

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

14 March 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 and Cllr Montyn

Apologies were received from Cllr Dunn, Cllr Turley, Cllr Wall and Mr Parfitt

Also in attendance: Cllr Hunt

### **Part I**

#### **41. Declarations of Interest**

41.1 None.

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

42.1 Resolved – That the minutes of the meeting of the Committee held on 17 January 2022 be approved as a correct record and that they be signed by the Chairman.

#### **43. External Audit**

43.1 The Committee considered the 2021/22 Outline Audit Plans for West Sussex County Council and the West Sussex Pension Fund from the External Auditor Ernst & Young (EY) (copies appended to the signed minutes).

43.2 Mrs Thompson (EY) introduced the West Sussex County Council 2021/22 Outline Audit Plan and explained that National issues could impact risks, and the report outlined the key impacts for consideration. It was confirmed that the consultation for Local Authority Accounting Code of Practice closed in March. It was confirmed that a letter had been sent to the objector in relation to the 2020/21 financial statements, and it had been concluded that there were no matters to take formal action with. The 2020/21 Auditor's Annual Report had been issued as final. The aim was to complete the 2021/22 audit by September.

43.3 Mr Mathers (EY) outlined the areas of risk consideration which would be the area of audit focus.

43.4 The Committee made comments including those that follow.

- Queried if pressures from inflation would impact on the audit. – Mrs Thompson confirmed that this was considered as part of the value for money risk assessment to monitor the impact to council services.
- Asked if consideration of national guidance and advice added strain to the audit. – Mrs Thompson confirmed that it impacted EY and all areas of audit. The Financial Reporting Council (FRC) expected County Councils to report in the same way as corporate accounts

which could lead to disproportionate extra work due to the differences in processes. It was also difficult to recruit in the market which added to the long term issues to see a return to normal practices. EY were continuing to work through their backlog of audits across the firm. Reassurance was given that staff were not being redirected, but that resourcing continued to be a challenge.

- Queried if the reported 1.8% of gross revenue expenditure used as the basis for 2021/22 materiality was the same as for 2020/21. – Mrs Thompson confirmed it was the same.

43.5 Mrs Thompson introduced the 2021/22 Audit Plan for the West Sussex Pension Fund. Mrs Thompson explained that consideration was also now being given to any impacts of the conflict in Ukraine on the 2021/22 financial statements, either in terms of investments directly held or the impact on the global stock market.

43.6 Mr Mathers outlined the risks for the Pension Fund and confirmed that the audit was hoped to be completed in July, and concluded and reported in September together with the County Council audit. An updated Planning Report was likely to be brought to the July meeting of the Committee.

43.7 Resolved – That the Committee notes the 2021/22 Outline Audit Plans.

#### **44. Financial Statements 2021/22 - Plans and Progress**

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

44.2 Mrs Chuter, Financial Reporting Manager, introduced the report which outlined risks and plans for the statements. The Committee were reminded that the annual financial statement briefing session would be in September in advance of the September Committee meeting.

44.3 The Committee made comments including those that follow.

- Sought clarity on external audit visit arrangements. – Mrs Chuter confirmed that visits were documented and covered walkthroughs of all financial systems and reporting arrangements. Tests were also conducted on statement areas.
- Noted the comprehensive list of tasks for the statements and queried if each needed to be completed in turn and how achievable the tasks were. – Mrs Chuter confirmed that there was confidence in meeting all the necessary tasks. The tasks were not all interdependent, but it was confirmed that a detailed plan sat underneath the task list to cover all areas of the account creation.

44.4 Resolved – That the Committee notes the project plans for the County Council and Pension Fund accounts and their progress to date. The Committee also notes the draft accounting policies for both the County Council and Pension Fund accounts for 2021/22 and approves them for application in preparing this year's accounts.

## **45. Internal Audit Progress Report**

45.1 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).

45.2 The item began with attendance from Mr Poland, Head of Directly Provided Services, and Ms Fenn, Service Manager, to discuss Hammonds Residential Care Home.

45.3 Mr Poland began by explaining that the 2021 audit had shown 17 areas that required action; 13 were rated high, 3 medium and 1 low. The service had taken responsibility of the actions and there were now only minor outstanding actions. Work was ongoing with Capita to work back to 2016 to resolve all accounting issues. It was confirmed that the accounting issues were not fraudulent.

45.4 Ms Fenn, who had been the Service Manager for Hammonds since January 2022, confirmed that all transactions since 2016 were being looked through to understand all issues. It was confirmed that correct procedures were now in place with no margins for error.

45.5 The Committee made comments including those that follow.

- Queried if there were any County Council liabilities outstanding. – Ms Fenn confirmed this was unlikely.
- Asked if churn within Capita could impact other services. – Mr Poland explained that these had been outposted roles with only a few hours a week. Mr Poland believed that the issues would resolve in the longer term as staff would be in house.
- Questioned if the same issues were likely to occur in other care homes. – Mr Poland explained that this was a unique service that had experienced particular COVID-19 issues. There had also been unique processes in place where audits had closed off accounts after each manager left the home.
- Sought clarity over the audit account closure process. Members of the Committee and the Cabinet Member for Finance and Property were strong in their view that management should take accountability for the effective maintenance of the clients' accounts and would want assurance this is the case moving forward. – Ms Fenn explained that it wasn't generally an audit responsibility and that new processes would be installed to close down accounts appropriately. The committee noted the new arrangements would be installed and requested that appropriate lessons were learned on correct procedures.

45.6 Mr Poland summarised by confirming that the issues discovered at Hammonds had been part of a wider thematic review, followed by a concentrated look at the particular issues. Reassurance was given to the committee that the issues were not wider service concerns that would impact other care facilities.

45.7 Mr Pitman, Head of Southern Internal Audit Partnership, introduced the report which covering internal audit activity and the progress made against the internal audit plan. Mr Pitman apologised that the report did

not include risks and resolved to include in future reports and circulate current risks to committee members after the meeting.

45.8 The Committee made comments including those that follow.

- Queried the actions relating to the limited assurance for P-Cards. – Mr Pitman highlighted that the annexe gave an update on actions and reported that a new officer had taken responsibility for the actions. Progress was being made and would be reported on at the next committee meeting. Cllr Hunt, Cabinet Member for Finance and Property, resolved to raise the issues at a Cabinet meeting. The Committee resolved to invite service officers to the next meeting of the committee if the issue was not resolved.
- Sought clarity on the School Traded Services and the lack of strategy in place. – Mr Pitman resolved to go back to the service and request details.

45.9 Resolved – That the Committee notes the Internal Audit Progress Report and resolves to invite service officers to the next Committee meeting to discuss P-Cards if the issues are not resolved.

#### **46. Internal Audit Plan 2022/23**

46.1 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).

46.2 Mr Pitman introduced the report which included the counter fraud plans. It was confirmed that the area of focus would evolve across the year as intelligence was gathered.

46.3 The Committee made comments including those that follow.

- Queried if the increase in Internal Audit remit had led to any staffing issues. – Mr Pitman reported that COVID-19 had added challenges to the team where people had reflected on COVID-19 and made life choices such as early retirement. There were options available via the audit partnership such as apprenticeships.
- Sought clarity on the Grenfell Tower action plan. – Mr Pitman confirmed this was a service review and resolved to circulate details on what this would cover. Cllr Boram, Chairman of the Fire & Rescue Service Scrutiny Committee, believed it was a review of high rise buildings.
- Questioned how climate change fitted into the Council Plan's strategy. – Mr Pitman confirmed that assurances were given for each directorate and that there was also a separate climate strategy to ensure that it remained a constant consideration.

46.4 Resolved – That the Committee approves the Internal Audit Plan 2022-23 (Q1) and the Counter Fraud Plan 2022-23.

#### **47. Internal Audit Charter 2022/23**

47.1 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).

47.2 Mr Pitman introduced the report which set out Internal Audit's responsibility across the organisation. It was reported that Crawley Borough Council and Arun District Council were recent additions to the audit partnership.

47.3 Resolved – That the Committee approves the Internal Audit Charter 2022-23.

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

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

48.2 Mr Pake, Corporate Risk and Business Planning Manager, introduced the report and confirmed there was a new risk added for Climate Change. It was reported that the Tactical Management Group that had been responsible for COVID-19 response was being stood down and that COVID-19 risks would now be considered and managed at service level.

48.3 The Committee made comments including those that follow.

- Noted the format of the Risk Register and how it differed from the version used by the scrutiny committees. – Mr Pake explained that the committee retained the full, detailed report following a previous request to do so. The Chairman resolved to look at the scrutiny format and see if it would be appropriate for the committee's purposes.
- Queried if actions were in place to reduce the Cyber risk rating. – Mr Pake explained that it was hoped that the risk would reduce in time, but the rating reflected the current cyber environment.
- Requested that the risk for care market failure should add consideration for Ukrainian refugees. – Mr Pake confirmed that the Executive Leadership Team (ELT) had weekly discussions on the ramifications of the war in Ukraine, but resolved to ask if more detail should be added to the risk.

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

#### **49. Draft Annual Governance Statement 2021/22**

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

49.2 Mr Gauntlett, Senior Advisor – Democratic Services, introduced the report which included a draft action plan update. The report would be finalised and submitted for approval by the committee later in the year. It was likely that this would align with the financial accounts approval in September.

49.3 The Committee made comments including those that follow.

- Noted the inclusion of the COVID-19 pandemic response and felt that the Ukrainian war impact should also be reflected. – Mr Gauntlett resolved to pass this comment to ELT.
- Queried the strain on Council services due to the adoption of Afghan refugees. – Mr Gauntlett resolved to liaise with ELT on this issue.
- Asked if environmental issues would be included going forwards. – Mr Gauntlett confirmed that this was embedded in all areas.
- Sought clarity on benchmarking activity with other local authorities. – Mr Gauntlett confirmed that limited benchmarking had been undertaken with South East authorities and that the activity was now embedded and would happen going forwards.

49.4 Resolved – That the Committee notes the Action Plan update and flowchart. The Committee also supports the draft Statement for 2021/22 subject to the comments that had been raised.

## **50. Work Programme 2022/23**

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

50.2 Mr Chisnall noted a discussion on P-Cards could come to the July meeting as discussed previously during the Committee. Mr Chisnall also noted that the Director of Law and Assurance had confirmed that the Investigatory Powers Commissioner's Office had recently done a routine inspection of the Council's use of investigatory powers. Several recommendations were being made to the Council and would be reported to the committee in July.

50.3 Resolved – that the Work Programme be approved.

## **51. Date of Next Meeting**

51.1 The Committee noted that its next scheduled meeting would be held at 10.30 am on 18 July 2022 at County Hall, Chichester.

The meeting ended at 12.25 pm

Chairman