

Regulation, Audit and Accounts Committee

22 July 2019 – At a meeting of the Regulation, Audit and Accounts Committee held at 10.30 am at County Hall, Chichester.

Present: Dr Dennis (Chairman)

Mr Waight, Mrs Dennis, Mr Jupp, Mrs Pendleton and Mr Jones

Apologies were received from Mr Bradford

Also in attendance: Ms Goldsmith and Mr Hunt

Part I

1. Declarations of Interest

1.1 Mrs Dennis declared a personal interest as a member of the Pensions Panel.

1.2 Mr Jupp declared a personal interest as a Member of the Pensions Panel.

2. Minutes of the last meeting of the Committee

2.1 Resolved – That the minutes of the meeting of the Committee held on 25 March 2019 be approved as a correct record and that they be signed by the Chairman.

3. External Audit

3.1 The Committee considered the EY reports on the County Council accounts and the West Sussex Pension Fund (copies appended to the signed minutes).

3.2 Mrs Wood, Pension Fund Investment Strategist, advised the Committee that a significant court case, the McCloud and Sargeant judgement, had found that changes to the Pensions Scheme legislation in 2014 had constituted age discrimination. Because of this national change, the County Council had to change its IAS19 accounting approach and an actuary had examined the impact on the West Sussex Local Government Pension Scheme and the Firefighters' Pension Scheme. This had resulted in an estimated increase in liabilities for the West Sussex Local Government Pension Scheme (LGPS) of £25m, and an estimated increase in West Sussex County Council's share of its LGPS liabilities of £11m and its Fire Pension Scheme liabilities of £14m. These figures reflected in the Pension Fund and County Council's accounts and were referred to in EY's report.

3.3 Mrs Thompson and Mr Mathers (EY) introduced the Pension Fund report and advised that an unqualified opinion would be given. Particular attention has been given in the audit to the risk of manipulation of investment income and valuation and the significant migration of data

when the Pension Fund administration was transferred to Hampshire County Council.

3.4 The Committee made comments including those that follow. It:

- Welcomed the audit findings and the focus on the migration of data to Hampshire County Council.
- Noted the level of discrepancies appearing in Pensions membership data and was reassured that this issue was not unique to West Sussex Pension Scheme and was generally due to a time lag on employers updating pensions records, which had no financial impact.

3.5 Mrs Thompson and Mr Mathers introduced the County Council report and advised that there would be an unqualified opinion on the financial statements, although there would be an 'except for informed decision making arrangements' qualification of the value for money conclusion following the Children's Services inspection report. They thanked County Council officers for their help and support during the audit process. Particular checks had been carried out on high risk areas including areas at risk of fraud in terms of inappropriate capitalisation of revenue expenditure; plant, property and equipment valuations and PFI adjustments. The medium term financial strategy was found to be sound, while concern remained about financial resilience in a challenging environment for local government.

3.6 The Committee made comments including those that follow. It:

- Welcomed the audit work undertaken and noted the concerns about long term financial resilience.
- Noted that the auditor's findings were that the problems identified in the Ofsted inspection on Children's Services should have been identified sooner by the County Council and that the qualification was due to this and the fact that there were problems in statutory delivery of services.
- Noted that the later timing of the inspection findings on the Fire and Rescue Service, plus the more internal nature of the problems found in the inspection, had meant that no qualification was given in this area. Parallels were found though, that the problems could have been identified sooner by the County Council through its performance management and risk management arrangements.
- Learned that the County Council had approached EY to possibly undertake work on key performance indicators for Children's Services, but the Council had not gone ahead with this. The Director of Finance and Support Services was asked to check on what had happened to this area of work.

3.7 Resolved – That the EY reports on the County Council accounts and the West Sussex Pension Fund accounts be noted.

4. Financial Statements 2018/19

4.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes).

4.2 Mrs Chuter, Financial Reporting Manager, introduced the report and informed the Committee that the Financial Statements had been completed and that the external audit was substantially complete.

4.3 The Committee made comments including those that follow. It:

- Thanked officers for preparing a comprehensive statement of accounts.
- Questioned whether additional funds for Children's Services and the Fire and Rescue Service were reflected in post balance sheet events because of the timing of the inspection outcomes. The Director of Finance and Support Services advised that they were not.
- Asked whether the increase of staff being paid over £50,000 per annum was due to new posts or inflationary uplifts. The Director of Finance and Support Services advised that most was due to inflationary uplifts moving posts just over the £50,000 reporting threshold.
- Noted challenges in recruitment retention of senior management staff and hoped that more stability could be achieved, particularly in children's services management. It noted that exit payments would include pensions provision if there were any pensions liabilities. The Leader of the Council highlighted that difficult markets in social work and in senior management made recruitment and retention a particular challenge in the South East. The Director of Finance and Support Services agreed to check on the figures for Children's Services staff and provide this to the Committee.

4.4 Resolved – That the Statement of Accounts for 2018/19 for West Sussex County Council and the West Sussex Pension Fund be approved, for signing by the Chairman of the Committee.

5. Internal Audit Progress Report / Annual Opinion

5.1 The Committee considered a report by the Director of Finance and Support Services, and the Head of Southern Internal Audit Partnership (copy appended to the signed minutes).

5.2 Mr Harvey, Southern Internal Audit Partnership, introduced the report and advised that the 2018/19 audit opinion provided 'adequate assurance' on the Councils overall framework of governance, risk management and control and that most work had now been undertaken. He highlighted that audit findings generally reflected the areas for improvement found by the Corporate Peer Challenge and the Ofsted Inspection of Children's Services and he confirmed that action was being planned to address the limited assurances in these areas. He thanked County Council officers for their cooperation and support during the audits.

5.3 The Committee made comments including those that follow. It:

- Noted the 'adequate assurance' conclusion was roughly in line with comparable local authorities and acknowledged that it was difficult for a large, diverse organisation like the County Council to improve on this.

- Asked for the table reflecting officers progress in implementing actions arising from audit reports to be included in all future reports, including the annual opinion.
- Hoped that the move to the Southern Audit Partnership had not led to any reduction in internal audit activity. The Director of Finance and Support Services confirmed that there had been no reductions.
- Noted that the auditors' work would not overlap with other inspections, such as the Ofsted inspection, although some common themes could be identified and acted upon.
- Expressed concern about delays in DBS checks for taxi drivers undertaking home to school transport being re-done every three years in line with the Council's policy. The Director of Finance and Support Services advised that a better process was now in place for them to be renewed every three years, but agreed to update the Committee on progress.

5.4 Resolved – That the annual audit report for the year ended 31 March 2019 be approved.

6. Quarterly Review of the Corporate Risk Register and Risk Management Strategy

6.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes).

6.2 Mr Pake, Corporate Risk and Business Planning Manager, introduced the report which gave an update on the risk register and advised of planned revisions to the risk management strategy.

6.3 The Committee made comments including those that follow. It:

- Acknowledged the risks around social care included both management capacity and financial sustainability and noted that action was being taken to address these.
- Questioned the current risks associated with the highways contract litigation. The Director of Law and Assurance reported that Amey's action against the County Council had been allowed by the High Court, although the County Council has sought leave to appeal as the High Court had confirmed that the County Council could commence a new procurement.
- Asked how Kent Fire and Rescue Service was able to provide a good service according to the recent internal inspection, at a lower cost per person than the West Sussex Service, which had been rated inadequate. The Acting Chief Fire Officer advised that this was mostly down to the larger size of Kent and its Fire and Rescue Service. He advised that collaboration with neighbouring authorities produced some efficiencies, but a move toward a regional or national model would be most likely to provide a more consistent service and value for money outcome.

6.4 Resolved – That the report be noted.

7. Annual Governance Statement

7.1 The Committee considered a report by the Director of Law and Assurance (copy appended to the signed minutes).

7.2 Mr Gauntlett, Senior Advisor, introduced the report and informed the Committee that the draft Statement set out the Council's governance arrangements and the draft action plan set out a range of actions proposed to improve them.

7.3 The Committee made comments including those that follow. It:

- Was supportive of the draft Statement but asked for the summary of assurances in each section to be reviewed for consistency.
- Asked whether the corporate governance processes identified within the Statement should have recognised the problems in Children's Services and the Fire and Rescue Service as found by the external inspections in recent months. It hoped that attention would be given to any other services with forthcoming external inspections, such as the Youth Offending Service. The Leader of the Council felt that the problems identified had been systemic and that all members in their local and strategic roles should seek to gain a better understanding of the experiences of service users and should seek to streamline and join up information being presented to different committees. She gave an example of paragraph 43 on the embedding of sustainability, where the Chairman could usefully write to the appropriate Select Committee to highlight the information there.
- Hoped that consideration would be given to what appropriate external advice and service user voices were needed by select committees when scrutinising council services. The Director of Law and Assurance confirmed that this would be considered as part of the Governance Committee's review of scrutiny in autumn 2019.

7.4 Resolved – That, subject to final revisions to improve consistency, the Annual Governance Statement 2018/19 be agreed and recommended for adoption through the signatures of the Leader of the Council and the Chief Executive.

8. Treasury Management Compliance Report - First Quarter 2018/19

8.1 The Committee considered a report by the Director of Finance and Support Services (copy appended to the signed minutes).

8.2 Mrs Chuter introduced the report and informed the Committee that full compliance had been achieved in this quarter.

8.3 The Committee welcomed the report and thanked officers for the excellent compliance over the last quarter.

8.4 Resolved – That the report be noted.

9. Training Considerations

9.1 The Chairman asked the Committee to consider any training requirements they had.

9.2 It was agreed that a training session for Mr Jones and Mrs Pendleton should be provided as newer members of the Committee, which could include an external CIPFA course.

10. Date of Next Meeting

10.1 The Committee noted that its next scheduled meeting would be held at 10.30 am on 4 November 2019 at County Hall, Chichester.

The meeting ended at 2.25 pm

Chairman