

Regulation, Audit and Accounts Committee

25 September 2020 – 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 Lea

Apologies were received from Cllr Bradford

Absent: Cllr Goldsmith

Also in attendance: Cllr Hunt

Part I

12. Declarations of Interest

12.1 None declared.

13. Minutes of the last meeting of the Committee

13.1 Resolved – That the minutes of the meeting of the Committee held on 23 July 2020 be approved as a correct record and that they be signed by the Chairman.

14. Urgent Matters

14.1 Ms Eberhart, Director of Finance and Support Services, informed the Committee that an independent review of the role of local authority financial reporting and external audit by Sir Tony Redmond, known as the Redmond Review, had been commissioned by the Ministry of Housing, Communities and Local Government to consider audit effectiveness.

14.2 The review had found that 40% of audit work had missed their deadlines in 2018/19. Ms Eberhart confirmed that this was not the case for the County Council. The review has considered elements such as procurement processes and issues on single accountable bodies.

14.3 Recommendations from the report included the benefits of improved audit training; independent membership on audit committees; and the need for the public to be able to understand audit reports.

14.4 The Committee made comments including those that follow.

- Welcomed the update and asked that consideration was given into the protocols required for appointing an independent member to the committee.
- Noted the recommendation for papers to be clear for the public and commented that the requirement to include actuarial information was a factor that caused confusion.

14.5 Ms Eberhart resolved to circulate the report and look into the protocols for independent membership.

15. External Audit

15.1 The Committee received a verbal update from Mrs Thompson and Mr Mathers from EY.

15.2 Mrs Thompson reported that she welcomed the Redmond Review and the consideration into the role of an independent member.

15.3 Mr Mathers reported that COVID-19 had led to a challenging year for the audit; with additional factors to consider such as practical issues and new risk considerations. County Council officers were thanked for their support to EY. The work on the Pension Fund audit was progressing with a large portion of work focussing on liabilities, including IAS 19 Employee Benefits. Most membership data gaps had been filled, and stakeholder assurance letters should be sent out soon. EY expected the audit to meet the November deadline.

15.4 The Committee queried if the data issues were current or historic. – *Mr Mathers confirmed that the issues were historic, and that the 31/03/19 triennial valuation timescale had led to more extensive testing this year. A programme was being followed to improve membership data. 250 areas had been tested with each area having 6 elements. In total there are only 6 gaps remaining. Ms Eberhart confirmed that current administration performance was good and only minor issues missed SLAs. Data was improving and the Pensions Committee and Pension Advisory Board were kept up to date. Mr Hunt, Cabinet Member for Finance and Chairman of the Pensions Committee, explained that the audit was looking at the period during the administration transfer, and that next year's audit would show improvements.*

15.5 Mr Mathers introduced the County Council audit and confirmed that work was progressing well for the November deadline. COVID-19 had impacted valuation work for Plant, Property, and Equipment due to market volatility. This was consistent across all local authorities. EY had commissioned their internal valuers to assist with this work, with this work being ongoing at the time of the meeting. The final processes covered going concern and linked to COVID-19 and that these areas may be highlighted in the report. Mrs Thompson confirmed that the possible impact could be the inclusion of an Emphasis of Matter paragraph in the audit report which would not constitute a qualification of the audit opinion.

15.1 The Committee made comments including those that follow.

- Queried if virtual assessment of the accounts held more danger for error. – *Mrs Thompson reported that the Financial Reporting Council had monitored audits to ensure the quality of work. EY were still working to the same standards. Mr Mathers added that the delays to the audit were likely to put pressure on future timelines.*
- Questioned how fees could be impacted with the new working environment. – *Mrs Thompson confirmed that there had been*

discussions with Ms Eberhart concerning fee implications linked to risks and additional valuation work. Fee details would be included in the November report.

- *Raised concerns on the impact for the following year and the sustainability of continued working from home. – Mrs Thompson agreed with the concerns and reported that the challenge for next year had not been fully considered. EY had other clients such as universities, housing and health and so the timetable for next year would be a challenge.*
- *Queried if revisiting the reports would be required. – Mrs Thompson explained that the going concern assessments paid close attention to future impacts. The report needed to represent a point in time. Mr Mathers did report that lessons had been learned from the working arrangements.*
- *Asked if next year's deadlines would be changed. – Mrs Thompson reported that the Redmond Review had recommended putting the deadlines back.*

15.7 Resolved – That the Committee notes the update.

16. Quarterly Review of the Corporate Risk Register

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

16.2 Mr Clark, Children's First Transformation Director, attended the committee following a request made at the previous meeting for clarity on the corporate risk CR69. Mr Clark spoke through the Children's First Improvement Plan which pulled together service improvement activity and service redesign elements. The aim was to get the service to a good Ofsted rating. The transformation agenda focussed on three pillars; creating the right bedrock for improvements, creating the right working environment, and improved service design. Collaborative works with Hampshire County Council was helping with the progress through the necessary phases of work. The Hertfordshire family safeguarding model was being used to assist with the service redesign.

16.3 The Committee made comments including those that follow.

- *Queried the current risk rating. – Mr Clark reported that the risk rating was kept under review and that the likelihood score would remain high. Mr Clark confirmed that he would like the risk to reduce, but confirmed that the current score was accurate.*
- *Sought clarity on the use of the Hertfordshire family safeguarding model. – Mr Clark explained that the model had not been directly copied and that the County Council's approach reflected the different local issues. Other local authority risks would be considered. The corporate risks would remain on the register, but it was confirmed that there would be lower level risks monitored in specific departments.*
- *Questioned how risks were identified. – Ms Eberhart explained that the approach to risk was consistent with other local authorities in that every officer was responsible for the identification of risks. The risk register was built from the bottom up, with the top down view*

catering for the County Councillors. The Executive Leadership Team (ELT) worked to mitigate risks, and it was the role of the Committee to consider if the processes in place were appropriate.

- *Queried if EY considered the risk register and compared with other local authorities. – Mrs Thompson explained that explicit comparisons were not made with other authorities due to the each one having unique risks and approaches. EY considered the risks that related to value for money. Mr Pake, Corporate Risk and Business Planning Manager, added that every quarter he liaised with local authority risk officers to consider different risk registers and approaches.*
- *Asked if Cabinet Members or Scrutiny Committee Chairman should be responsible for risks on the register. – Ms Eberhart explained that the constitution placed the responsibility of risks with officers. Cabinet Members and Committee Members held roles related to holding the senior leadership to account, scrutiny and the lobbying of Government. The Committee discussed the matter and felt that the risk register was clear by directorate, and that elected members were different from the corporate body. Cabinet Members were responsible for holding officers to account for risk. Ms Eberhart agreed to discuss the matter with colleagues and report back to the Committee.*

16.4 Mr Pake introduced the report and explained that the period since the last Committee meeting had been busy with two new risks added to the register, CR70 and CR71. Working from home had led to opportunities regarding engagement exercises and a change in format of online courses.

16.5 The Committee made comments including those that follow.

- *Queried the timing of the reduction of CR68. – Ms Eberhart confirmed that the register was reviewed regularly for accuracy.*
- *Sought clarity on the lessons learned for CR68 concerning COVID-19. – Ms Eberhart reported that Internal Audit had been asked to look into the processes to ensure lessons were learned. The findings would be reported in a future Internal Audit report.*
- *Questioned the progress on CR11. – Ms Eberhart confirmed that the next stage had been agreed and that the following risk report would include an update on progress.*
- *Asked when the role specific training for CR39a would be delivered and queried the timescales for the reviews of ISO27001 and ISO9001. – Ms Eberhart resolved to investigate and provide a response to the Committee.*
- *Queried the schedule of review of the risk register. – Ms Eberhart explained that ELT reviewed the risk register monthly alongside the Total Performance Monitor. ELT also discussed risks weekly to consider any areas of relevance.*
- *Asked if CR71 extended to include the welfare of subcontractors. – Ms Eberhart resolved to take this issue away and report back to the Committee.*
- *Queried if the risk impacts were listed in order, specifically relating to CR68. – Ms Eberhart confirmed that the impacts were not in a particular order.*

- Asked if the upsides to COVID-19, such as commuting benefits, should be recorded. – *Ms Eberhart explained that the benefits were recognised, but not within the risk register.*
- Asked if risk CR39a only considered attack elements of cyber security. – *Ms Eberhart confirmed that a wider view was taken to consider multiple aspects of cyber security.*
- Queried if Cabinet Members had asked officers to review which officer roles were more effective for home working arrangements. – *Mr Hunt confirmed that the New Ways of Working programme considered home working and what accommodation was required. It was recognised that there were difficulties with working from home, such as colleague interactions. The mental health of staff was considered, noting that different setups were required for different roles.*
- Asked if the risk rating for CR61 should be reduced following the improvement plan refresh. – *Mr Pake confirmed that he would be discussing the rating with the risk owner.*

16.6 Resolved – That the Committee notes the report.

17. Internal Audit Progress Report (August 2020)

17.1 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).

17.2 The Chairman reported that he had received a letter from the Chairman of the Performance and Finance Select Committee (PFSC) concerning Audit Planning and Internal Control Testing of both financial and non-financial operational controls to identify issues. Mrs Dennis, Chairman of PFSC, clarified that the letter raised concerns that Internal Audit focussed on finance and wondered how risk was considered; and how flexible the Internal Audit programme was. The Chairman resolved to discuss the matter with officers and respond directly to the PFSC Chairman.

17.3 Mr Pitman, Head of Southern Internal Audit Partnership, introduced the report and confirmed that a large assessment review had been undertaken including interviews with stakeholders. All aspects of the standards, framework and governance had been met. The outcomes would be reported in the next Committee report. Mr Pitman explained that quarter one had been impacted by COVID-19 and that quarter two would be used to get actions back on track; this meant there was potential for quarter two work to be impacted. Resources would be directed accordingly and any plan amendments would be reported to the Committee.

17.4 The Committee made comments including those that follow.

- Queried the rolling work programme and if any works would need to slip into the following year. – *Mr Pitman explained that quarter one had been lost and that there was still a full programme of works. It was likely that some work would go into April and May, but Internal Audit were in a strong position for the annual report and opinion in*

July. Work would be re-prioritised as necessary, with the November report outlining any movements.

- Queried the lack of documents for the Intentionally Homeless Families. – *Mr Pitman explained that Internal Audit worked with officers on identifying issues and highlighted any delays to the Committee. Ms Eberhart explained that the delay was linked to COVID-19 and that she would request an update and explanation.*
- Requested an update on residential care payments. – *Ms Eberhart explained that it was not for Internal Audit to chase officers on actions. ELT had discussed this and Ms Eberhart resolved to provide a written update for all the blanks in the Internal Audit report.*
- Queried the categories used by Internal Audit and how items could be escalated from limited assurance. – *Mr Pitman explained that page 28 of the report outlined the categories that were used. Internal Audit considered the key objectives within the service area and risks to achieving them. No assurance opinions could be used, but were exceptions rather than normal.*

17.5 Resolved – That the Committee notes the Internal Audit Progress Report.

18. Date of Next Meeting

18.1 The Committee noted that its next scheduled meeting would be held at 10.30 am on 20 November 2020.

The meeting ended at 12.36 pm

Chairman