

Worthing Borough Council

Auditor's Annual Report
Year ended 31 March 2025
February 2026



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Worthing Borough Council
Joint Audit & Governance Committee
c/o Worthing Town Hall
Chapel Road
Worthing
West Sussex
BN11 1HA

20 February 2026

Dear Joint Audit and Governance Committee Members,

2024/25 Auditor's Annual Report

We are pleased to attach our Auditor's Annual Report including the commentary on the Value for Money (VFM) arrangements for Worthing Borough Council. This report and commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit year 2024/25.

This report is intended to draw to the attention of the Worthing Borough Council any relevant issues arising from our work up to the date of issuing the report. It is not intended for, and should not be used for, any other purpose.

We welcome the opportunity to discuss the contents of this report with you at the Joint Audit and Governance Committee meeting on 10 March 2026.

The [2025 Transparency Report](#) for EY UK provides details regarding the firm's system of quality management, including EY UK's system of quality management annual evaluation conclusion as of 30 June 2025.

Yours faithfully

Kevin Suter

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 (<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>)

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

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

This report is made solely to the Joint Audit and Governance Committee and management of Worthing Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Joint Audit and Governance Committee and management of Worthing Borough 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 Joint Audit and Governance Committee and management of Worthing Borough 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

Purpose

The Auditor's Annual Report summarises the year's audit work, including value for money commentary and confirmation of the financial statement opinion. It also references any use by the auditor of their additional powers and duties under the Local Audit and Accountability Act 2014. In line with the NAO Code of Audit Practice 2024 ("the 2024 Code") and Auditor Guidance Note 03 (AGN 03), this report provides an overview to Worthing Borough Council and the public, detailing current recommendations and a review of prior years' actions, including our assessment of whether they have been satisfactorily implemented.

Auditors must issue their annual report to those charged with governance by 30 November each year, reflecting the audit position and value for money assessment at that time, even if the 2024/25 audit is ongoing.

Responsibilities of the appointed auditor

We have undertaken our 2024/25 audit work in accordance with the Audit Plan that we issued on 28 March 2025. We have complied with the 2024 Code, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- whether the financial statements give a true and fair view of the financial position of the Council and its expenditure and income for the year; and
- have been prepared properly in accordance with the relevant accounting and reporting framework.

Reporting by exception:

- if the annual governance statement does not comply with relevant guidance or is not consistent with our understanding of the Worthing Borough Council;
- the use of additional powers and duties, for example making written recommendations under Section 24 and Schedule 7 of the Act or making a report in the public interest; and
- if we identify a significant weakness in the Worthing Borough Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Worthing Borough Council

The Worthing Borough Council is responsible for the preparation of the financial statement, including the narrative statement and governance statement, in accordance with the CIPFA Code and for having internal controls in place to ensure these financial statements are free from material error. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Executive Summary (cont'd)

2024/25 conclusions based on audit carried out to date

<p>Financial statements</p>	<p>As reported in our 24/02/2025 Audit Results Report we issued a disclaimer of opinion on Worthing Borough Council's 2022/23 and 2023/24 financial statements, under the arrangements to reset and recover local government audit.</p> <p>In 2024/25, we have continued to audit the closing balance sheet and in-year transactions. Although the level of assurance gained has increased, we have not yet obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances. As a result of the disclaimer of opinion on the 2023/24 financial statements, we do not have assurance over some brought forward balances from 2023/24 where we did not gain assurance (the opening balances). This means we do not have assurance over all 2024/25 in-year movements and the comparative prior year movements. We also do not have assurance over all the 2023/24 comparative balances disclosed in the 2024/25 financial statements.</p> <p>Taking into account the requirement to conclude our work by the 2024/25 backstop date, we will not be able to rebuild assurance over these balances as part of the 2024/25 audit. We issued a disclaimer of our 2024/25 audit opinion, taking into account the lack of assurance on the classification of reserves which we judged fundamental due to the low level of usable revenue reserves.</p>
<p>Going concern</p>	<p>Our disclaimer does not include an opinion on going concern, however, there were no further matters to include in our audit report.</p>
<p>Consistency of the other information published with the financial statements</p>	<p>Our disclaimer does not include an opinion on the consistency of other information, however, there were no further matters to include in our audit report.</p>
<p>Value for money (VFM)</p>	<p>We had matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 03.</p>
<p>Consistency of the annual governance statement</p>	<p>We were satisfied that the annual governance statement was consistent with our understanding of the Council.</p>
<p>Additional powers and duties</p>	<p>We did not use our auditor powers.</p> <p>We received two objections to the 2024/25 accounts of Adur District Council from members of the public requesting we consider a public interest report. The matters concerned the Strategic Property Investment Fund (SPIF) and concerns over development projects. While they were not eligible to be treated as objections for Worthing Borough Council, because of the nature of the joint arrangements between the two Council's we did consider them as 'information provided to the auditor. We decided not to issue a public interest report.</p>

Executive Summary (cont'd)

2024/25 conclusions based on audit carried out to date (cont'd)

Whole of Government Accounts	We have submitted our Assurance Statement following the NAO's DCT audit instructions.
Certificate	We will be able to issue our certificate on completion of the audit and once the NAO have confirmed whether there are any additional group audit procedures required following the Whole of Government Accounts submission.

Executive Summary (cont'd)

Value for money scope

Under the 2024 Code, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

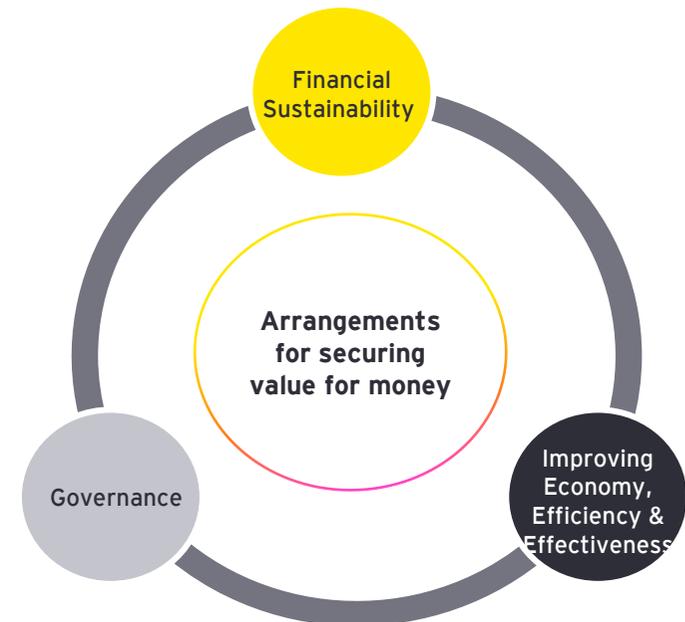
We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's report on the financial statements.

The specified reporting criteria are:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- 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.

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

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



Executive Summary (cont'd)

Reporting

Our commentary for 2024/25 is presented in Section 03. This section provides a summary of our understanding of the arrangements at the Council, as determined from our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2024/25 and up to the date of issuing this Auditor's Annual Report. The recommendations we have agreed upon with the Council are included in Appendix A.

The final version of this report has been issued alongside the signed audit report concluding on the 2024/25 year.

In compliance with the 2024 Code, we are required to provide commentary against the three specified reporting criteria. The table below outlines these criteria, indicates whether a significant risk of weakness was identified during our planning procedures, and details our current conclusions regarding any significant weaknesses within your 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	Risk of significant weakness identified in the criterion: how the body plans to bridge its funding gaps and identifies achievable savings.	Significant weakness identified.
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	Risk of significant weakness identified in the criterion: 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.	Significant weakness identified.
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified.	No significant weakness identified.

Executive Summary (cont'd)

Independence

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

We highlight the following relationships that may be reasonably considered to bear upon our objectivity and independence. However we have adopted the safeguards noted below to mitigate these threats.

Description of relationship	Related independence threat	Safeguards adopted and reasons considered to be effective
We are engaged by the Council as a reporting accountant for the Housing Benefit Assurance Process (HBAP)	Self-Interest Self-review	<p>The service is permissible under the NAO's Auditor Guidance Note 01. because this service is required by the awarding central government department.</p> <p>The results of the AUP testing is not reflected in the amounts included/disclosed in the financial statements. The external audit conclusion is not reliant upon the conclusion of our AUP engagement.</p> <p>No advice will be given in relation to accounting treatment.</p>

EY Transparency Report 2025

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 27 June 2025: [2025 Transparency Report](#)



02

Audit of financial statements

Audit of financial statements

Key findings

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

On 20 February 2026, we issued a disclaimed opinion on the financial statements. We reported our audit scope, risks identified and detailed findings to the 15 January 2026 Joint Audit and Governance Committee meeting in our Audit Results Report. We outline below the key issues identified as part of our audit. We reported seven internal control recommendations and seven areas for improvement in the control environment in our Audit Results Report.

Financial statement risks

Significant risk	Conclusion
Fraud risk - Misstatement due to fraud or error	We have completed our audit procedures in response to this risk and identified no evidence of material misstatement due to fraud or error.
Fraud risk - Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	We identified no evidence of material misstatement due to incorrect capitalisation of revenue expenditure from our testing of Property, Plant & Equipment and Investment Properties additions or testing of Revenue Expenditure Funded from Capital Under Statute.
Significant risk - Valuation of Investment Properties (IP) under Fair Value (FV)	We employed our own expert, EY Real Estate, to support the work related to the valuation of IP. From our sample testing, we identified 4 properties which fall outside of our expected ranges by £2.537 million. Management adjusted this misstatement in the final financial statements.
Significant risk - Implementation of IFRS 16	We have completed our testing of the Council's IFRS 16 disclosures within the financial statements and identified the following issues: <ul style="list-style-type: none">▪ The published 2024/25 financial statements continued to be prepared under IAS 17 rather than applying the requirements of IFRS 16. Management had previously informed the audit team that the decision to publish the unaudited financial statements by the statutory deadline of 30 June 2025—without implementing IFRS 16 and retaining references to IAS 17—was a deliberate and informed choice. Management has adjusted this misstatement in the final financial statements.▪ The Council initially indicated that there were no lease arrangements falling within the scope of IFRS 16. However, after identifying peppercorn leases that had not been included in the original IFRS 16 testing population, we challenged the completeness of the Council's assessment. From discussions with the finance team, we understand that information required for the IFRS 16 assessment is held by other service departments and that this information was requested but not provided to the finance team at the time of the assessment. Following receipt of an updated assessment we identified four peppercorn leases, and one additional arrangement (High Street Surface Car Park) incorrectly classified as a peppercorn lease for WBC. Our assessment concluded that three of the four peppercorn leases fell within the scope of IFRS 16, with adjustments to the accounts and disclosures requested for two. The third fell below our clearly trivial threshold.

Audit of financial statements (cont'd)

Key findings (cont'd)

Financial statement risks

Significant risk/area of focus

Conclusion

Inherent risk - Valuation of Land and Buildings valued at existing use value (EUV) or Fair Value (FV) within:

- ▶ Property, Plant & Equipment (PPE);
- ▶ Assets Held For Sale (AHFS); and
- ▶ Surplus Assets (SA)

We have completed our audit procedures addressing the risk related PPE and SA. No evidence of material misstatement was identified.

Our testing of AHFS identified that the Council has retained the prior-year valuation of £9.940 million for an asset classified as Held for Sale, despite updated market-based evidence indicating a lower fair value. Indicating the asset was overstated by £2.120 million. This was adjusted in the final financial statements.

Inherent risk - Valuation of Land & Buildings in PPE under Depreciated Replacement Cost (DRC)

We have completed our audit procedures addressing the risk related to the valuation of PPE valued at DRC. Our testing identified a difference of £0.555 million for the Museum and Art Gallery property. This discrepancy arose because the valuer applied an incorrect aging and obsolescence percentage, overstating the asset valuation.

Inherent risk - Pension liability valuation

We have completed our audit procedures in response to this risk, and no issues have been identified that require your attention.

Financial Statement reporting assessment

Management, and the Joint Audit and Governance Committee, as the Council's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. The table over-page sets out our views on the effectiveness of the Council's arrangements to support external financial across a range of relevant measures.

In addition, the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council's actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance is set out on page 15. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.

Audit of financial statements (cont'd)

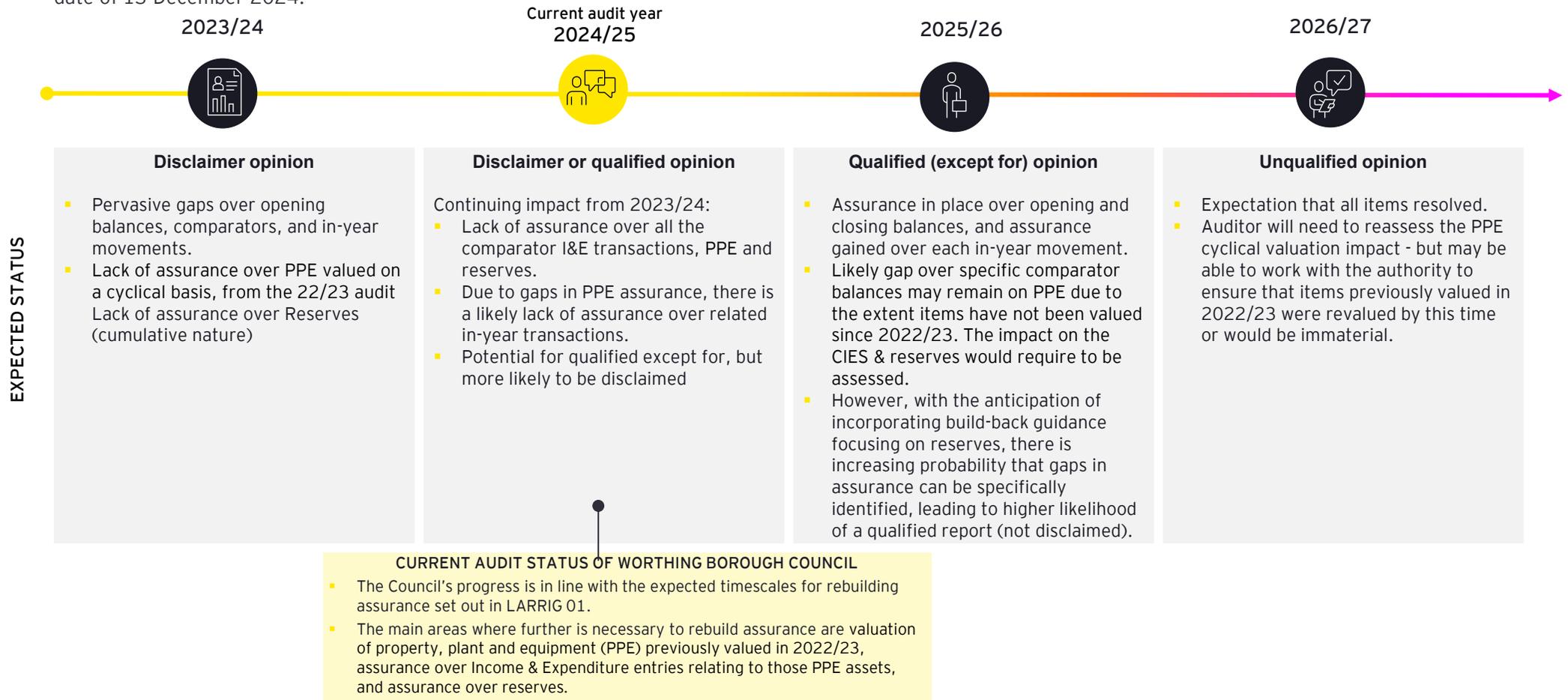
Financial Statement reporting assessment (cont'd)

Area	Status			Explanation
	R	A	G	
Timeliness of the draft financial statements	Requires improvement			Management communicated to the audit team in advance that the decision to publish the unaudited financial statements by the statutory deadline of 30 June 2025–without reflecting the implementation of IFRS 16 and retaining references to IAS 17–was a deliberate and informed choice. This approach was taken to ensure compliance with the Accounts and Audit Regulations publication deadline. Management further confirmed that the underlying work required to incorporate IFRS 16 would be completed subsequently, and that the final audited financial statements would be updated to include all necessary adjustments arising from the implementation of IFRS 16.
Quality and completeness of the draft financial statements	Requires improvement			There were a number of non-material internal inconsistencies, typographical and arithmetic errors in the draft financial statements that should have been detected through internal quality review prior to publication.
Delivery of working papers in accordance with agreed client assistance schedule	Requires improvement			The quality of the working papers provided was generally below an acceptable standard in certain areas. Despite improvement from the prior year, working papers relating to debtors and creditors were presented in a format that made it difficult to select samples for testing.
Quality of working papers and supporting evidence	Requires improvement			The quality of supporting evidence provided was generally below an acceptable standard in certain areas. During the audit, supporting evidence across key areas including creditors, debtors, contract review, income and expenditure did not meet the expected standard.
Timeliness and quality of evidence supporting key accounting estimates	Requires improvement			Our review of property valuations identified ongoing differences in judgment and methodology applied by management’s valuation specialist, particularly in determining yields. These variances have resulted in certain property valuations falling outside reasonable ranges.
Access to finance team and personnel to support the audit in accordance with agreed project plan	Effective			Generally, there were no issues with access to the finance team and key personnel.
Volume and value of identified misstatements	Requires improvement			We have identified misstatements related to the valuation of IP, PPE valued at DRC, as well as issues concerning debtors, creditors, income, expenditure, grants, cash and bank balances, and the implementation of IFRS 16.
Volume of misstatements in disclosure	Effective			A relatively small number of misstatements in disclosure were detected in our work.

Audit of financial statements (cont'd)

Progress to full assurance

Set out below is the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council's actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.



Assessment of Control Environment

Control deficiency

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you any significant deficiencies in internal control.

We have identified the following weaknesses in internal control, which we do not consider to be a significant deficiency, as well as continued scope for improvement in some areas based on our work undertaken to the date of this report. For clarity, these control weaknesses and the associated improvement actions relate to processes across the Council as a whole and are not attributable solely to the finance team. Several of the issues identified arise within other departments, and the required improvements should therefore be viewed as organisation-wide rather than finance-specific.

Preparation of Debtors and Creditors Listings at Year-End

Although we noted improvements since raising this control deficiency in 2023/24, challenges persisted in 2024/25. We continued to experience difficulties in obtaining breakdowns of debtors and creditors balances, showing the outstanding amount at 31st March 2025.

Specifically, we experienced difficulties obtaining breakdowns of debtor balances used to determine the bad debt provision and cash allocation balance relating to joint debtors. Furthermore, breakdowns of debtors and creditors classified by the Council as “reconciliations” continued to present challenges, as samples selected often required further disaggregation that was not initially provided as part of the listing. These challenges have resulted in considerable delays and inefficiencies, impacting the overall audit timeline and resource allocation. When listings cannot be provided, or are not provided on a timely basis, this can require additional or alternative procedures to be performed which exceeds those initially planned.

Recommendation: The Council should ensure that breakdowns of debtor and creditor balances outstanding at year-end are readily available and support the outstanding position, as opposed to in-year movements.

Inadequate Quality of Supporting Evidence

Financial reporting standards and internal control frameworks require that all transactions and balances be supported by complete, accurate, and reliable documentation to ensure transparency and prevent material misstatements.

During the audit, the quality of supporting evidence provided was below an acceptable standard in a number of areas. Specifically, evidence across key areas including creditors, contract review, income and expenditure—did not consistently meet the level of detail and reliability required for audit verification. There is insufficient oversight to ensure that supporting evidence is properly maintained and readily available for review. Poor-quality supporting evidence increases the risk of errors or misstatements in the financial statements going undetected and also leads to inefficiencies in the audit process.

Recommendation: The Council should strengthen internal controls over supporting evidence required by external auditors by:

- Establishing clear policies and procedures for oversight, including reviewing collected evidence to ensure it meets the required standard and fully addresses the auditors’ requests.
- Providing staff training to ensure those responsible for supplying supporting evidence understand what constitutes high-quality audit evidence.

Assessment of Control Environment (cont'd)

Control deficiency (cont'd)

Reconciliation of Unidentified Suspense Account

We noted an account balance within Short-Term Creditors titled 'Unidentified Suspense'. Based on management's explanation, this account serves as a year-end control account used to temporarily hold unmatched invoices where the liability is confirmed but the appropriate cost centre has not yet been identified. However, the existence of an opening balance indicates that items from prior periods have not been cleared, suggesting deficiencies in timely reconciliation and oversight. These unresolved items may include historic invoices that no longer meet the classification criteria for short-term creditors, raising concerns regarding the accuracy and appropriateness of reported liabilities.

Recommendation: Management should implement formal controls to ensure timely reconciliation and clearance of items within the "Unidentified Suspense" account. This should include:

- Regular review and reconciliation of the account to promptly identify and allocate unmatched invoices.
- Periodic assessment to ensure that historic items are appropriately classified and cleared from short-term creditors.
- Enhanced oversight and documentation of the reconciliation process to improve accuracy and appropriateness of reported liabilities.

Maintenance of the Contract Register

Our review of the Council's contract register identified several inconsistencies between the register and the underlying contract documentation. Additionally, for one contract the Council was unable to provide the contract, and reliance was placed on the latest invoice as an alternative procedure.

These discrepancies indicate weaknesses in the accuracy and completeness of the contract register data, which may impact financial reporting, monitoring, and compliance. Management has acknowledged these errors and has committed to making the necessary updates.

Recommendation: Management should implement formal procedures to ensure the accuracy and completeness of the contract register. This should include regular reconciliation of register entries to underlying contract documentation, prompt correction of discrepancies, and enhanced oversight of contract data maintenance. These measures will help strengthen financial reporting, monitoring, and compliance.

Lack of Supporting Documentation for SLA

During our review, we identified transactions in the current year that lacked supporting documentation. Specifically, the Service Level Agreement (SLA) used for these transactions has been rolled forward over several years, and the client was unable to provide a signed copy of the SLA. This absence of formal documentation raises concerns regarding the completeness and validity of the contractual arrangements supporting these transactions.

Recommendation: Management should take immediate steps to formalize and strengthen the contractual arrangements for the services in question. This includes locating and retaining a signed copy of the current Service Level Agreement (SLA) or, if unavailable, executing a new SLA with all relevant parties to ensure clarity and enforceability of terms. Additionally, management should implement a process for periodic review and renewal of SLAs, ensuring that signed copies are maintained and easily accessible. To enhance governance and oversight, we also recommend establishing a centralized contract register to track all agreements and support compliance with internal policies.

Assessment of Control Environment (cont'd)

Control deficiency (cont'd)

Lease Schedule Accuracy

Our review of the Council's lease schedule identified several inconsistencies between the schedule and the underlying lease agreements. There were instances of incorrect recording of annual rent, an incorrect break clause date relative to the signed lease agreement and inconsistent lease expiry date when compared to the signed lease agreement. These discrepancies highlight weaknesses in the accuracy and reliability of the lease schedule.

Recommendation: We recommend that management implement formal controls to ensure the accuracy and completeness of the lease schedule. This should include:

- Regular reconciliation of the lease schedule to the underlying signed lease agreements.
- Prompt correction of any discrepancies identified during the reconciliation process.
- Enhanced oversight and periodic review of lease data entries by a designated authority.
- Training for relevant staff on lease data management and documentation requirements.

Fixed Asset Register Updates

Our review identified that Teville Gate Surface Car Park and Durrington Station Car Park were included in the Fixed Asset Register (FAR) despite having been sold in previous years. Management has confirmed these disposals and subsequently removed the assets from the FAR. This situation highlights a control deficiency, as the FAR was not updated promptly to reflect asset disposals, indicating a lack of effective controls to ensure timely communication and recording of such changes.

Recommendation: We recommend that management implement formal controls, including a standardised process for notifying the finance team of disposals, periodic reconciliations between disposal records and the FAR, and review and approval of FAR updates by a designated officer.



03

Value for Money commentary

Value for Money

The Council's responsibilities for value for money

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

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

Our responsibilities

Under the NAO Code, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period. Our summary is below:

	Significant risk identified	Significant weakness identified
 <p>Financial sustainability How the Council plans and manages its resources to ensure it can continue to deliver its services.</p>	Risk of significant weakness identified in the criterion: how the body plans to bridge its funding gaps and identifies achievable savings.	Significant weakness identified
 <p>Governance How the Council ensures that it makes informed decisions and properly manages its risks.</p>	Risk of significant weakness identified in the criterion: 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.	Significant weakness identified
 <p>Improving economy, efficiency and effectiveness How the Council uses information about its costs and performance to improve the way it manages and delivers its services.</p>	No significant risks identified	No significant weaknesses identified



VFM commentary: Financial Sustainability

Financial sustainability: Our audit procedures

Our audit procedures obtained assurance over the arrangements in place for the Financial Sustainability sub-criteria set out in AGN03:

- How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the body plans to bridge its funding gaps and identifies achievable savings;
- How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Significant risks identified during planning procedures

Within our Audit Planning Report our VFM planning was not complete, but we highlighted considerations over the Council's application for Exception Financial Support (EFS). In prior years, no significant weaknesses were identified and there are no outstanding recommendations relating to prior years. On completion of our planning, we did consider this to be a risk of significant weakness. This constitutes a new risk of significant weakness

We have completed our procedures in this area. The Council has faced sustained financial pressures arising from increased housing demand and the growth of supported accommodation within the Borough since 2022/23. While it has managed to absorb much of this pressure alongside sector-wide austerity impacts, the Council is unable to set a balanced budget for 2025/26 without additional funding. As a result, it has applied to the Ministry of Housing, Communities, and Local Government (MHCLG) for £2 million in EFS to achieve a balanced budget for 2025/26. Although this support provides temporary relief, it highlights the urgent need for sustainable financial strategies and strengthened governance to ensure long-term financial resilience.

Overview of our conclusions

Conclusion: The Council's reserves are insufficient to absorb the projected revenue overspend, indicating that the 2025/26 budget is not soundly based. Additional EFS is required. We are unable to conclude that the Council had proper arrangements in place to manage its financial position, and the absence of such arrangements represents a significant weakness in securing value for money.

Recommendation: The Council should continue to strengthen its immediate, medium- and long-term financial planning to ensure resilience against emerging pressures. This should include:

- ▶ Regularly updating financial forecasts to reflect the latest performance trends and risk factors. Consider increasing the frequency of reporting to members during this period of financial pressures.
- ▶ Establishing early warning indicators and reporting mechanisms to Members to enable timely corrective action if financial performance deteriorates further.
- ▶ Developing and monitoring further detailed savings delivery plans with clear accountability arrangements.



Financial Sustainability considerations

Medium Term Financial Planning

The Council prepares a five-year revenue budget as part of its medium-term financial planning. The budget strategy for 2024/25 to 2028/29 was prepared with the aim to deliver the Council's service delivery objectives outlined in its 3-year plan. These forecasts are updated throughout the year to give the Council a clear view of the forthcoming financial challenges and consider the fall in government funding. The Council has consequently identified significant budget reductions over the period 2024-25 to 2028-29. The 2024/25 Revenue Budget, approved on 6 February 2024, was initially set with a budget gap of £2.285 million, projected to rise to £7.886 million by 2028/29. The Council subsequently identified savings of £2.285 million, which brought the position to a balanced budget. Despite these savings and the implementation of an organisational redesign, the Council continued to face significant pressure in balancing future budgets.

To address this challenge, the Council agreed a budget strategy in 2024/25 through 5 major work streams: developing commercial income: investing in property to support service objectives: tackling homelessness: reviewing and rationalising property holdings; and the delivery of a customer and digital strategy. In addition, the Council continues to pursue savings through efficiency reviews, good procurement and base budget reviews.

The 2025/26 budget was approved as a balanced budget by the Council on 4 February 2025 and highlighted medium-term budget gaps that need to be addressed. To achieve balance, the Council proposed a council tax increase of 2.99% and applied to the Ministry of Housing, Communities and Local Government (MHCLG) for £2 million in EFS, primarily due to unsustainable financial pressures from housing demand and insufficient grant funding. While the EFS provides temporary relief, it underscores the critical need for sustainable financial strategies and robust governance frameworks to ensure long-term financial health and resilience.

Given these financial pressures, the Council must identify significant savings or generate additional income over the medium term to maintain a balanced budget, particularly if it aims to deliver on its service objectives, and be financially sustainable. The budget setting report in February 2025 made clear that the reserves needed to be rebuilt, and that this would only be possible with the EFS.

We note that both the 2024/25 and 2025/26 approved Revenue Budgets indicate a widening cumulative budget gap from 2026/27 onward (with 2025/26 balanced through the use of EFS). This gap is primarily driven by rising salary costs, significantly reduced government grant support, increased temporary accommodation expenses, and higher borrowing costs. Please refer to **Exhibit A** on the next page.

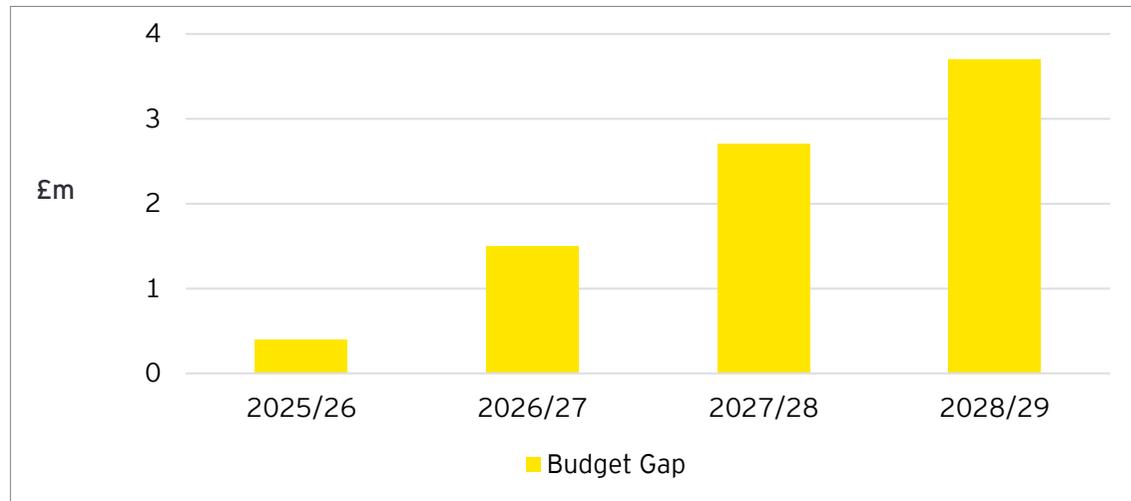


Financial Sustainability considerations (cont'd)

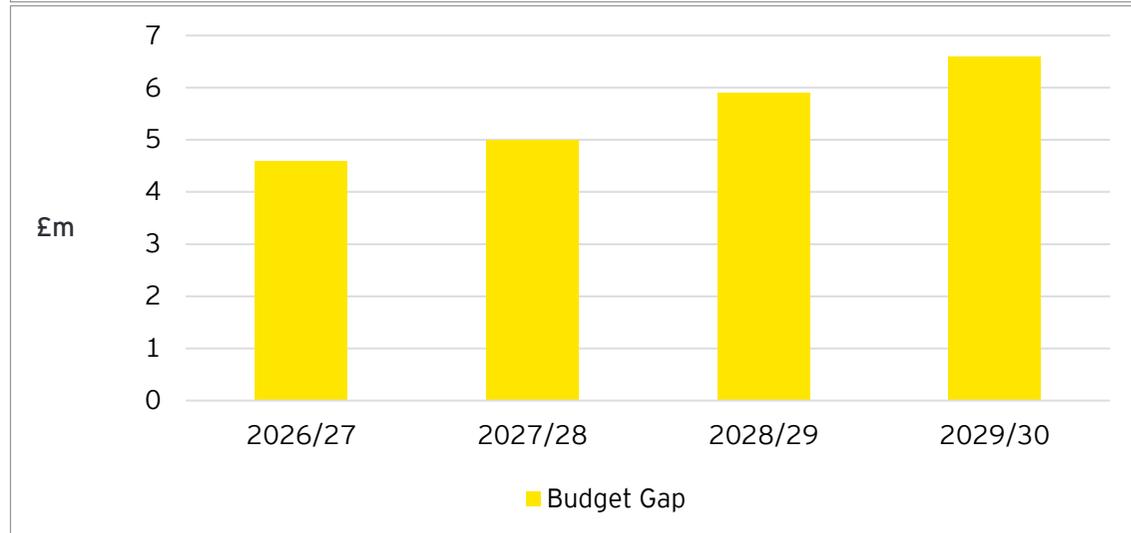
Medium Term Financial Planning continued

Exhibit A: The Council's MTFP outlines a cumulative gap of £3.659 million by 2028/29 and £6.544 million by 2029/30

▶ 2024/25 Approved Revenue Budget



▶ 2025/26 Approved Revenue Budget





Financial Sustainability considerations (cont'd)

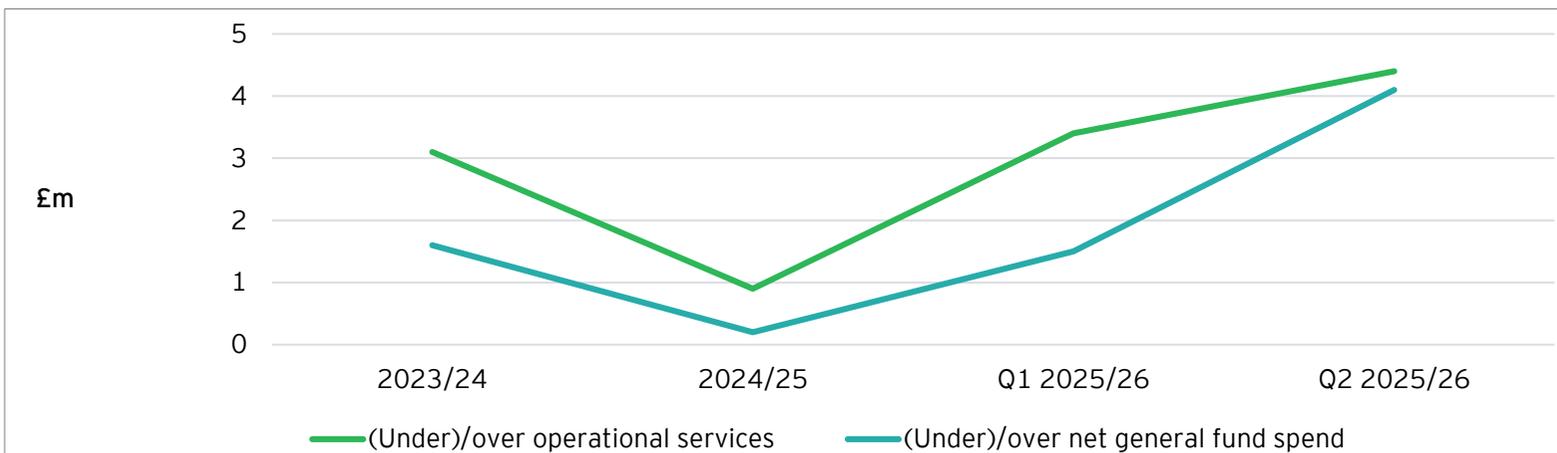
2024/25 Outturn Position and current budget monitoring

The Council's Joint Strategic Committee has maintained oversight of the Council's financial performance, with revenue budget performance reported to the Committee at least quarterly. For the year ending 31 March 2025, the Council reported an overspend of £0.235 million against a general fund budget of £15.225 million and an overspend of £0.855 million for operational services. This did represent a significant improvement compared to the 2023/24 position, which reported overspends of £1.637 million and £3.052 million, respectively.

However, the Council's financial position remains fragile. The first (Q1) and second quarter (Q2) revenue monitoring reports for 2025/26 show net overspends of £1.5 million and £4.115 million in the General Fund, and £3.41 million and £4.434 million in operational services, respectively, before EFS. These figures indicate that the financial position has deteriorated significantly compared to the 2024/25 year-end position. This suggests that the Council is not achieving, or is significantly delaying, the savings planned under its financial and savings strategies to reduce overspending. Based on Q2 indicating further deterioration from Q1 projections, we have concluded that the 2025/26 budget is not soundly based. We are unable to conclude that the Council had proper arrangements in place to manage its financial position, and the absence of such arrangements represents a significant weakness in the Council's arrangements to secure value for money. Refer to Exhibit B below and Exhibit C on the next page

The Council has a suite of budget management controls in place to control in-year spend and this has supported both the mitigation of overspends where possible and the delivery of in-year savings. These controls include a developed set of in-year initiatives that include tighter controls on external spend, vacancy management and agency and consultant spend. In addition, the Council has a Budget Management Group which meets weekly to review spend requests above £25,000, and sub £25,000 requests are considered daily by a triage group. In-year initiatives are being carefully tracked to ensure delivery, and service reviews undertaken to ensure any impact is understood to support communications to staff, members, and the public. However, due to the operational pressures a further increase in EFS looks likely to be required.

Exhibit B: The Council's budget monitoring reports outlined an increasing overspend





Financial Sustainability considerations (cont'd)

2024/25 Outturn Position and current budget monitoring continued

Exhibit C: The Council recorded an overall overspend against budget in 2024/25

Budget Area	2024/25 outturn			2025/26 projections (Q2)		
	Budget £m	Expenditure £m	(Underspend) /Overspend £m	Budget £m	Expenditure £m	(Underspend) /Overspend £m
Leader	0.9	0.9	0	0.9	0.7	(0.3)
CM for Environment & Leisure	4.9	4.6	(0.3)	5.3	6.5	1.2
CM for Safety Equalities & Inclusion	1.3	1.2	(0.1)	1.4	1.6	0.2
CM for Housing & Citizen Services	4.7	6.5	1.8	4.7	7.7	3.1
CM for Regeneration	0.1	1.7	1.6	(0.2)	(0.3)	(0.1)
CM for Resources	0.3	(1.7)	(1.9)	2.1	2.2	0.1
CM for Culture, Leisure & Wellbeing	4.2	3.7	(0.5)	4.1	4.1	0
Holding Accounts	0.5	0	(0.5)	0	0	0
TOTAL CABINET MEMBER	16.9	16.9	0	18.8	22.9	4.1
Credit Back Depreciation	(3.8)	(4.3)	(0.5)	(3.8)	(3.8)	0
Minimum Revenue Provision	1.9	1.9	0	1.9	1.9	0
Net Overspend before reserve transfers & EFS	14.9	14.5	(0.4)	16.9	21.1	4.1
Transfer (from) / to reserves	0.3	1.0	0.7	0.3	0.3	0
Exceptional Financial Support	n/a	n/a	n/a		(2)	(2)
Net over/(underspend)	15.2	15.5	0.2	17.2	19.4	2.1



Financial Sustainability considerations (cont'd)

Savings plans

The Council continues to pursue savings through efficiency reviews, procurement improvements, and base budget reviews. Each year, a detailed schedule of individual savings proposals is prepared and incorporated directly into the budget. Progress is monitored through the Council's Committee structure to enable corrective action where necessary. However, as the quarter-one monitoring report for 2025/26 indicates a significant deterioration from the 2024/25 year-end position, the Council's reserves remain critically low.

The Council's financial strategy contained the following areas of savings

- ▶ **Organisational Design Work:** The organisational redesign program is a central component for Worthing Borough Council's strategy to address ongoing financial challenges, enhance service delivery and build long-term resilience. The program was launched in response to significant budget pressures, rising demand for services (particularly in housing), and the need to modernize and streamline council operations. The Council has delivered planned savings from the organisational design work over two years (2024/25 to 2025/26), targeting to achieve savings of over £4 million across Adur and Worthing, with £1.344 million in savings for Worthing in 2025/26 (Year 2 savings). This included a line-by-line review of budgets and a comprehensive redesign of services, leading to operational improvements in resilience and adaptability. This not only directly closes the budget gap but also improves operational efficiency, making the Council more resilient to future financial challenges.
- ▶ **Service Budget Reviews:** Additional savings of £0.288 million are being sought through service budget reviews. Actively seeking additional savings through ongoing reviews of service budgets ensures continuous optimization of spending and helps to reduce any existing or projected budget shortfalls.
- ▶ **Maximising Commercial Income:** The Council aims to maximise commercial income through fees and charges, such as parking and bereavement services, with proposed amendments based on inflationary pressures, market benchmarks, and affordability (minimum 2.5% increase).
- ▶ **Cost Recovery Activities:** Plans include introducing charges for replacement bins for those not receiving council tax support. Introducing charges for services like replacement bins for those not receiving council tax support helps the Council recover costs, reducing expenditure and contributing to a healthier budget.

The above measures have resulted in the identification of £2.285 million in savings proposals for 2024/25, decreasing to £1.633 million for 2025/26.

Refer to **Exhibit D** on the next page.

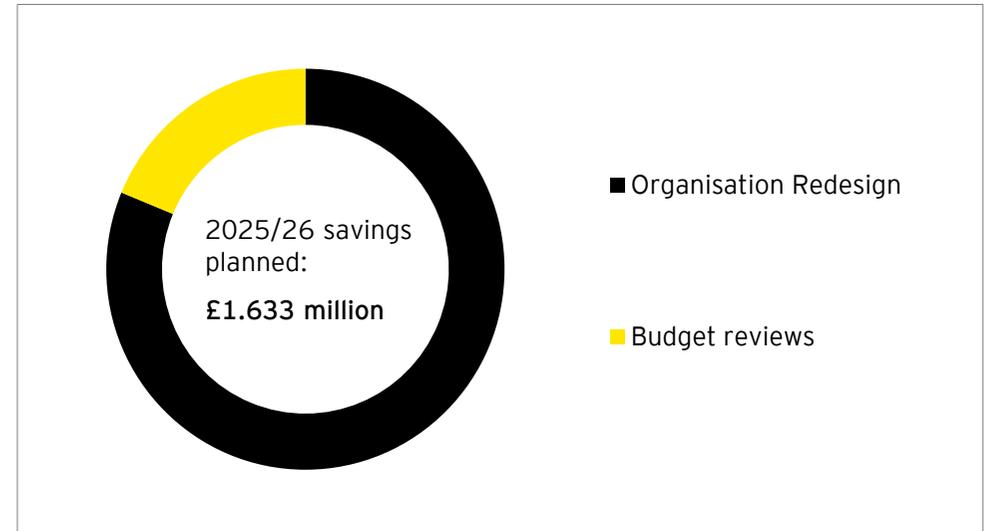
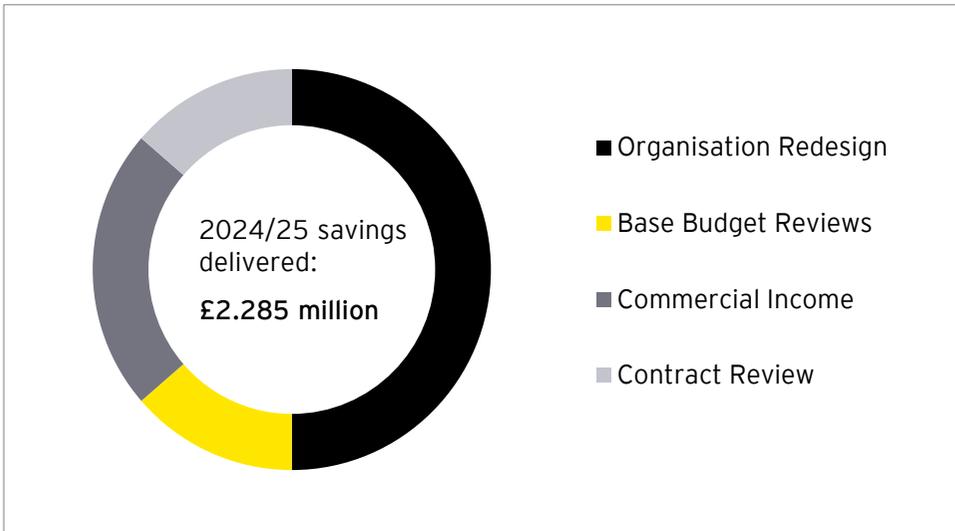
We reviewed these strategies and we did consider them reasonable and deliverable. The approach distributes cost-saving measures across multiple service areas, reducing dependency on any single function. Most savings assumptions are realistic, based on inflationary adjustments, efficiency gains, and service redesign. The Council has demonstrated strong in-year savings performance in 2024/25, reducing a projected overspend of £1.5 million to £0.235 million (actual) through organisational redesign and spending controls. However, the current budget reporting casts doubt on their sufficiency and their deliverability in terms of timing.



Financial Sustainability considerations (cont'd)

Savings plans continued

Exhibit D: The Council delivered £2.285 million of recurring savings in 2024/25, and expects to deliver a further £1.633 million in 2025/26



Reserves position

The Council's policy is to maintain the General Fund Working Balance between 6% and 10% of net revenue expenditure. As of 31 March 2025, the balance stood at £0.754 million, representing 5% of net revenue expenditure (down from 8.5% in 2023/24). This is slightly below the recommended range of 6-10% set by the Council, although further earmarked revenue reserves were available. It should be noted that the overall level of reserves is very low, highlighting the importance of closely monitoring financial performance and commitments. The outturn position has further depleted these reserves, and the Council should continue to enforce spending controls for the foreseeable future. While the financial strategy includes plans to rebuild reserves over future years, this can only occur if resources are available.

The Council holds a limited level of available reserves, and their utilisation is a matter of concern as it reduces the Council's ability to absorb financial shocks in future years. This is a key driver for ongoing efforts to strengthen the Council's financial position. The first-quarter report for 2025/26 indicates that, after funding the forecast overspend, available reserves are projected to fall from £1.580 million to £0.111 million, critically below the recommended policy range (6-10% of net revenue expenditure). This severely limits the Council's capacity to manage future financial pressures. General reserves are projected to reach £2.558 million in 2026/27 and are expected to increase to £3.408 million by the end of 2027/28.



Financial Sustainability considerations (cont'd)

Reserves position - continued

The Council also holds earmarked reserves of £1.783 million as of 31 March 2025, a decrease from £2.192 million on 31 March 2024. The Council projected that earmarked reserves will increase from £2.693 million in 2025/26 to £4.162 million by the end of 2027/28. Refer to **Exhibit E**, below.

However, the recent forecasts for the 2025/26 budget cast doubt whether the projections for both the general reserve and earmarked reserves can be achieved.

Over the past year, the Council has minimised new calls on these resources, instead leveraging capital receipts to fund initiatives that generate budget savings where possible. However, the size and nature of risks to the overall budget leave little scope for using reserves to support new ongoing spending initiatives.

The Council needs to maintain its current policy of allocating scarce earmarked reserves to:

- ▶ Supporting one-off rather than recurring revenue expenditure;
- ▶ Addressing short-term pressures in the revenue budget; and
- ▶ Managing risks to the Council's overall financial position.

Exhibit E: The Council's General Reserve is expected to remain stable over the next few years, while earmarked reserves are projected to increase.





Financial Sustainability considerations (cont'd)

Financial Sustainability conclusion

The Council has implemented a comprehensive strategy to restore financial stability, combining cost reduction measures, income generation initiatives, and proactive financial planning to address immediate budget pressures and build long-term resilience. In addition, the Council has proactively identified the need for EFS to bridge its financial gap and has followed the required procedures to secure this support. This bridged the initial critical gap and ensuring a balanced budget for 2025/26 where there weren't sufficient savings to offset the pressures particularly within the homelessness budgets.

However, From discussions with Section 151 Officer, we understand that the Council is likely to request an additional amount for 2025/26, in addition to the £2 million already requested. Given the ongoing challenges faced by the Council it is also likely that the Council will seek to extend the EFS into 2026/27.

We note that the Council's financial position remains fragile, with the second quarter of 2025/26 indicating a deterioration compared with both the 2024/25 year-end position and the first quarter of 2025/26. The predicted reserves are at a critically low level. In relation to the deteriorating position, the Council's Section 151 Officer is required to keep a close review on the projections, and if appropriate consider whether to make a report under Section 114 (3) of the Local Government Finance Act 1988 (a 'Section 114 Notice') which requires that:

"The chief finance officer of a relevant authority shall make a report under this section if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure"

The continued deterioration in the Council's financial position significantly increases the risk that a Section 114 Notice will need to be issued.

The decision as to whether to issue a Section 114 Notice is a personal one for the Council's Section 151 Officer and is a key judgement they have to make. We have been made aware that discussions over increasing the EFS are ongoing with MHCLG. The s151 officer may need to seek legal advice on their decision whether to issue a Section 114 Notice whilst discussions regarding extending the exceptional financial support with MHCLG are ongoing.

Conclusion: The Council's reserves are insufficient to absorb the projected revenue overspend, indicating that the 2025/26 budget is not soundly based. Additional EFS is required. We are unable to conclude that the Council had proper arrangements in place to manage its financial position, and the absence of such arrangements represents a significant weakness in securing value for money.

Recommendation: The Council should continue to strengthen its immediate, medium- and long-term financial planning to ensure resilience against emerging pressures. This should include:

- ▶ Regularly updating financial forecasts to reflect the latest performance trends and risk factors. Consider increasing the frequency of reporting to members during this period of financial pressures.
- ▶ Establishing early warning indicators and reporting mechanisms to Members to enable timely corrective action if financial performance deteriorates further.
- ▶ Developing and monitoring further detailed savings delivery plans with clear accountability arrangements.



VFM commentary: Governance

Governance: Our audit procedures

Our audit procedures obtained assurance over the arrangements in place for the Governance sub-criteria set out in AGN03:

- How the body monitors and assesses risk and how the body gains assurance over the effective operations of internal controls, including arrangements to prevent and detect fraud;
- How the body approaches and carries out its annual budget setting process;
- How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- 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/Joint Audit and Governance Committee; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer and member behaviour (such as gifts and hospitality or declarations/conflicts of interests), and for example where it procures or commissions services.

Significant risks identified during planning procedures

Within our Audit Planning Report, we identified no risks of a significant weakness in the Council's governance arrangements. In prior years, no significant weaknesses were identified and there are no outstanding recommendations relating to prior years.

We have updated our planning and identified a risk of significant weakness in relation to the Limited Assurance Opinion of the Head of Internal Audit (HoIA). This represents a new significant weakness. The HoIA issued a Limited Assurance Opinion for 2023/24, and based on the draft 2024/25 Internal Annual Report, the opinion for the current financial year is also expected to be Limited Assurance. The continuation of a Limited Assurance Opinion across two consecutive financial years highlights a risk of persistent and systemic issues with the effectiveness of the Council's internal control framework.

Overview of our conclusions

Based on the work performed, we have identified a significant weakness in the arrangements that we will be reporting by exception in relation to the Limited Assurance Opinion issued by the Head of Internal Audit.

Recommendation: Those Charged With Governance should ensure that officers are held accountable for completing the action plan addressing the Internal Audit Limited Assurance opinion. Members should seek regular updates and evidence to confirm that the agreed actions are fully implemented, achieve their intended outcomes, and are embedded within the Council's governance and operational processes.



Governance considerations

Annual Governance Statement

The Annual Governance Statement (AGS) reports on the effectiveness of the Council's governance arrangements throughout the financial year. Its purpose is to ensure that business is conducted lawfully, in accordance with proper standards, and that public funds are safeguarded and used efficiently. The statement is structured around the seven principles outlined in the CIPFA Framework: Delivering Good Governance in Local Government (2016).

The draft AGS is presented alongside the current Governance and Progress Report. This document applies the seven principles of the CIPFA Framework to develop an action plan that the Council can follow and monitor, ensuring compliance with all requirements.

The statement shows that, of 26 individual points, 23 are rated Progressing Well (Green) and 3 are Being Closely Monitored (Amber). The number of action plans with an Amber status has decreased from 4 to 3 compared to the prior year, indicating continued efforts by the Council to strengthen compliance with the Code of Corporate Governance.

The AGS confirms that the Council's governance framework was in place throughout the year ended 31 March 2025 and remains effective up to the approval of the Statement of Accounts. Any significant events or developments affecting governance between the reporting date and the signing of the accounts by the responsible Assistant Director, Finance (Section 151 Officer), have been disclosed.

Risk Management

The Council continues to maintain adequate arrangements to monitor and assess risk. The Council's risk management framework guides the development of risk and opportunity management at a strategic and operational level and to ensure that risks are appropriately managed and controlled. This aids the achievement of the Council's strategic priorities, supports its decision-making processes and protects its reputation and other assets and is compliant with statutory and regulatory obligations. These risks are identified as a routine process of all services, and these are regularly reviewed and updated.

Primary oversight of the risk management framework is the responsibility of the Council with some aspects delegated to Joint Audit & Governance Committee and Joint Strategic Committee. These committees meet on a regular basis during which key issues are raised and addressed with effective challenge from members.

This risk management framework is supported and informed by the work of the Council's Internal Audit function.

Internal audit arrangements

Internal audit services for the Council are provided by the external firm Mazars. The Internal Audit Service delivers reviews of internal control systems. It objectively examines, evaluates, and reports on the adequacy and effectiveness of these controls.

Internal audit progress reports are presented on a quarterly basis throughout the year



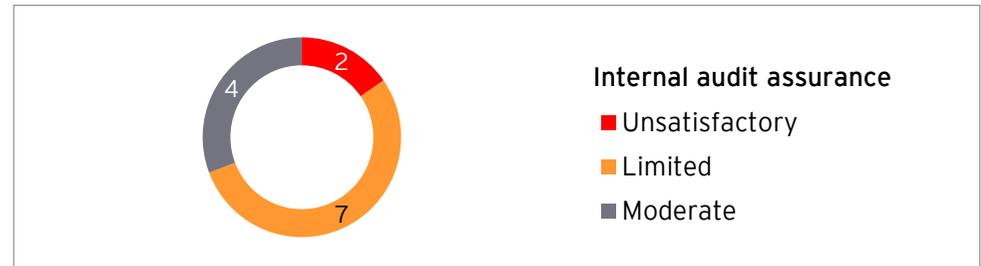
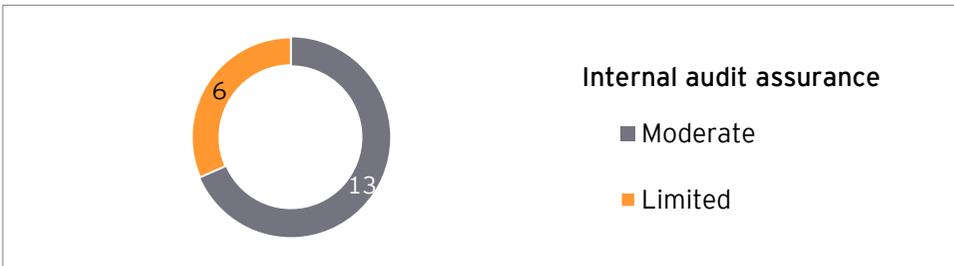
Governance considerations (cont'd)

Internal Control

The Head of Internal Audit (HoIA) issued a Limited Assurance Opinion for 2023/24. Based on the draft 2024/25 Internal Annual Report, the HoIA's Opinion for the current financial year is also anticipated to be Limited Assurance. This continuity of a limited assurance opinion across two consecutive financial years highlights a persistent issue with the effectiveness of the Council's internal control framework.

The draft HoIA Annual Report for 2024/25, which includes the overall opinion, reported that seven Limited Assurance and three Unsatisfactory Assurance reviews were issued out of a total of 22 audit and advisory reviews undertaken during the year, with a further four reviews receiving Moderate Assurance. This distribution of assurance ratings reflects a heightened level of control weaknesses across key areas of the Council's operations.

Exhibit F: Internal audit's assurance opinions for 2023/24 and 2024/25



We examined reports that contributed to the Limited Assurance opinion to evaluate whether the underlying issues represented a significant weakness. Our analysis identified several recurring root causes that we consider to have a direct impact on the Council's ability to demonstrate the effective operation of internal controls, including those designed to prevent and detect fraud. These root causes include:

- ▶ Lack of Robust Review and Monitoring Mechanisms:
- ▶ Inadequate Documentation and Defined Processes: A theme of lack of formally documented policies and procedures, including unclear roles and responsibilities;
- ▶ Resource Constraints: Staff shortages and high turnover have hindered the effective operation of key controls, reducing accountability and delaying corrective actions;
- ▶ Immature Project Management Practices: The absence of structured project management frameworks and an over-reliance on external consultants for risk ownership have contributed to weaknesses in the governance of major projects.
- ▶ Poor data quality across systems: coupled with system errors and a lack of consistent data transformation controls, impacts the accuracy and reliability of information. This issue links to the previously reported significant weakness concerning non-compliance with Housing Standards in Adur Homes' housing stock.

Conclusion: We consider these recurring themes to be indicative of a significant weakness in the Council's VFM arrangements. The systemic nature of these issues suggests that improvements are required not only at the individual service level but also through strengthened corporate governance and oversight.



Governance considerations (cont'd)

Informed decision making and member challenge

All decisions of the Council and these Committees are accompanied by a detailed report which details the rationale for the decision, the options considered, legal advice and financial advice. Under the constitution, all decisions may be called in by members for review prior to implementation on specific grounds. These reviews are the purview of the Overview and Scrutiny Committee.

To allow for transparency the Council publishes performance information on its website, which includes budget and other financial information, operational performance reports, and other information as required under the Local Government Transparency Code. It has a procurement team who provide advice and issue clear guidelines for procuring goods and services, and it publishes information to the Council and its Committees in advance of meetings, and delegated decision records.

Future matters

Failure to prevent fraud:

The offence of failing to prevent fraud, as introduced by the Economic Crime and Corporate Transparency Act 2023, became effective on 1 September 2025. The Home Office has published statutory guidance (most recently updated in October 2025) which organisations must consider. This guidance outlines the core principles for establishing, reviewing, or enhancing anti-fraud procedures.

The Council should review its existing fraud policy and procedures against the latest Home Office guidance. If this review has not yet taken place, it should be prioritised to ensure compliance with the Act and to mitigate the risk of enforcement action.

Local Government Reorganisation:

Local Government Reorganisation is expected to pose challenges for local authorities over the next year. During this period of change, the Council must maintain essential services and fulfil statutory duties. According to MHCLG guidance issued in July 2025, decisions made by the Council prior to reorganisation regarding ongoing service delivery and the medium-term financial strategy should focus on providing value for money for taxpayers and avoid limiting future decisions or sustainability of new councils.

The government has stated that it will issue directions under section 24 of the 2007 Act after Structural Changes Orders are made, specifying a person authorized to give consent on relevant matters and outlining how this authority should be exercised. MHCLG has noted these directions will follow previous precedents, requiring written consent from the successor council for land disposals and contracts exceeding a specified value.

To comply with MHCLG guidance and forthcoming directions, councillors and statutory officers need to be aware of their responsibilities and ensure that appropriate accounting and governance systems are maintained.



VFM commentary: Improving economy, efficiency and effectiveness

Improving economy, efficiency and effectiveness: Our audit procedures

Our audit procedures include:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the body evaluates the service it provides to assess performance and identify areas for improvement;
- How the body ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess where it is meeting its objectives; and
- Where the body commissions or procures services, how it assesses whether it is realising the expected benefits.

Significant risks identified during planning procedures

Within our Audit Planning Report, we identified no risks of a significant weakness in the Council's arrangements for improving economy, efficiency and effectiveness. In prior years, no significant weaknesses were identified and there are no outstanding recommendations relating to prior years.

The Council's underlying arrangements in relation to improving economy, efficiency and effectiveness are not significantly different in 2024/25.

Overview of our conclusions

Based on the work performed, the Council had proper arrangements in place in 2024/25 in how it uses information about its costs and performance to improve the way it manages and delivers its services.



Improving economy, efficiency and effectiveness considerations (cont'd)

Financial and performance information

Organisational performance management is undertaken through a six-monthly review of the targets, outputs and outcomes described in the Council's Plan. Information is gathered through various performance management arrangements to produce the "6 monthly Platforms Performance Report" and is presented to the Joint Strategic Committee and Joint Overview & Scrutiny Committee bi-annually.

Platform performances are reviewed, and areas of improvement implemented through multidisciplinary and directorate teams that oversee the delivery of council activities under each Platform Priority. The Council's Leadership Team takes overall accountability at an officer level for delivery of Platforms through quarterly Council Leadership Team Platform performance meetings.

Each head of service works within the above arrangements and is responsible for assisting in the process of both identifying and addressing areas of improvement within their service areas. Where services are linked and have shared Platform outcomes, officers deliver performance improvements through multidisciplinary arrangements. These performance arrangements described above are integrated with financial management and budget forward planning arrangements.

Any issues identified by internal audit are furthermore monitored via the internal audit app and reported to the Joint Audit & Governance Committee four times a year. Officers not taking sufficient action on these service improvements may be requested to report to the Committee. The Council's service delivery objectives are detailed in its 3-year Corporate Plan. Most services have performance information and standards used to compare and assess performance with other Councils or with nationally recognised performance frameworks (e.g. Housemark, DWP, national planning indicators).

Internal audit and customer feedback are also used to inform which services require improvement. Where a service is identified in need of improvement a transformation team is set up to support service improvement.

Partnership working

The Council has developed a consultation policy which reflects its ambition to enable and empower communities to shape the places within which they live and work, influence formal decision making and make informed choices around the services they receive. This policy is available on the Council's website. To be effective this policy aims to inspire and support a genuine two-way dialogue with all sections of the community and other stakeholders. There are several ways people can get involved and connect with the council. Residents have the option to engage in a dialogue through social media sites, petition schemes, stakeholder forums, tenant associations, council meetings (open to the public), and their local Councillor.

Internally, a consultation toolkit has also been developed to guide council staff through the consultation process. The agreed process ensures that engagement activity is relevant, accessible, transparent and responsive. To increase awareness, consultations are proactively promoted. A list of current district-wide consultations is available on the Council website.

There is a clear and transparent complaints procedure for dealing with complaints. The Council operates a three-stage complaints procedure and promises to acknowledge complaints within 5 working days and respond fully within 10 working days for first-stage complaints, and 15 working days for second-stage complaints. If complainants remain dissatisfied, they have the right to refer the matter to the Local Government Ombudsman.



Improving economy, efficiency and effectiveness considerations (cont'd)

Partnership working continued

The Council operates one significant partnership (Adur Worthing Joint Committee) although it participates in other partnerships across the Council. There is a governance framework for the Adur / Worthing partnership whereby decisions are made through a series of joint committees. This is set out in the Council's Constitution. There are also separate budget and management accounts for the Joint Committee which is reported as part of the overall budget monitoring and outturn processes.

Procurement and commissioning of services

The Councils have published Contract Standing Orders as part of its Constitution which detail how it procures services. The Council also has a team of qualified procurement officers supplemented by support from the larger procurement team at Orbis.

In line with the above-mentioned standing procedures, any procurement over £25,000 must be referred to the Council's procurement team to ensure that the proposed procurement will deliver the expected outcome, and to ensure that the Council is complying with relevant legislation. All contracts are referred to legal, who will ensure that the procurement process has been complied with prior to approving the form of contract. The Council will also commission external expert advice where a proposed procurement is particularly complex or difficult.



04 Appendices

Appendix A – Recommendations from current year

Recommendations from 2024/25

The table below sets out the recommendations arising from the value for money work for the year 2024/25. All recommendations have been agreed by management.

Issue	Recommendation	Progress made in 2023/24 & Management response
<p>VFM: Financial Sustainability:</p> <p>The Council has faced sustained financial pressures arising from increased housing demand and the growth of supported accommodation within the Borough since 2022/23. While it has managed to absorb much of this pressure alongside sector-wide austerity impacts, the Council is unable to set a balanced budget for 2025/26 without additional funding. As a result, it has applied to the Ministry of Housing, Communities, and Local Government (MHCLG) for £2 million in EFS to achieve a balanced budget for 2025/26. Although this support provides temporary relief, it highlights the urgent need for sustainable financial strategies and strengthened governance to ensure long-term financial resilience.</p>	<p>The Council should continue to strengthen its immediate, medium- and long-term financial planning to ensure resilience against emerging pressures. This should include:</p> <ul style="list-style-type: none"> ▶ Regularly updating financial forecasts to reflect the latest performance trends and risk factors. Consider increasing the frequency of reporting to members during this period of financial pressures. ▶ Establishing early warning indicators and reporting mechanisms to Members to enable timely corrective action if financial performance deteriorates further. ▶ Developing and monitoring further detailed savings delivery plans with clear accountability arrangements. 	<p>The Council uses Pixel Modelling data in the development of its medium- and long-term financial planning documents, in particular there has been recent uncertainty in relation to fairer funding and how this formula would influence the funding for Worthing Borough Council.</p> <p>Cabinet members are regularly briefed on financial performance across the year, and the Joint Strategic Committee receives regular in-depth quarterly reporting.</p> <p>We accept the recommendations, and highlight the significant work already underway in this area</p>
<p>VFM: Governance</p> <p>The HoIA issued a Limited Assurance Opinion for 2023/24. Based on the draft 2024/25 Internal Annual Report, the HoIA's Opinion for the current financial year is also anticipated to be Limited Assurance. This continuity of a limited assurance opinion across two consecutive financial year underscores a persistent and systemic issue with the effectiveness of the Council's internal control framework.</p>	<p>Those Charged With Governance should ensure that officers are held accountable for completing the action plan addressing the Internal Audit Limited Assurance opinion. Members should seek regular updates and evidence to confirm that the agreed actions are fully implemented, achieve their intended outcomes, and are embedded within the Council's governance and operational processes.</p>	<p>A process of monitoring and reporting is undertaken by the internal auditor Forvis Mazars who report to public meetings of the Joint Audit and Governance Committee regularly. Members actively engage in questions and debate at the committee and since the year end reports have been delivered showing significant improvements in response rates and follow up responses. We accept the recommendation and highlight the good work already underway and continuing in this area.</p>

Appendix A – Recommendations from current year (cont'd)

Recommendations from 2024/25 (cont'd)

Issue	Recommendation	Progress made in 2023/24 & Management response
<p>Financial Statements - Preparation of Debtors and Creditors Listings at Year-End</p> <p>Although we noted improvements since raising this control deficiency in 2023/24, challenges persisted in 2024/25. We continued to experience difficulties in obtaining breakdowns of debtors and creditors balances, showing the outstanding amount at 31st March 2025.</p> <p>Specifically, we experienced difficulties obtaining breakdowns of debtor balances used to determine the bad debt provision and cash allocation balance relating to joint debtors. Furthermore, breakdowns of debtors and creditors classified by the Council as “reconciliations” continued to present challenges, as samples selected often required further disaggregation that was not initially provided as part of the listing. These challenges have resulted in considerable delays and inefficiencies, impacting the overall audit timeline and resource allocation. When listings cannot be provided, or are not provided on a timely basis, this can require additional or alternative procedures to be performed which exceeds those initially planned.</p>	<p>The Council should ensure that breakdowns of debtor and creditor balances outstanding at year-end are readily available and support the outstanding position, as opposed to in-year movements.</p>	<p>We have noted a significant improvement in the current year, as the listing provided enabled us to select samples effectively. However, two exceptions remain:</p> <ul style="list-style-type: none"> ▶ Breakdown of debtor balances used to determine the bad debt provision and cash allocation balances relating to joint debtors were not readily available. We experienced difficulties obtaining breakdowns of these balances. ▶ Breakdowns of debtors and creditors classified by the Council as “reconciliations” continued to present challenges, as samples selected often required further disaggregation beyond what was initially provided in the listing. <p>Therefore, this is partially implemented. Continued efforts are required to ensure complete and detailed breakdowns for all relevant balances, particularly those relating to bad debt provisions, joint debtor allocations, and reconciliation items.</p>

Appendix A – Recommendations from current year (cont'd)

Recommendations from 2024/25 (cont'd)

Issue	Recommendation	Progress made in 2023/24 & Management response
<p>Financial Statements - Inadequate Quality of Supporting Evidence</p> <p>Financial reporting standards and internal control frameworks require that all transactions and balances be supported by complete, accurate, and reliable documentation to ensure transparency and prevent material misstatements.</p> <p>During the audit, the quality of supporting evidence provided was below an acceptable standard in a number of areas. Specifically, evidence across key areas including creditors, contract review, income and expenditure—did not consistently meet the level of detail and reliability required for audit verification. There is insufficient oversight to ensure that supporting evidence is properly maintained and readily available for review. Poor-quality supporting evidence increases the risk of errors or misstatements in the financial statements going undetected and also leads to inefficiencies in the audit process.</p>	<p>The Council should strengthen internal controls over supporting evidence required by external auditors by:</p> <ul style="list-style-type: none"> ▶ Establishing clear policies and procedures for oversight, including reviewing collected evidence to ensure it meets the required standard and fully addresses the auditors' requests. ▶ Providing staff training to ensure those responsible for supplying supporting evidence understand what constitutes high-quality audit evidence. 	<p>During the audit, it became evident that certain documentation was either insufficient or not transitioned from verbal meetings to formal records. This lack of centralised access hindered the accounting team's ability to demonstrate to the auditors the sound decision making behind some transactions. This was further compounded by the increased staff turnover during the organisational redesign.</p> <p>To rectify this, we are currently strengthening the control environment for the upcoming financial year. These improvements focus on centralised digital archiving, stricter project governance, and enhanced internal communication channels to ensure all evidence is captured, stored, and accessible in real-time. While we expect to see marked improvements during the 2025/26 cycle, the timing of these implementations means the full benefit will likely be realised in the 2026/27 year-end.</p> <p>We welcome the recommendation for staff training and are particularly grateful for the offer of support from the EY audit team. This collaboration represents significant added value that will benefit both parties. Early discussions have already commenced, with a training session planned for early summer 2026, prior to the start of formal audit work.</p>

Appendix A – Recommendations from current year (cont'd)

Recommendations from 2024/25 (cont'd)

Issue	Recommendation	Progress made in 2023/24 & Management response
<p>Financial Statements - Reconciliation of Unidentified Suspense Account</p> <p>We noted an account balance within Short-Term Creditors titled 'Unidentified Suspense'. Based on management's explanation, this account serves as a year-end control account used to temporarily hold unmatched invoices where the liability is confirmed but the appropriate cost centre has not yet been identified. However, the existence of an opening balance indicates that items from prior periods have not been cleared, suggesting deficiencies in timely reconciliation and oversight. These unresolved items may include historic invoices that no longer meet the classification criteria for short-term creditors, raising concerns regarding the accuracy and appropriateness of reported liabilities.</p>	<p>Management should implement formal controls to ensure timely reconciliation and clearance of items within the "Unidentified Suspense" account. This should include:</p> <ul style="list-style-type: none"> ▶ Regular review and reconciliation of the account to promptly identify and allocate unmatched invoices. ▶ Periodic assessment to ensure that historic items are appropriately classified and cleared from short-term creditors. ▶ Enhanced oversight and documentation of the reconciliation process to improve accuracy and appropriateness of reported liabilities. 	<p>The Council acknowledges that the "unidentified Suspense" account has historically been utilised as a practical year end control to capture transactions, in particular income from the bank for which the purpose of the payment has not been identified. Such transactions are inevitable, in the breadth of services provided and payment methods offered. However, we recognise that the retention of an opening balance indicates the need for more rigorous, periodic reconciliation to prevent the stagnation of historic items.</p> <p>The service in question underwent a significant redesign in late March 2025, involving a major team restructure. During this transition, a critical upgrade to the cash office system failed, and the third-party provider did not resolve the issue in a timely manner. This forced the manual allocation of approximately 600 transactions per day that would otherwise have been automated. The resulting pressure on the team led to multiple periods of sickness, leaving the service well below capacity during the peak year-end period.</p> <p>To address these vulnerabilities, we have implemented stricter controls and monitoring around reconciliations, with oversight now centralised under the Financial Services Manager. Furthermore, the service has entered an improvement planning phase to enhance control efficiencies, reduce single-person dependencies, and bolster overall resilience. We are also collaborating with customer-facing teams to improve the quality of information provided on bank payments, promote easily reconciled payment methods, and deploy technical solutions to address the root causes of unidentified transactions.</p> <p>By strengthening the oversight of this account and improving the quality of incoming payment data, the Council is committed to ensuring that suspense balances are cleared within the financial year. While the "cleanse" of legacy items is currently underway, we expect the fully optimised control environment to be embedded and evidenced throughout the 2026/27 audit cycle.</p>

Appendix A – Recommendations from current year (cont'd)

Recommendations from 2024/25 (cont'd)

Issue	Recommendation	Progress made in 2023/24 & Management response
<p>Financial Statements - Maintenance of the Contract Register</p> <p>Our review of the Council's contract register identified several inconsistencies between the register and the underlying contract documentation. Additionally, for one contract the Council was unable to provide the contract, and reliance was placed on the latest invoice as an alternative procedure.</p> <p>These discrepancies indicate weaknesses in the accuracy and completeness of the contract register data, which may impact financial reporting, monitoring, and compliance. Management has acknowledged these errors and has committed to making the necessary updates.</p>	<p>Management should implement formal procedures to ensure the accuracy and completeness of the contract register. This should include regular reconciliation of register entries to underlying contract documentation, prompt correction of discrepancies, and enhanced oversight of contract data maintenance. These measures will help strengthen financial reporting, monitoring, and compliance.</p>	<p>The Council acknowledges the discrepancies identified within the contract register and the specific instance where a formal contract could not be located, necessitating reliance on alternative invoice evidence. We recognise that an accurate and complete register is fundamental to robust financial monitoring and compliance.</p> <p>Work is underway to improve the accuracy and presence of contracts data on the contracts register. There have also been recommendations of the Internal Audit in this area which will be reviewed and actioned alongside this recommendation.</p>
<p>Financial Statements - Lack of Supporting Documentation for SLA</p> <p>During our review, we identified transactions in the current year that lacked supporting documentation. Specifically, the Service Level Agreement (SLA) used for these transactions has been rolled forward over several years, and the client was unable to provide a signed copy of the SLA. This absence of formal documentation raises concerns regarding the completeness and validity of the contractual arrangements supporting these transactions</p>	<p>Management should take immediate steps to formalize and strengthen the contractual arrangements for the services in question. This includes locating and retaining a signed copy of the current Service Level Agreement (SLA) or, if unavailable, executing a new SLA with all relevant parties to ensure clarity and enforceability of terms. Additionally, management should implement a process for periodic review and renewal of SLAs, ensuring that signed copies are maintained and easily accessible. To enhance governance and oversight, we also recommend establishing a centralized contract register to track all agreements and support compliance with internal policies.</p>	<p>The Council acknowledges that the Service Level Agreement (SLA) in question has historically been rolled forward without formal re-execution, resulting in a lack of contemporary signed documentation. While the underlying services and payments remained consistent, we recognise that the absence of a formalised agreement weakens the governance framework and audit trail.</p> <p>The SLA in question has since been reviewed and a signed copy is now held by both the service and the finance team. We are reviewing service areas to identify any other instances where this may be the case and will act to remedy this as required.</p>

Appendix A – Recommendations from current year (cont'd)

Recommendations from 2024/25 (cont'd)

Issue	Recommendation	Progress made in 2023/24 & Management response
<p>Financial Statements - Lease Schedule Accuracy Our review of the Council's lease schedule identified several inconsistencies between the schedule and the underlying lease agreements. There were instances of incorrect recording of annual rent, an incorrect break clause date relative to the signed lease agreement and inconsistent lease expiry date when compared to the signed lease agreement. These discrepancies highlight weaknesses in the accuracy and reliability of the lease schedule.</p>	<p>We recommend that management implement formal controls to ensure the accuracy and completeness of the lease schedule. This should include:</p> <ul style="list-style-type: none"> ▶ Regular reconciliation of the lease schedule to the underlying signed lease agreements. ▶ Prompt correction of any discrepancies identified during the reconciliation process. ▶ Enhanced oversight and periodic review of lease data entries by a designated authority. ▶ Training for relevant staff on lease data management and documentation requirements. 	<p>The Council acknowledges the discrepancies within the lease schedule. These inconsistencies arose primarily from manual data entry and the impact of the recent organisational restructure.</p> <p>To address this, we are conducting a full reconciliation of the schedule against all signed lease agreements to correct any errors. We have also centralised the oversight of this data under a designated finance officer to ensure ongoing accuracy.</p> <p>The training needs of staff will be reviewed, however in our view this issue arose from a lack of capacity and process rather than training needs</p>
<p>Financial Statements - Fixed Asset Register Updates Our review identified that Teville Gate Surface Car Park and Durrington Station Car Park were included in the Fixed Asset Register (FAR) despite having been sold in previous years. Management has confirmed these disposals and subsequently removed the assets from the FAR. This situation highlights a control deficiency, as the FAR was not updated promptly to reflect asset disposals, indicating a lack of effective controls to ensure timely communication and recording of such changes.</p>	<p>We recommend that management implement formal controls, including a standardised process for notifying the finance team of disposals, periodic reconciliations between disposal records and the FAR, and review and approval of FAR updates by a designated officer.</p>	<p>The Council acknowledges that these two assets remained on the Fixed Asset Register (FAR) due to a failure in communication between departments following their disposal and subsequent lease back. Both assets have now been removed in the adjustments to the final version of the statements.</p> <p>Much of this issue will be tackled in the work underway to improve the capital functions monitoring and improve data retention and sharing in relation to these transactions and in the work related to leases highlighted in the earlier recommendation above. The FAR is now more regularly reviewed and reconciled and approvals of decisions for disposal, reclassification or impairment are being developed.</p>

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