

## **Regulation, Audit and Accounts Committee**

17 January 2022 – At a meeting of the Regulation, Audit and Accounts Committee held at 10.30 am at County Hall, Chichester, PO19 1RQ.

Present: Cllr N Dennis (Chairman)

Cllr Boram, Cllr Greenway, Cllr Montyn, Cllr Turley, Cllr Wall and Mr Parfitt

Absent: Cllr Dunn

Also in attendance: Cllr Hunt (virtual)

### **Part I**

#### **32. Declarations of Interest**

32.1 None.

#### **33. Minutes of the last meeting of the Committee**

33.1 The Chairman informed the Committee that he had written to the Scrutiny Chairmen as per the final bullet in minute 28.3. The Chairman of the Fire & Rescue Service Scrutiny Committee confirmed that his committee monitored risks and added items to the work programme as required.

33.2 Resolved – That the minutes of the meeting of the Committee held on 8 November 2021 be approved as a correct record and that they be signed by the Chairman.

#### **34. External Audit**

34.1 The Committee welcomed Helen Thompson, External Auditor from Ernst & Young (EY), to give a verbal External Audit Progress Update for 2020/21 and 2021/22.

34.2 Mrs Thompson began by giving an update on the status of the 2020/21 audit completion. The certificate had still not been issued due to the delay from HM Treasury in issuing guidance for the Whole of Government accounts. The other delay was linked to the work following the objection raised on the accounts. EY's work on this had been drafted and sent to Public Sector Audit Appointments Limited (PSAA) for review. With regard to fees, the Pension Fund fee had been billed and paid whereas the County Council fee information was waiting on guidance from PSAA.

34.3 The Committee queried if the work on the objection had added significant costs to the audit. – Mrs Thompson confirmed that the work had added significant costs as it was charged at a high rate from EY due to the seniority of auditors performing the work. EY had agreed with County Council officers that when the work was completed the full costs of the specific objection works would be made clear.

34.4 Mrs Thompson proceeded to update the committee on the progress of the 2021/22 audit. The timetable of the audit had been agreed and would mean that the Pension Fund audit would complete in July, and the County Council audit would complete in September. The aim would be to bring a report to the September committee meeting that was as complete as possible. The deadline for the 2022/23 audit was not currently clear. EY had been engaging with officers on the 2021/22 audit and would provide a further update at the March committee meeting.

34.5 The Committee made comments including those that follow.

- Queried if the current audit would include different processes to the previous audit, such as less remote working. – Mrs Thompson confirmed that no significant changes in approach were expected. The work for the previous audit in respect of the County Council's change in valuer was significant, and so the current audit would take less focus on the valuer. It was hoped that a hybrid approach would take place with on site work undertaken where needed, subject to Government advice.
- Sought an opinion on the County Council's position with regard to deadlines. – Mrs Thompson confirmed that the County Council was good with deadlines and was in a better position than other local authority audits.
- Asked if the recent audits of KPMG and Carillion would impact the approaches taken to local authority audits. – Mrs Thompson explained that the examples given were not completely linked to EY's approach to local authority audits, but gave reassurance that EY always considered the findings of other audits to see if there could be approaches that would be worth considering.

34.6 Resolved – That the update be noted.

## **35. Internal Audit Progress Report**

35.1 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).

35.2 Mr Pitman, Head of Southern Internal Audit Partnership, introduced the report and gave an update on the overdue high priority actions for Children's Services P-Cards. The delay in action was linked to a transfer of responsibilities linked to staffing. Internal Audit had been assured that a project was working on the actions with an aim to complete by February.

35.3 Mr Pitman also updated the Committee on the no assurance audit for Hammonds Residential Home. Service officers had been unable to attend the committee meeting to give an update due to the impact of the Covid-19 Omicron variant. Officers had confirmed they would attend the March committee meeting to provide an update. Assurances had been given that actions were being taken to address and prioritise the issues.

35.4 Mr Pitman informed the Committee that he would share an updated table of actions (Annexe 2) to Committee members after the meeting.

35.5 The Committee made comments including those that follow.

- Queried if the issues at Hammonds were unique or could lead to issues at other care homes. – Mr Pitman explained that the issue had originated from a wider thematic review which had found the issues to be unique to Hammonds.
- Requested that in future reports it would be useful if the report outlined the potential risks to service to assist committee members in understanding the impact of the issues. – Mr Pitman agreed to include this for future reports.
- Sought clarity on the other parties involved in the Agreement of Budgets work. – Mr Pitman explained that this referred to Adults and the Health Service and was linked to a wider review of commissioning in place and compliance. The work had been delayed due to service pressures in relation to Covid-19.

35.6 Resolved – That the Committee notes the Internal Audit Progress Report (December 2021).

### **36. Internal Audit Quarter Four Plan**

36.1 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).

36.2 Mr Pitman introduced the report which outlined the Audit plan with additional entries for quarter four.

36.3 The Committee made comments including those that follow.

- Queried when the Key Performance Indicators (KPIs) had been reviewed and if they were still fit for purpose. – Mr Pitman reported that the KPIs had been considered as part of the wider West Sussex Plan, where due diligence had also been looked into. The KPIs had been found to still be fit for purpose during this review. Cllr Hunt confirmed that updates to the Council Plan and KPIs were part of the upcoming budget papers.
- Questioned the date of the last Public Sector Internal Audit Standards (PSIAS) assessment of the Southern Internal Audit Partnership and if September 2015 was correct. – Mr Pitman apologised that the date was incorrect and resolved to correct for future reports.
- Asked how many of the reviews for quarters two and three were complete. – Mr Pitman confirmed that the progress report gave detail on progress and confirmed that the majority of quarter three reviews were nearing completion. It was felt that there was sufficient resource to complete the quarter four reviews with no delays.

36.4 Resolved – That the Committee approves the Internal Audit Plan 2021-22 (Q4).

### **37. Treasury Management Compliance Report - Third Quarter 2021/22**

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

37.2 Mrs Chuter, Financial Reporting Manager, introduced the report and informed the Committee that there had been no policy breaches within the quarter.

37.3 The Committee made comments including those that follow.

- Commented that the interest for some funds were less than the inflation rate. – Mrs Chuter confirmed that some rates were lower than inflation but added that the bank rate increase would help.
- Noted that there were investments with Slough Borough Council who were in financial difficulties, and asked if this would impact the County Council. – Mrs Chuter confirmed that no implications were expected and that a recent deposit had matured in January for £10m with no issues. Mrs Chuter added that the County Council had never lost funds when investing with local authorities.

37.4 Resolved – That the report be noted.

### **38. Quarterly Review of Corporate Risk Management**

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

38.2 The Committee welcomed Mr Laird, Chief Information Officer & Head of IT, who was in attendance to give an update on cyber security.

38.3 Mr Laird began by highlighting that cyber security was rated at 25 on the risk register to reflect risks in the cyber environment. The County Council used various technologies to undertake its duties which were subject to various risks such as financial implications, data theft, ransom ware attacks, inadvertent access of personal data, etc. There were also software vulnerabilities, physical thefts and phishing scams. The County Council response to these risks required constant vigilance and liaison with Internal Audit to explain necessary mitigations. It was also necessary to ensure that technology was appropriately invested in, and that policies were in place to ensure compliance.

38.4 The Committee made comments including those that follow.

- Queried the consideration to the risk of intentional attacks from staff within the County Council. – Mr Laird explained that the risk was recognised and that mitigations included separation of duties and the monitoring of access to systems. Systems were audited to look for trails and behaviours, and this was also assisted by monitoring technology.
- Sought clarity on the backup arrangements to ensure services to vulnerable residents could continue if an incident to the network occurred. – Mr Laird explained that the move to cloud based systems added more security to this area. Mitigations were in place to safeguard the County Council website in the chance of an attack.
- Questioned the impact on supply chains in the event of an attack. – Mr Laird explained that the criteria for new contracts gave consideration to supply chains during cyber attacks. Ms Eberhart, Director of Finance and Support Services, confirmed there were appropriate business continuity arrangements in place.

- Asked what consideration was given to backdoor attacks on software. – Mr Laird confirmed that there was a specialist IT team trained in this area to look for vulnerabilities. The County Council also engaged in penetration testing to look into additional vulnerabilities.
- Noted the recent attack on Chichester District Council’s planning portal and queried if the County Council IT team was aware. – Mr Laird confirmed that he was aware of the attack, but gave reassurance that the County Council’s systems were set up differently and not subject to the same vulnerability.
- Queried if the change to home working during the Covid-19 response had led to any challenges for security and if any lessons had been learned. – Mr Laird confirmed that the platform had been considered carefully ahead of lockdown and was found to be secure. There had been no significant security challenge during the period. It was noted that the lack of working in public areas such as trains and cafes would have reduced risks.

38.5 The Committee thanked Mr Laird for his attendance and the thorough explanation into how the risk was recognised.

38.6 Mr Pake, Corporate Risk and Business Planning Manager, introduced the report and explained that there had been no significant changes from the previous meeting. A new risk for Climate Change was being drafted and would be available for the next committee meeting.

38.7 The Committee made comments including those that follow.

- Raised concern for CR58, for which the Chairman of the Health and Adult Social Care Scrutiny Committee confirmed that it was high on their scrutiny agenda. – Ms Eberhart confirmed that the risk was considered carefully as part of the budget and also the Medium Term Financial Strategy (MTFS). Cost provisions needed to be considered for the future despite the unknown factors.
- Queried the consideration given to the risk of bus service deregistration and the requirement that the County Council may need to pick up routes that were not viable for private companies. – Mr Pake confirmed that the risk was being considered within the directorate.

38.8 Resolved – That the Committee notes the information detailed in the report and the current Corporate Risk Register.

### **39. Annual Governance Statement Action Plan 2020/21 Update**

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

39.2 Mr Gauntlett, Senior Advisor – Democratic Services, introduced the report and explained that the action plan allowed the committee to monitor the actions for the Annual Governance Statement. The report included updates for all current actions and gave an encouraging picture on governance arrangements.

39.3 The Committee made comments including those that follow.

- Queried if the deadlines for March 2022 would be met. – Mr Gauntlett reported that progress to date had been encouraging and that there was confidence that the deadline would be met. Any outstanding actions would be reported to the committee along with any appropriate mitigation actions.
- Asked if major changes were anticipated from the Good Governance Review. – Mr Gauntlett explained that the Good Governance Review covered a broad range of improvements and that a report on a New Code of Governance would be considered by the Governance Committee. Work was also being done internally to produce an officer guide to decision making. Ms Eberhart confirmed that workshops had taken place to ensure that the guide would cover all necessary areas.
- Queried the progress for Councillor mandatory training and if there were considerable gaps. – Mr Gauntlett confirmed that take up had been good and that a report would be going to the February Governance Committee with training statistics. The Democratic Services Unit monitored Councillor training and held Training Needs Analysis reports for each Councillor.

39.4 Resolved – That the Committee notes the Action Plan update.

#### **40. Date of Next Meeting**

40.1 The Committee noted that its next scheduled meeting would be held at 10.30 am on 14 March 2022 at County Hall, Chichester.

The meeting ended at 12.00 pm

Chairman