

Regulation, Audit and Accounts Committee

18 January 2021 – At a virtual meeting of the Regulation, Audit and Accounts Committee held at 10.30 am.

Present: Cllr N Dennis (Chairman)

Cllr Waight, Cllr Baldwin, Cllr J Dennis and Cllr Sparkes

Apologies were received from Cllr Bradford and Cllr Lea

Also in attendance: Cllr Hunt

Part I

ADDRESS BY THE CHAIRMAN

The Chairman advised the Committee that the addition of a co-opted member is planned. This proposal would be considered at Governance Committee on 18 January 2021 and should be approved at County Council on 12 February 2021. Timescales would mean that the post would be advertised in March 2021 with interviews planned in April 2021 ahead of the County Council elections. All being well, the co-optee would be able to join the RAAC induction following the elections and participate as a Committee member from thereon in.

29. Declarations of Interest

29.1 There were no declarations of interest made by members of the Committee.

30. Minutes of the last meeting of the Committee

30.1 Resolved – That the minutes of the meeting of the Committee held on 20 November 2020 be approved as a correct record and that they be signed by the Chairman.

31. External Audit

31.1 The Committee received a verbal report from Mrs Helen Thompson and Mr Simon Mathers of EY who provided an update on the 2019/20 West Sussex County Council and Pension Fund audits and planning for the 2020/21 audit.

31.2 Mrs Thompson and Mr Mathers advised that the 2019/20 County Council audit has been completed apart from the Whole of Government Accounts return for the submission of the Council's 2019/20 accounts information to HM Treasury. EY's work with the Council was completed to the original deadline of 14 December 2020, however, the audit could not be concluded with EY unable give assurance to the National Audit Office and issue the Audit Certificate until outstanding inaccuracies in the HM Treasury report are fully resolved and corrected (these had been caused by the Treasury's system errors and, therefore, outside the control of the County Council). The audit deadline had been further extended to 22

January. The draft Annual Audit letter includes details of additional fees. This would be brought to the Committee for consideration at its meeting in March 2021.

31.3 Mrs Thompson and Mr Mathers updated the Committee on planning for the Council's 2020/21 audit. Covid-19 and the current lockdown had affected planning; however, early discussions had taken place with officers regarding the timetable for interim and year-end, with 30 September 2021 set as date for completion of the audit, although this may be subject to change. EY noted that the biggest challenge in 2021 is the new approach to Value for Money Reporting, which EY had raised with the National Audit Office regarding whether this is this right year to introduce it because of pressures caused by the ongoing pandemic.

31.4 The Committee made comments including those that follow:

- Noted the external impacts on EY and County Council officers and acknowledged that some matters were outside the County Council's control, and thanked all involved for their hard work and diligence.
- Requested a briefing on the new approach to Value for Money Reporting – *Mrs Thompson agreed to provide a briefing to the Committee at a future meeting.*
- Queried how the additional costs for the 2019/20 audit feed into the audit fee – *Mrs Thompson advised the factors which have affected costs as follows. As previously discussed with the Committee and also raised through the Redmond review there is recognition that in recent years audit fees have become too low and do not reflect the level of work involved to be carried out to the expectations of regulators and stakeholder. There was additional work undertaken during the year in relation to the County Council's pension fund, e.g. work on data quality, and changes to the risks associated with valuations because of uncertainty resulting from the pandemic. The breakdown of fees would be discussed with Katharine Eberhart, Director of Finance and Support Services.*

31.5 Resolved – That the Committee update on the External Audits for the West Sussex County Council and the West Sussex Pension Fund be noted.

32. Internal Audit Progress Report

32.1 In response to the request made by the Committee at its meeting of 20 November 2020, the Committee received a verbal update from Stewart Laird, Interim Head of IT on Disaster Recovery Planning and IT Asset Management.

32.1 Mr Laird provided an update on the two high priority outstanding actions in relation to Disaster Recovery. The first was undertaking the delayed Disaster Recovery testing after the planned March/April 2020 test was put back because of the need to ensure the Council's workforce could work from home during the first Covid lockdown. Following the tests, lessons learned and revised documents had been implemented. The

second priority, an audit of the Disaster Recovery Battle Box, had led to revision of all information including priority systems in line with recovery priority and a move to store the Battle Box and some systems in the Cloud with more systems to follow. Following this, Disaster Recovery had become less of a risk.

32.2 The Committee made comments including those that follow:

- Questioned what would happen should a Cloud system fail – *Mr Laird gave examples of the Cloud systems used where the prime data centre has multiple power sources and data back-up, plus a structure where information would move to (and is replicated at) a secondary site if there is failure at the primary site. Regarding one-off services, the procurement process would include primary and secondary delivery solutions to include return to operations SLAs and KPIs, evaluation of set up and replication of data between the sites to ensure business continuity.*

32.3 Mr Laird provided an update on IT Asset Management. Regarding the management of Council's laptops, desktop equipment, tablets and mobile phones, the Committee was advised that tagging of items and a review of Asset Management records, such as domain names and email accounts, had been undertaken which had clarified assets in use and their status. The Committee was also advised that a change of technology in use for mobile phones had allowed the Council to ensure the tracking, security and, if necessary, the lockdown of mobile phones. Mr Laird concluded that a robust framework for IT Asset Management had now been put in place.

32.4 The Committee made comments including those that follow:

- Noted concerns raised by officers about the Mosaic system used by Children's Services and queried plans to replace it – *Mr Laird, stated that this separate to IT Asset Management, but advised the Committee that Mosaic would be hosted on behalf of the Council by the provider. The database would be converted from Oracle to a sequel back-end system as predominantly used by other local authorities. And, a realignment of the database scheme would be taking place to include reconfiguration of the information in the system including an end to end review of all performance reports on the system.*
- In relation to Corporate Risk 39, it was queried how much priority is given to IT security during procurement – *Mr Laird advised that significant focus is given to IT security during procurement, and provided a number of examples. The County Council's other security measures include, but are not limited to, firewalls, proxy servers, scanning of incoming and outgoing data to ensure risk of malware and ransomware is detected before emails are delivered and filtering of website access. Furthermore, the Committee was informed that significant focus is placed on education of staff which would be more rigid in future.*
- Queried why Corporate Risk 39 is now scored at 5/5 when it was at 4/5 only 4-years ago. And whether this implied that the Council needed to do more or whether the risk should be

reviewed – Mr Laird advised that the volume of cyber-crime and the level of sophistication had increased exponentially in the last 4 years, as highlighted by central government. The Council had recognised and reflected on necessary changes of direction, implemented changes and recognised the need to leverage new technologies, and continually evolve the Council’s approach in order to mitigate risk, including business processes and the education of the workforce.

32.5 Mr Jeremy Hunt, Cabinet Member for Finance thanked officers for this work on IT security and noted the challenges from external sources, but advised that the higher risk status didn’t mean that that the Council had gone backwards but rather that it had often moved forward to combat risk.

32.6 Mr Laird provided an update on data storage and back-up. Key back-up documentation and the approach to back-up, including replacement of magnetic tapes and risks regarding malware, had been reviewed and are in the process of being revised. An identified risk regarding single point of failure has been addressed and had led to training of additional staff to carry out this work. There would also be a move to a predominantly Cloud based system for back-up, although investment in a replacement unit is appropriate which would also be used in line with the new Cloud based system.

32.7 The Committee raised additional matters in relation to IT as follows:

- Queried access to Zoom for members for use in their local work with communities – *Mr Laird explained that the Council’s purchase of Microsoft Teams as its preferred platform for virtual conferencing was due in part to its document sharing facility. Zoom had done much to improve its security. The Council provides some Zoom licenses to certain staff who need it to work in partnership with other organisations using that system, e.g. social workers. Access for members could be reviewed subject to demand, but it was highlighted that to provide a large number of licences would be cost prohibitive.*
- Further to the discussion regarding Corporate Risk 39, it was queried whether the Council’s current matrix for scoring risk is appropriate or if it should be recalibrated. The Committee noted that it had discussed this previously. The Committee discussed the need to allow for an increase if the risk is already scored at the top end of the matrix, however it concluded a recalibration exercise would be sufficient and that that inherent risk would need to be taken into account, so consideration might be to define between risks.

32.8 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).

32.9 Mr Pitman, Head of Southern Internal Audit Partnership, introduced the report and invited Ms Eberhart to address matters relating to the Council’s latest position.

32.11 Ms Eberhart advised the Committee that pressures on staff as a result of Covid-19 and the latest lockdown mean that it would be likely to be difficult to complete the entire Rolling Work Programme during 2020/21, particularly for Adults Services and Children and Young People's Services, despite the ability of the internal audit team to participate. The updated work programme would be revised by the end of the week, presented to the Executive Leadership Team and circulate a written update to the Chairman and on to the Committee once agreed, and brought to the Committee for consideration and discussion at the 8 March 2021 meeting.

32.12 Mr Pitman addressed other matters pertaining to the report there had been a notable reduction in the number of overdue audit actions. Nine high priority items had been removed including all that were relevant to IT. The Quality Assurance Framework for Adults Service would be expected to be signed off the following week. Governance Compliance has also been cleared. There were no limited assurances to note. Regarding the Rolling Work Programme, this would be re-baselined, as noted in minute 32.11 above.

32.13 The Committee made comments including those that follow:

- Noted that four of the high priority overdue actions are within the civil enforcement parking arrangements, which includes actions for the district and borough councils to resolve, and also queried the current situation of the overdue low and medium priorities revised, some of which have due dates that have already passed – *Mr Pitman noted that Governance Compliance had been cleared. Regarding legacy overdues, as previously raised by the Committee the Audit team had undertaken to prioritise, which had included the IT matters that had now been resolved. A refocus on this list would now be planned.*
- Queried the impact on the External Audit and whether further work would be required – *Ms Eberhart advised that Mr Pitman's opinion would given in July and considered by external audit. Mrs Thomson, EY advised that internal audit largely feeds into the Annual Governance Statement which is then used by EY to complete work on the financial statements. EY and Internal Audit are in regular contact and would discuss any issues arising, although none were anticipated at the moment.*

32.14 Resolved – That the Committee note the Internal Audit Progress Report.

33. Quarterly Review of the Corporate Risk Register

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

33.2 Ms Eberhart, Director of Finance and Support Services, introduced the report and highlighted that that a number of risks had changed score, including CR66 – failure to deliver existing work plans - had moved from 19 to 25 as a result of the impacts of the pandemic on the internal work

programme and other areas of the organisation where urgent and important work has had to be prioritised. CR69 – Children’s Services - has reduced from 25 to 20. CR22 - financial sustainability – reduced from 25 to 16 has reduced as a result of confirmed government grants. CR70 - Capacity of the senior leadership team – has increased.

33.3 The Chairman highlighted recent correspondence with the Chairman of Performance and Finance Scrutiny Committee on the matter of Audit Planning and Internal Control Testing and invited comment - *Ms Eberhart responded on whether the issues around mental health could have been raised sooner, and advised that it was addressed on the Corporate Risk Register as soon as awareness was raised. In relation to Performance and Finance Scrutiny Committee’s comments about “testing internal controls”, it was not entirely clear what the concern was, but Ms Eberhart reassured the Committee that reputational risk is considered in the risk register.*

33.4 The Committee made comments including those that follow.

- In relation to Corporate Risk 66, sought information on what is being done to recruit more professionals – *Ms Eberhart advised she would seek a response from the service and bring this back to the Committee.*
- Noted the update to the risk register, as highlighted by Ms Eberhart including the removal of the West Sussex Fire & Rescue Service risk from the Committee list because of the reduction in the score to 10.
- In relation to CR71 – staff working at home and staff wellbeing, sought information on timescales for bring staff back into Council hubs and details on staff absence and sickness – *Ms Eberhart advised that it is still the case that only staff for whom it is essential are currently working from Council buildings, this being social services staff in the main, with the most populous hub being Centenary House. Staff sickness had reduced; more staff are tending to continue to work at home with minor illnesses such as colds, but there had been an increase in concerns raised by staff regarding equipment, such as not having the correct desk or chair. Staff mental health and wellbeing was a key focus for the Council, including issues relating to parents working and home-schooling; training for managers and support for staff would be factored in.*

33.5 Resolved – That the Committee note the Corporate Risk Register.

34. Treasury Management Compliance Report - Third Quarter 2020/21

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

34.2 Mrs Chuter introduced the report and informed the Committee that compliance had been met for the quarter. Mrs Chuter highlighted the following. The current position regarding external borrowing and noted that there had been no new borrowing; the cash balance positions and reasons for it being higher than in previous years including Capital and

Revenue grants and additional Covid-19 funding; the investments portfolio position, and noted the number of exposures and confirmed there were no breaches of exposure limits.

34.3 The Committee made comments including those that follow.

- Sought reassurance regarding investments with Leeds, Tameside and Trafford councils that have indicated they may not be able to declare a balanced budget – *Mrs Chuter expressed confidence in investments being returned and advised there are sufficient regulations in place to ensure the security of investments, and cited a return of monies from Thurrock Council and the Chairman cited a return of monies from Northamptonshire County Council.*
- Queried why Barnsley Metropolitan Borough Council are paying a 1.45% rate on investments when other councils are generally paying a much lower rate – *Mrs Chuter explained that this investment was made some years ago and was also over a longer term than other investments.*
- Highlighted the low rate of 0.09% paid by Leeds City Council on investments with them, and queried if this is cost effective – *The Chairman and Mrs Chuter noted that there are some investments that result in zero returns although there are no negative returns at this time. The Council's strategy is to move money around to keep the investments secure, even though some result in zero returns.*

34.4 Resolved – That the Treasury Management Compliance Report Third Quarter 2020/21 report be noted.

35. Annual Governance Statement Update

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

35.2 Mr Gauntlett, Senior Advisor in Democratic Services, introduced the report and explained that the Committee had previously considered the Annual Governance Statement 2019/20 and agreed actions, and also requested an action plan be implemented which should include uncompleted actions for 2018/19 as well. Some matters would be subject to scrutiny in other forums and the West Sussex Reset Plan would be considered by County Council on 12 February with the KPIs to be referenced in this action plan. The next version of the action plan to be presented to the Committee would be in March.

35.3 The Committee sought clarification on timing of outstanding actions and how they would be prioritised – *Mr Gauntlett advised that no targets had been set had this stage and that the starting point would be the initial progress to be reported to the Committee at its next meeting in March. Officers who own actions could be invited to the Committee later in the year to report on progress.*

35.4 Resolved – That the Annual Governance Statement Action Plan be noted.

36. Date of Next Meeting

36.1 The Committee noted that its next scheduled meeting would be held on 8 March 2021.

The meeting ended at 12.14 pm

Chairman