

Regulation, Audit and Accounts Committee

18 July 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 and Mr Parfitt

Apologies were received from Cllr Turley and Cllr Wall

Absent: Cllr Dunn

Also in attendance: Cllr Hunt

Part I

1. Declarations of Interest

1.1 None.

2. Minutes of the last meeting of the Committee

2.1 Resolved – That the minutes of the meeting of the Committee held on 14 March 2022 be approved as a correct record and that they be signed by the Chairman.

3. External Audit

3.1 The Committee considered the 2021/22 West Sussex County Council Full Audit Planning Report and the 2021/22 West Sussex Pension Fund Audit Planning Update from the External Auditor Ernst & Young (EY) (copies appended to the signed minutes).

3.2 Mrs Thompson (EY) introduced the West Sussex County Council Full Audit Planning Report and confirmed that the risks for Property, Plant and Equipment (PPE) have now been reviewed and that there were no changes in the approach to the audit of the valuations. A new risk had been added for infrastructure valuations; and a CIPFA consultation for this was currently in progress. Mrs Thompson drew attention to the fee table and confirmed Public Sector Audit Appointments Ltd (PSAA) have agreed the 2020/21 scale fee variation. Following a request made at a previous meeting, the specific fee relating to the work responding to the financial statement's objection had been highlighted in the report.

3.3 The Committee made comments including those that follow.

- Queried how the impact of inflation had been considered. – Mrs Thompson confirmed that the 2021/22 report will be impacted by officer assumptions on going concern. EY had no specific concerns on how the County Council put their plans together, and noted that the County Council held good reserves to support their needs. Cllr Hunt, Cabinet Member for Finance and Property, highlighted the Budget Member Day on 28 July as a useful session that would give assurances on this topic.

- Asked if EY was appropriately resourced to meet the outlined timescale. – Mrs Thompson said there were no concerns on this and that the expectation was to meet the September timetable. There were resourcing issues in the sector, with some audits being impacted by the outstanding CIPFA consultation.
- Requested an update on the Horsham Enterprise Park valuation. – Mrs Chuter, Financial Reporting Manager, confirmed that a detailed valuation had been received.
- Queried the current status of the teachers' pension issue. – Cllr Hunt reported that this was not able to be predicted yet, but early indications showed this was unlikely to be a large concern.
- Sought clarity on the to be confirmed (TBC) items within the planned fee. – Mrs Thompson explained that this related to value for money (VFM) assumptions. The PSAA had issued fee guidance, but the change in PPE valuer means that it was not possible to use last year's data to predict. The September committee report would include an estimate.
- Noted the fee relating to the objection and asked if this was the final figure. – Mrs Thompson explained that individuals could not object on the same issue, and no additional objections had been raised to date for this year. Therefore the figure was final.
- Queried if the change in use of County Council properties following the COVID-19 pandemic would impact the valuation. – Mrs Thompson explained that fair value and current usage was considered. Lease and rental details were also considered; as were occupancy details for a market based valuation. Cllr Hunt added that this was a small portion of the County Council's portfolio and that CIPFA had not raised any concerns on this issue.

3.4 Mrs Thompson (EY) introduced the 2021/22 West Sussex Pension Fund Audit Planning Update and highlighted that a key change from the plan presented to the previous meeting was due to the IAS26 actuarial benefit disclosures which EY was looking at. Mrs Thompson commented that the good engagement and collaboration with County Council officers is helping keep the audit on track.

3.5 The Committee made comments including those that follow.

- Queried if inflation could cause pension shortfalls. – Mrs Thompson confirmed that the Pension fund was entering a triennial valuation which would consider this. Ms Eberhart, Director of Finance and Support Services, confirmed that liabilities would be impacted, but the details would not be known until the actuary completed their work. Cllr Hunt added that the fund was still over 100% funded and that the Pensions Committee had moved a portion of the fund into income generation areas to help plan for the future.
- Sought clarity over the risks for IAS 26. – Mrs Thompson explained that the work was not changing, other than documenting more clearly how calculations were undertaken.

3.6 Resolved – That the Committee notes the 2021/22 West Sussex County Council Full Audit Planning Report and the 2021/22 West Sussex Pension Fund Audit Planning Update Report.

4. Internal Audit Progress Report (June 2022)

4.1 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).

4.2 The item began with attendance from Mrs Steele, Assistant Director - Safeguarding Quality and Assurance, and Mrs Godley, Service Manager – Business Support, Children, Young People and Learning to discuss P-Card areas within the Internal Audit report.

4.3 Mrs Steele began by passing on apologies from the Assistant Director – Early Help and Children's Social Care who had the responsibility of the P-Cards, but was unable to attend the Committee meeting.

4.4 Mrs Steele explained that Internal Audit had identified 17 management actions for the service concerning the management of P-Cards and that a rapid response team had been created to respond. A full review had been undertaken across the service to highlight all P-Card holders, address the actions and ensure that a robust procedure was put in place going forwards. The work was planned to be completed within three to six months with regular reviews in place.

4.5 The Committee made comments including those that follow.

- Queried the level of P-Cards in use. - It was confirmed there was a high number of P-Cards in use. Mrs Godley explained a new process will be put into place for P-Card authorisation. This would reduce the number of P-Cards in use.
- Asked how leavers with P-Cards were identified and handled. - Mrs Godley confirmed the current process required line managers to decommission P-cards. Line managers had been made aware of their responsibilities for procedures when staff left the service. It was confirmed there were no obsolete P-Cards in circulation.
- Queried if there were automatic controls for spending that would monitor and detect inappropriate purchases. - Ms Eberhart confirmed it was managers' responsibilities to confirm the spending was appropriate to need and in compliance with policies. All expenditure must be approved by managers. As an additional control measure, Mr Pitman, Head of Southern Internal Audit Partnership, explained that Internal Audit was undertaking a review of all P-Card spend using data analytics to highlight 'red flags' or transactions that may require closer investigation. The Committee welcomed the idea of more automation to the process. Mrs Godley explained that the system used was not a County Council system and so the external elements required manual oversight.
- Asked if the Royal Bank of Scotland (RBS) would work with the Council on this issue. - Ms Eberhart proposed that this could be a costly exercise, but work could be done to monitor levels. The emphasis should be on the managers to authorise appropriate spend.
- Queried if it was possible for spend to happen after someone left with a P-Card. - Mrs Chuter, Financial Reporting Manager, confirmed there were processes in place that would pick this up. It

was highlighted that unusual spend activity was automatically picked up, such as spend on petrol.

4.6 The Committee then received attendance from Mr Andrews, Deputy Chief Fire Officer, to update on areas in the Internal Audit report for the Fire Service.

4.7 Mr Andrews began his update by thanking the Internal Audit team for their support with appropriately resolving the identified issues.

4.8 The first update related to Safe and Well visits for which the 2018 inspection had identified as requiring improvement. All actions had been picked up and addressed; and the third quarter audit would verify the progress. Core measures were now green for performance and output.

4.9 The next update referred to safeguarding issues. Mr Andrews confirmed that the issue relating to staff not being identified as undertaking necessary training was found to be an error in the recording of the training, and confirmed that the staff had undertaken the training. Action plans had also been introduced for appropriate recording of data to ensure record keeping procedures were appropriate.

4.10 The next update concerned Working Time Regulations. Mr Andrews explained that the 2018 inspection had picked up issues with how working time was being recorded. The action plan was being worked on to resolve the issues, but it was noted that this was a long term issue to resolve. Working times was a complex area to monitor, with elements such as part time working and retained firefighters.

4.11 The Committee made comments including those that follow.

- Queried the data controls that had been introduced. – Mr Andrews explained that there had been the introduction of a Quality Assurance Officer and also the introduction of the Farynor recording system which was an improvement on the old system which had less resilience against errors with data entry.
- Sought clarity on the timescales for the Working Time Regulation actions. – Mr Andrews reported that there was an eighteen month plan on this and that benchmarking would be undertaken with other fire authorities. The Committee stressed the importance of reporting regulatory compliance.
- Commented that the issues discussed for the agenda item so far raised a wider issue of County Council data management. – Mr Andrews explained that within the fire service this was a complex issue where fire systems had to work with County Council systems for data transfer.

4.12 The Chairman thanked the attending officers for their updates on the audit actions.

4.13 Mr Pitman introduced the report and highlighted had completion rates had increased since the report publication and had moved from 91% to 97%. Overdue actions had reduced by ten and two high priority actions for Approved Mental Health Professionals (AMHPs) had improved since the report publication.

4.14 The Committee made comments including those that follow.

- Requested an update on Adult Services actions. – Mr Pitman reported that a draft report was with the Director and would come to the next Committee meeting. Assurance mapping was now in progress. The Committee requested any further information when it was available.
- Noted that not all County Councillors had completed the mandatory IT security and data protection training and proposed that the Chairman write to group leaders to encourage completion. – Mr Gauntlett, Senior Advisor in Democratic Services, confirmed that systems had been improved to monitor and promote training; and reported that the Head of Democratic Services had flagged required training with group leaders. The Chairman agreed to write to group leaders where they were responsible for County Councillors that required training.
- Sought clarity on the revised due date of January 2022 for Special Educational Needs management actions. – Mr Pitman explained that the team would have received a reminder to update this, but resolved to chase the team. The Committee asked if it was possible for future reports to highlight similar slippage. Mr Pitman resolved to add this to future reports.
- Noted the Limited opinion for IR35 and queried why there was no report on this. – Mr Pitman explained that this had come to the previous Committee meeting, and that the report reflected the initial opinions.

4.15 Resolved – That the Committee notes the Internal Audit Progress Report (June 2022).

5. Internal Audit Annual Report & Opinion 2021-22

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 Pitman introduced the report and commented that the report gave a good picture of how Internal Audit were looking into the right areas with positive conversations happening with the authority to improve services. It was demonstrated that County Council services were utilising Internal Audit well. Internal Audit had worked to create an environment that did not 'blame and shame' but instead worked to nurture improvements.

5.3 The Committee made comments including those that follow.

- Noted the spread across the four assurance opinions and queried if the boundaries were correct and if they were set nationally. – Mr Pitman explained that Internal Audit used CIPFA recommended boundaries, which were not mandated but seen as best practice. Mr Pitman felt the boundaries were correct and would be reluctant to change the standards. Mrs Thompson also welcomed the use of CIPFA standards for consistency.
- Sought clarity on the level of substantial opinions. – Mr Pitman explained that working to achieve a substantial opinion could lead to

disproportionate costs, and felt that reasonable was a good place for a service to be measured. Mrs Thompson added that she would be concerned if there were too many substantial opinions as it could indicate that Internal Audit were not looking in the correct areas.

- Queried the lack of Key Performance Indicators (KPIs) for the Information Asset Register. – Mr Pitman confirmed that an action plan was in place to resolve this.

5.4 Resolved – That the Committee approves the annual audit report and opinion for the year ended 2021-22.

6. Internal Audit Plan 2022-23 (Q2)

6.1 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).

6.2 Mr Pitman introduced the report and gave an update on the Grenfell Tower action plan; confirming that recommendations had been sent to all fire services. Thirty six recommendations had been received by West Sussex and working groups were addressing these.

6.3 The Committee made comments including those that follow.

- Sought clarity on the pending Care Quality Commission (CQC) inspection. – Mr Pitman explained that work was being done to ensure that the County Council was prepared in advance of the pending inspection.
- Queried if there was a need to look into project management. – Mr Pitman reported that project management was part of Internal Audit's remit and resolved to look into when this was last investigated.
- Noted that the plan aligned with the County Council plan and queried how Climate Change action was monitored by Internal Audit. – Mr Pitman explained that Climate Change risk was complicit in consideration of each service area that Internal Audit reviewed. Additionally there was an overall review of the Climate Change Strategy undertaken as part of the 2021/22 audit plan. The Committee requested that how each service responds to Climate Change should be reported on.

6.4 The Committee, and Cllr Hunt, thanked Mr Pitman and his team for their work and praised the good work of both Internal and External Audit.

6.5 Resolved – That the Committee approves the Internal Audit Plan 2022-23 and requests that Internal Audit consider how to monitor climate change activity within services that support the wider County Council climate change plan.

7. Quarterly Review of Corporate Risk Management

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

7.2 Mr Pake, Corporate Risk and Business Planning Manager, introduced the report and drew the Committee's attention to section 2.1 which outlined the changes on the risk register since the last meeting.

7.3 The Chairman commented that he had considered the format of the Corporate Risk Register that comes to the Committee compared to the one that accompanies the Quarterly Performance and Resources Report and had felt that the full report was more appropriate to continue coming to the Committee.

7.4 The Chairman reported that Cllr Wall, Chairman of the Health and Adult Social Care Scrutiny Committee, had confirmed that both risks CR58 and CR74 were firmly on the scrutiny committee's radar.

7.5 The Committee made comments including those that follow.

- Commented that CR11 was a cross council issue and that each service required a bespoke plan. – Mr Pake confirmed that he spoke with other authority risk managers on this to consider overarching issues. The corporate risk has also been updated to reflect the increasing problem, with two additional mitigations added: most notably a salary benchmarking exercise with neighbouring authorities. The Committee queried if a long term solution for recruitment would be to liaise with universities. Mr Pake confirmed that these conversations were happening. Cllr Hunt commented that this risk would be picked up in the Quarterly Performance and Resources Report so that each portfolio would be able to recognise their own risk.
- Queried if the Working Time Regulations issue for the fire service that had been previously discussed should be reflected on the Corporate Risk register. – Mr Pake resolved to speak with Mr Andrews on this.
- Noted that the plan for future Risk Management Lunch 'n' Learn sessions to be delivered virtually and proposed this should remain a mix of in person and virtual. – Mr Pake commented that both the webinar and in person sessions had received positive feedback. The plan is to continue to deliver as a webinar for the time being but introduce a number of face-to-face sessions.
- Noted the table for roles and responsibilities within the Risk Management Strategy and queried if Cabinet was the appropriate responsible party when it was officers who delivered the operation of the Council Plan. – Cllr Hunt explained that Cabinet Members undertook management of the work in their liaison with Directors and Senior Officers. Cabinet Members were proactive in this within their portfolios, and also as a collective Cabinet.
- Noted the responsibility of Internal Audit was to 'provide advice' and felt that this should be increased to recognise their proactive role. – Mr Pitman resolved to work with Mr Pake on the wording.

7.6 Resolved – That the Committee notes the information detailed in the report and the current risk management strategy, and requests that the wording regarding the role of Internal Audit in the strategy be updated.

8. Annual Governance Statement Action Plan 2020/21 Update

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

8.2 Mr Gauntlett introduced the report and confirmed that the majority of actions had been completed. The approach for deadlines had been amended to recognise that some activity was long term and continued beyond the year end.

8.3 The Committee made comments including those that follow.

- Queried the lack of update for Partnership and Community Engagement. – Mr Gauntlett confirmed that partnership work was happening, but the department had been impacted by COVID-19 response and Afghan and Ukrainian refugees which may account for the delayed report.
- Noted the wording for the Fire and Rescue Improvement Plan implementation and queried if this was too positive following the update received earlier in the meeting. – Mr Gauntlett resolved to work with the service to ensure that the next action plan reflected the work that is still required.
- Queried if the actions for the Children First Improvement Plan should be logged as 'completed'. – Mr Gauntlett explained that the implementation of the actions was complete and that the monitoring of the situation would continue operationally. Wording for future reports could be considered to reflect how progress was acknowledged. Mr Pake reported that progress on the Practice Improvement Plan (PIP) was included within the Risk report. The Committee commented that there should be more alignment between the reports.

8.4 Resolved – That the Committee notes the progress on the Action Plan from 2020/21.

9. Inspection on use of investigatory powers by Trading Standards

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

9.2 The Chairman introduced the report which followed a recent inspection by the Investigatory Powers Commissioner's Office. Recommendations had been given following the inspection, but overall the inspectors were satisfied with the County Council.

9.3 The Committee made comments including those that follow.

- Welcomed the summary of recommendations, but felt that sight of the full report would add required context.
- Sought clarity over recommendation two and the cross over of roles and if this was being undertaken by one person.

9.4 Resolved – That the Committee:

1. Notes the outcome of the recent inspection and the actions and proposals in response to its recommendations

2. Confirms that a further report be presented at a future meeting to receive a review of the operation of investigatory powers in accordance with the recent inspection output.
3. Requests sight of the full report and clarity on the queries raised.

10. Treasury Management Compliance Report - First Quarter 2022/23

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

10.2 Mrs Chuter introduced the report and confirmed there had been no breaches during the quarter.

10.3 The Committee made comments including those that follow.

- Queried how the £445m June level investment was reflected within the appendix tables. – Mrs Chuter confirmed that this was reflected by the sum of the tables in the appendix and the value of cash balances held.
- Sought clarity of the Thurrock Council investments. – Mrs Chuter confirmed this was £20m in total and that the investment was considered safe due to the local authority being underwritten.
- Praised the Treasury Management team following their 'Substantial' opinion within the Internal Audit report.

10.4 Resolved – That the Committee notes the report.

11. Date of Next Meeting

11.1 The Committee noted that its next scheduled meeting would be held at 10.30 am on 22 September 2022 at County Hall, Chichester.

The meeting ended at 1.00 pm

Chairman