VFM - Executive Summary

Purpose

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

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

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

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

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Our commentary over your arrangements for the year 2022/23.



Executive Summary (continued)

Risks of Significant Weakness

Our value for money procedures are based on the judgements reached from a combination of:

- our cumulative audit knowledge and experience;
- our review of Council committee reports;
- meetings with the Director of Finance and Support Services and other finance officers; and
- evaluation of associated documentation through our regular engagement with Authority management and the finance team.

We identified a risk of significant weakness in relation to the Council's arrangements over the SmartCore programme for replacement of the Council's Finance, HR and Procurement systems as part of our risk assessment procedures. We consider that the risk did manifest a weakness which was evident across the Council's arrangements for governance and improving economy, efficiency and effectiveness.

Executive Summary (continued)

Reporting

Our commentary for 2022/23 and is set out over pages 28 to 36 and is unchanged from our interim VFM report issued in February 2024.

The commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2022/23, including related recommendations raised and accepted by management in our interim VFM report.

In accordance with the NAO's 2020 Code of Audit Practice, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether we have concluded that there is a significant weakness in the Council's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No risk of significant weakness in arrangements identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	Risk of significant weakness in arrangements identified	Significant weakness identified for the 2022/23 year
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	Risk of significant weakness in arrangements identified	Significant weakness identified for the 2022/23 year

Value for Money Commentary

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

No significant weakness identified

Financial Performance

Net revenue expenditure for 2022/23 on portfolio budgets was £654.6 million, representing a £10.5 million overspend. This was largely due to an overspend within the Children and Young People and Learning & Skills portfolios, offset by underspending within the Environment and Climate Change Portfolio. The overspend on portfolio budgets was partially offset by additional income from Investments as a result of in-year rises in interest rates and income from the Business Rates Levy. Additionally, funds were drawn from the Contingency Budget established at the start of the year to assist with unplanned in-year pressures. The residual overspend balance of £0.2 million was funded from the Inflation Contingency Reserve. Full year outturn capital spending for 2022/23 was £124.7 million which was £11.7 million greater than the revised budget of £113 million.

Financial Position

Total Usable Reserves decreased by £1.3 million due to a decrease in Schools Balances offset by increases in Earmarked Reserves, Capital Grants Unapplied and the Capital Receipts Reserve. The balance of the Council's General Fund remained unchanged at £20.3 million. Included in Earmarked Reserves is the creation of Social Care Pressures (Adults and Children) Reserve where £5 million was transferred from residual balances of 2022/23 Services and Social Care Support Grants which were not applied to finance commitments in the approved budget. This is important given the financial challenges faced by the Council in future years. The Dedicated Schools Grant position remains a key concern for the County Council with an overspend of £16.9 million in 2022/23, increasing the reserve deficit balance to £41.9 million as at 31 March 2023. This is currently ring-fenced and has no impact on the General Fund balance.

Budgets and Medium-Term Financial Strategy (MTFS)

The budget for 2022/23 was approved in February 2022 by the County Council. The Council were able to produce a balanced budget for the financial year in-line with statutory duties, however the MTFS published alongside the budget identified a cumulative budget gap to 2025/26 of £63.4 million before any planned savings. An updated MTFS was presented to the Cabinet in January 2023 and County Council in March 2023. A balanced budget has been set for 2023/24 without planned use of reserves, however £9.6 million of proposed savings needed to be achieved to deliver this. From 2024/25 onwards the Council forecast significant deficit positions, with the total accumulated deficit over the medium term totalling £104.1 million. At the time the MTFS was produced pay and price inflation was a significant budgetary pressure and that has extended through into the 2023/24 financial year. Uncertainty over the future levels of funding from Government, the continued application of the DSG statutory override and adult social care reform are all recognised as risks to the Council's financial position over the medium term. The Council has been clear on these risks, which are common with financial pressures at a large number of upper-tier authorities, and associated measures to seek to mitigate them in both its internal financial reporting and external communications with relevant stakeholders where it has lobbied for changes in funding arrangements.

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

Value for Money Commentary (continued)

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

Significant weakness identified

The Council continues to maintain adequate arrangements to monitor and gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud and corruption. This is supported by the findings of internal audit work in the year, with the Head of Internal Audit concluding for 2021/22 that the Council's framework of governance, risk management and control is reasonable. It has also continued to make good progress in securing improvements to address weaknesses highlighted by service inspections of Children's Services and the Fire & Rescue Service in previous years. There are well established governance arrangements, policies and procedures in place to ensure compliance with legislative and regulatory requirements and routine monitoring of adherence to those standards. We are also satisfied that reasonable progress is being made to address and rectify issues arising from the reported breach of Teachers' Pension Regulations that we have considered as part of our VFM responsibilities in previous years.

Impact of SmartCore on our assessment of the Council's Governance arrangements

1. Background and timeline of issues and events

Up to 2021/22

The Council has used SAP as its Finance, HR and Procurement system since 2001. However, it determined that the system was no longer fit for purpose and in November 2019 a decision was taken to approve the commencement of a procurement system for services to deliver a replacement business management system from SAP to Oracle Fusion. This project was known as 'SmartCore', with the programme intended to provide the opportunity to take advantage of potential business benefits from the change. In June 2020 a contract was awarded to Entserv UK Limited (trading as DXC) to be the Council's contractor for the transition. In December 2020 an external consultancy firm, Socitm, performed a 'Health Check' of the project. This recommended a re-set of the programme was needed at that point in time, with an employee of Socitm hired to be the new Project Manager.

Following delays in programme delivery, internal audit performed an initial review of SmartCore programme governance which was reported in September 2021. The review identified the following issues:

- A fully resourced and costed plan to enable delivery of the programme was not in place.
- During the internal audit review the Senior Responsible Officer (SRO) stepped down from the role with responsibilities assumed by the Executive Co-Sponsors. As a result there was a risk of dilution in the governance of the project and potential conflict of interest if the Executive Co-Sponsors were simultaneously carrying out the SRO responsibilities.
- The Finance and Support Services risk register had a risk relating to the SmartCore programme that "there is a risk of the project not being completed by December 2021". The risk was given a score of 15 and consequently was not escalated to the corporate risk register.
- The programme risk register had a number of risks that had not been reviewed and updated for a number of months.

Value for Money Commentary (continued)

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

Significant weakness identified

Impact of SmartCore on our assessment of the Council's Governance arrangements (cont'd)

- The audit trail of decisions taken and actions needed contained only one decision made by the Programme Board and no decisions made by the Delivery Board. In addition, there were numerous open actions that did not have an expected completion date.
- There was no evidence of formal escalation to the Council's Executive Leadership Team (ELT) and/or members alerting them to delays in the programme at that point in time and the actions proposed to address the delay.
- Budget forecasting was likely to be inaccurate.

Following this an update on progress of the programme was produced by senior management and presented to ELT. This confirmed risks around adherence to the programme timeline, resourcing of the project, the level of organisational change needed for successful implementation of Oracle and continuing cost pressures against budget.

2022/23

A number of business design and delivery requirements for the programme led to changes in the contractual position intended to ensure a successful implementation. This resulted in additional changes in the implementation plan and delays to the original timetable for the project. This was communicated to members in June 2022 and a variation to the contract with DXC was agreed in July 2022. A further 'Health Check' was commissioned by a new independent consultant in July 2022. Although the resulting report noted that the programme was "in its strongest position yet", a number of key areas of recommended focus were identified to address similar weaknesses in programme management already identified by the 2021/22 Internal Audit Report.

Following this the relationship between the Council and DXC continued to deteriorate as the year progressed. As a result it was agreed that the project would be paused in November 2022. In March 2023 a Suspension Agreement was approved by both WSCC and DXC so that a rectification plan could be put in place following the significant deviation from the original project timeline at this stage. This led to further and more intense work by the Council with DXC to test whether the programme could be brought back on track in terms of timing and budget. As a result of the continued delivery internal audit was commissioned to undertake a further detailed review of SmartCore programme governance as part of its 2022/23 programme of work. This continued to identify a number of significant issues, specifically:

- Despite the further significant delay to the programme, with completion considered to be unlikely until 2024, there was no publicly available evidence of this delay being formally reported to members. The last formal report on progress to members was in September 2022 when they were advised that the programme was on course to meet the new delivery date of April 2023. There was no reporting of the delay to the subsequent Performance and Finance Scrutiny Committee meetings held in January and March 2023 despite the programme having been paused in November 2022.
- As of April 2023, there remained no fully-costed and resourced plan in place to enable delivery of the programme to completion. Internal audit were advised that this was due to the pausing of the programme as a result of the commercial discussions with DXC and the data migration issues being experienced.
- Despite the corporate significance of the project, review of risk registers found that there is no risk relating to the SmartCore Programme recorded on the Corporate Risk Register and no open risks included on the Finance and Support Services risk register.

Value for Money Commentary (continued)

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

Significant weakness identified

Impact of SmartCore on our assessment of the Council's Governance arrangements (cont'd)

- There was a significant gap in formalised governance arrangements between the standing down of the governance boards in December 2022 and the approval of the Sponsors' meetings terms of reference in April 2023. In addition, despite the requirement for decisions made at the Sponsors' meetings to be recorded within the decision log and the log to be reviewed at each weekly meeting, no decisions had been documented since November 2022.
- Despite significant delays to the completion of the programme resultant implications had not been raised at the Performance and Finance Scrutiny Committee meetings held in January and March 2023 even though the programme had been paused in November 2022.

We do note, however, that there remained significant activity during this period to seek to address the issues experienced in transitioning to the new system, delays and breakdown in relationship with DXC. Specifically:

- Meetings in September 2022 of the Smartcore Commercial Board and Programme Board involving the Council, DXC and Oracle leading to the amendments of the budget for the Programme reported to the September meeting of the Performance and Finance Scrutiny Committee.
- Work to produce and consider the letter of rectification and rectification plan with DXC from October to December 2022. A summary of developments during this period were communicated to members by email in December 2022.
- A meeting with DXC in January 2023 resulting in a short formal pause on work by DXC to enable both it and the Council to reflect on the current position and consider options.
- Further briefing meetings between senior officers and members in February 2023, a verbal update on progress to members of the Budget Planning Group and notification to Full Council that the Go Live date had been postponed.
- The appointment of a new Programme Director in March 2023 and issue of a Memorandum of Understanding to DXC to advise of a project standstill period.

2023/24

Following consideration of the continued issues identified by internal audit, in addition to further difficulties in the relationship between the Council and DXC, the Council determined in July 2023 that there was no real prospect of a deliverable plan being agreed and that that it should give notice of termination of the contract with DXC. A settlement was agreed between WSCC and DXC where only resources and services provided would be paid for. The relationship between the two parties officially ended on 1 September 2023, with this decision and the basis for it being promptly communicated to members. Updates on developments and proposals on options were provided on a regular basis throughout the year. Briefings were given to Cabinet in May, July and December 2023, the Performance and Finance Scrutiny Committee in June 2023, the Executive Leadership Team in August 2023 and all members in September 2023.

Value for Money Commentary (continued)

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

Significant weakness identified

Impact of SmartCore on our assessment of the Council's Governance arrangements (cont'd)

A 'Lessons Learned' workshop was held later in September to help identify areas of improvement prior to revision of the business case and procurement of a new contractor with key themes identified, including managing change, communication, governance and resourcing, and associated recommendations agreed to address these issues going forward. PwC were also subsequently engaged to determine whether Oracle remains capable of delivering the Council's requirements. The resulting report from PwC concludes that overall there is a high-degree of 'fit' between the council's business requirements and the Oracle fusion product. The Council has also established a 'Business Readiness Group' (BRG) for SmartCore with the primary objectives of:

- Ensuring all key identified stakeholders are being actively engaged in the programme and have a forum for raising issues.
- Informing on significant business readiness decisions impacting the implementation.
- Measuring and tracking progress against business readiness plans and checklists.
- Resolving business readiness questions as required.

2. Impact on the Council's governance arrangements for 2022/23

We have considered the impact of weaknesses in SmartCore programme management on the Council's arrangements for Governance and have concluded they are indicative weaknesses in arrangements for the following VFM reporting sub-criteria:

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

The Internal Audit governance review from August 2023 found that no risks related to SmartCore on the Corporate Risk Register, although this is a significant project and implementation that could potentially impact delivery and business continuity across the Council. The Finance and Support Services Risk Register did contain a risk relating to SmartCore, but this was closed in 2022 meaning there were no risks relating to the programme on the register as at the time of the internal audit review.

Internal Audit concluded these omissions created a risk that senior management and/or members would not be aware of the risks to the programme and the mitigations required in order for the programme to be successfully implemented. Given the current status of SmartCore with the contract termination in July 2023, and the operational and strategic significance of the project to the Council, this should have been considered of sufficient importance that a risk was included in the corporate risk register. Inclusion of a risk would have allowed for greater awareness of the issues across senior officers and members, the need to formulate mitigating actions and better governance.

We have concluded this is indicative of a significant weaknesses in the Council's risk management arrangements in the 2022/23 year.

Value for Money Commentary (continued)

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

Significant weakness identified

Impact of SmartCore on our assessment of the Council's Governance arrangements (cont'd)

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

Issues on SmartCore programme management were discussed at the following meetings during the 2022/23 year.

- Performance and Finance Scrutiny Committee in July 2022 - Plans for the variation of the contract with DXC was discussed and approved.
- Performance and Finance Scrutiny Committee in September 2022 - A report was presented to the committee. A summary of the responses to the committee members' questions and comments included the following:
 - The project was on course to meet the new delivery date of April 2023.
 - Updates to the system were planned in November 2022 and February 2023 and testing of these has been factored into the programme.
 - Checkpoints had been built into the programme so that if the Council to allow for data quality checks.
 - The contingency of budget £1.25 million was a realistic amount and costs would be monitored closely as the project progressed.

The Performance and Scrutiny Committee held further meetings in November 2022, January 2023 and March 2023 but SmartCore was not listed as a discussion point from the minutes. From November 2022 the project was paused, and therefore the planned system updates were not implemented. This was a known delay to the project timetable but was not formally communicated to the committee.

We have therefore concluded that limited nature of publicly available reporting to the Performance Finance Scrutiny committee did not allow for adequate, timely and transparent challenge of the issues arising in delivery of the SmartCore programme in the period.

In raising these observations we also note the necessary work done by the Council in 2022/23 to seek to address the issues experienced in transitioning to the new system, delays and breakdown in relationship with DXC, and then the briefings with stakeholders, including Council members, that were given outside of the public domain in 2023/24. We also note the further work done into 2023/24 to learn lessons and devise stronger governance arrangements for the project going forward.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to ensure that it makes informed decisions and properly manages its risks except for the VFM sub-criteria set out above.

Value for Money Commentary (continued)

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

Significant weakness identified

Recommendation 1

Build on the good work already done in 2023/24 to improve the governance arrangements for the re-launched project. Delivering against the objectives of the Business Readiness Group will be a key part of this, but reporting of progress and risks should be clear and consistent across all relevant committees and the Council's established corporate risk management arrangements. This is important given both the significance of the project to the operations of the Council and the difficulties experienced in seeking to manage the transition to date. This will require clear direction, and challenge where necessary, from both senior officers and members.

Value for Money Commentary (continued)

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

Significant weakness identified

Service performance against Council priorities is considered regularly throughout the year through its performance dashboard, which is made publicly available on the Council website, and forms part of quarterly Performance and Resources Report which show a complete picture of both business and financial performance. Actual performance in 2022/23 judged against the Council's priorities was positive overall and broadly consistent with the previous year. Good progress also continues to be made in improving service performance in Children's Services.

The joint arrangement with East Sussex County Council effective from January 2020 has bolstered leadership capacity continues bring more stability to the Council's senior leadership which, as highlighted by the results of previous external service inspections, had been lacking. Progress was also made on further developing and operationalising the Council's property development joint venture and bringing back in-house, or in limited situations re-procuring, a number of support service functions previously externally provided by Capita under contractual arrangements with the Council.

Impact of SmartCore on our assessment of the Council's arrangements for improving economy, efficiency and effectiveness

A summary of the background and timeline of issue and events relating to the SmartCore programme has previously been set out previously as part of our consideration of the Council's governance arrangements in this report.

We have considered the impact of weaknesses in SmartCore programme management on the Council's arrangements for improving economy, efficiency and effectiveness and have concluded they are indicative weaknesses in arrangements for the following VFM reporting sub-criterion:

VFM sub-criteria: 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

We consider the following points to be relevant to our 2022/23 reporting judgment:

- The Council took the decision to procure a new Finance, HR and Procurement system at the end of 2019. At the reporting date of 31/3/23 the system was not yet procured or implemented with the Council still needing to gain assurance the Oracle system was capable of fully delivering the Council's business requirements.
- The contract with DXC, which commenced in December 2020, was terminated in September 2023 and is now needing to be re-launched. Expenditure on the project at the end of October 2023 totalled approximately £13 million.

Value for Money Commentary (continued)

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

Significant weakness identified

Impact of SmartCore on our assessment of the Council's arrangements for improving economy, efficiency and effectiveness (cont'd)

Given the operational and strategic significance of the project to the Council we have concluded that this demonstrates a clear weakness in the Council's programme management arrangements. The Council did not have adequate arrangements in the 2022/23 year to provide assurance that both the system itself, and then the contractual arrangements with DXC to manage the transition, were delivering the expected benefits.

In reaching this conclusion we recognise that work has now been done in 2023/24 by the Council, as part of its work to revise the business case for the project, to determine the value derived from the expenditure incurred to date. It is clear that a number of deliverables including the agreement of software licences and development of strategy documents, configuration workbooks and associated designs, functional and technical specifications, arrangements for mapping and migrating data, governance structures and business planning will all continue to have some value as the project is re-launched. Hence, whilst we acknowledge there may not be a material "obsolescence" relating to the £13 million spent, we also have to acknowledge the level of senior staff engagement on this project to date which, if utilised more productively, could have then been directed to other important Council matters.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to use information about its costs and performance to improve the way it manages and delivers its services except for the VFM sub-criteria set out above.

Recommendation 2

Build on the good work already done in 2023/24 to date and learn lessons from the SmartCore project to date as part of the process to revise the business case and procure a new contractor. In doing this also seek to maximise value from the expenditure incurred to date. Clearly establish revised programme and budget management arrangements for the project sufficient to gain comfort that both timetables and budgets for delivery are both realistic and adhered to.



05 Appendices

Appendix A – Management representation letter

Management representation letter

This is the draft management letter which Management will consider, further tailor and send back signed and dated prior to the opinion being issued.

Management Rep Letter

This letter of representations is provided in connection with your audit of the Authority financial statements of West Sussex County Council (“the authority”) for the year ended 31 March 2023. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent Authority financial statements give a true and fair view of the authority financial position of West Sussex County Council as of 31 March 2023 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Authority, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

We understand that the purpose of your audit of our Authority financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist. Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Authority, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the Authority financial statements. We believe the Authority financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the Authority financial statements are appropriately described in the Authority financial statements.
4. As members of management of the Authority, we believe that the Authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022) for the Authority that are free from material misstatement, whether due to fraud or error.

Appendix A – Management representation letter

Management representation letter

This is the draft management letter which Management will consider, further tailor and send back signed and dated prior to the opinion being issued.

Management Rep Letter

5. We confirm the Authority does not have securities (debt or equity) listed on a recognized exchange.

6. We have confirmed to you any changes in service organizations within the Authority since the last audited financial year.

B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Authority's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.

3. We have disclosed to you the results of our assessment of the risk that the Authority financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud, that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Authority financial statements
- Related to laws or regulations that have an indirect effect on amounts and disclosures in the Authority financial statements, but compliance with which may be fundamental to the operations of the Authority's business, its ability to continue in business, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others

- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the Authority financial statements.

3. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through 2022/23 to the most recent meeting of the Regulation, Audit and Accounts Committee held on 22 November 2024.

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period ended 31 March 2023. These transactions have been appropriately accounted for and disclosed in the Authority financial statements.

Appendix A – Management representation letter

Management representation letter

This is the draft management letter which Management will consider, further tailor and send back signed and dated prior to the opinion being issued.

Management Rep Letter

5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the Authority financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

8. We have disclosed to you, and provided you full access to information and any internal investigations relating to, unauthorized access to our information technology systems that has a material effect on the Authority financial statements, including disclosures.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the Authority financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 36 to the Authority financial statements all guarantees that we have given to third parties.

E. Going Concern

1. Note 38 to the Authority financial statements discloses all the matters of which we are aware that are relevant to the Group and authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than the events described in Note 34 to the Authority financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and parent Authority financial statements or notes thereto.

Appendix A – Management representation letter

Management representation letter

This is the draft management letter which Management will consider, further tailor and send back signed and dated prior to the opinion being issued.

Management Rep Letter

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information contained within the Narrative Statement and also the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and the Authority have reflected these in the consolidated and parent financial statements.

Appendix B – Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

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.

The original fees for these years were based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment
- ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

Due to the reset, the above clearly will not be achieved and we will be liaising with PSAA Ltd to discuss and agree fees.

	Current Year	Scale fee	Prior Year
	£	£	£
Total Fee - Code Work	Tbc Note 1	102,442	161,003
Total audit	0	102,442	161,003
Non-audit services	N/A	N/A	N/A
Total fees	tbc	102,442	161,003

All fees exclude VAT

Note 1

PSAA Ltd, in line with the joint statement issued DLUHC (as at that date) and the FRC is responsible for the determination of the final audit fee in respect of 2022/23. In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

Appendix C – Required communications with the Audit Committee

We have detailed the communications that we must provide to the audit committee.

Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the 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	<p>Communication of:</p> <ul style="list-style-type: none"> ▶ The planned scope and timing of the audit ▶ Any limitations on the planned work to be undertaken ▶ The planned use of internal audit ▶ The significant risks identified <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	This Completion report for Those Charged with Governance
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 ▶ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit) 	This Completion report for Those Charged with Governance

Appendix C – Required communications with the Audit Committee (cont'd)

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 	This Completion report for Those Charged with Governance
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 ▶ Material misstatements corrected by management 	This Completion report for Those Charged with Governance
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the 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 ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▶ Any other matters related to fraud, relevant to Audit Committee responsibility 	This Completion report for Those Charged with Governance

Appendix C – Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ 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 	This Completion report for Those Charged with Governance
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> ▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▶ 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 	This Completion report for Those Charged with Governance

Appendix C – Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
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 	This Completion report for Those Charged with Governance
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the 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 audit committee may be aware of 	This Completion report for Those Charged with Governance
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	This Completion report for Those Charged with Governance
Representations	Written representations we are requesting from management and/or those charged with governance	This Completion report for Those Charged with Governance
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	This Completion report for Those Charged with Governance
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	This Completion report for Those Charged with Governance
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	This Completion report for Those Charged with Governance

Appendix D – PSAA Statement of Responsibilities

As set out earlier in the document, our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- › prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- › ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.*
- › assign responsibilities clearly to staff with the appropriate expertise and experience;*
- › provide necessary resources to enable delivery of the plan;*
- › maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;*
- › ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- › ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- › during the course of the audit provide responses to auditor queries on a timely basis.*

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

A photograph of a man and a woman in a library setting. The man, on the left, is wearing a light-colored polo shirt and glasses, looking down at a document. The woman, on the right, is wearing a dark floral patterned top and is also looking at the document. They are surrounded by bookshelves filled with books.

Appendix E – Other Communications

EY Transparency Report 2024

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 period ended 28 June 2024 and can be found here: [EY UK 2024 Transparency Report | EY - UK](#)

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