

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

14 July 2023 – At a meeting of the Regulation, Audit and Accounts Committee held at 11.00 am at County Hall North, Horsham, RH12 1XA.

Present: Cllr Condie (Chairman)

Cllr Boram, Cllr Greenway, Cllr Kenyon, Cllr McKnight, Cllr Montyn, Cllr Wall and Mr Parfitt

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 20 March 2023 be approved as a correct record and that they be signed by the Chairman.

#### **3. 2022/23 External Audit Progress - Verbal Update**

3.1 The Committee received a verbal update on the 2022/23 External Audit Progress from the External Auditor Ernst & Young (EY).

3.2 Mr Mathers (EY) introduced himself to new members of the Committee and highlighted the following:

- The County Council's annual accounts and pension fund for 2021/22 are in a good position having been signed off, compared to the national position and this is reflective of the quality of statements produced.
- Final additional fees have been agreed with officers for 2021/22.
- In June, the Department for Levelling Up, Housing and Communities (DLUHC) reported that a number of audits for 2021/22 remain open.
- EY is in agreement that there needs to be a simplification of the local government accounting regime and
- Is awaiting an announcement from DLUHC regarding CIPFA's new code, which is expected to reflect a reduced scope.

3.3 The Committee made comments including those that follow.

- Questioned whether there is anything more that the County Council can do to speed up the process before it's begun. – Mr Mathers said that there is nothing of note which would help expedite the process and that EY maintains a good relationship with officers.
- Questioned what EY anticipate the new CIPFA code will introduce. – Mr Mathers said that there is collective hope that the accounting process is simplified. He explained that the County Council's accounts are very long and difficult to understand. He added it is

hoped the preparation of accounts will be more proportionate for EY and officers and become easier for members of the public to interpret.

- Questioned whether there is a difference in complexity between auditing local authority and corporate accounts. – Mr Mathers commented that the aim is for an experienced auditor to be able to interpret the accounts, without having a background in local government.

3.4 Resolved – That the Committee notes the External Audit Progress verbal update 2022/23.

#### **4. Internal Audit Annual Report & Opinion 2022/23**

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 Mr Pitman, Head of Southern Internal Audit Partnership, introduced the report and explained that it is not uncommon for local authorities to receive 'limited' assurance reviews and credited officers for liaising with auditors. He added that officers have compiled comprehensive action plans to mitigate issues.

4.3 Mrs Eves, Director of Finance and Support Services, invited feedback from members on the covering report that had been produced and confirmed that a report will follow each quarterly report. She explained that the County Council's service directors input into her report and provides further context to Appendix A. Mrs Eves emphasised that directors take ownership and view internal audit as a tool for continuous improvement. She also advised that the Committee may wish to invite officers to RAAC in future for further questioning.

4.4 The Committee made comments including those that follow.

- Questioned whether the reports require senior sign-off. – Mr Pitman confirmed that the progress against recommendations are monitored through to implementation and actions are assigned against a review.
- In reference to page 21, queried whether the 'limited' assurance review of HR policy and decision-making was in relation to loans being provided to employees by the County Council. – Mr Pitman explained that this applied to many service areas and that assurances are made based on the evidence provided.
- Questioned whether the overall opinion of 'reasonable' assurance is a common outcome or if the County Council is an outlier in this sense? – Mr Pitman confirmed that the majority of the Partnership's organisation clients fall into the reasonable or 'limited' category. He re-affirmed that reasonable assurance is a positive position for the County Council.
- Questioned how quickly action plans are undertaken and whether the Partnership is pleased with the County Council's speed of response. – Mr Pitman said that officers are generally accepting but recognised that timelines of management actions can sometimes be

over-optimistic because they fall into the 'Outstanding' category. He added that the number of overdue are diminishing but due diligence is needed on the Partnership's side to review timelines. Mrs Eves, Director of Finance and Support Services, re-assured the Committee that certain issues are on the radar of scrutiny committees and that RAAC should refer detailed discussions around the performance of services to the relevant scrutiny committee. She suggested that future RAAC meetings begin by acknowledging how many actions remain outstanding. Mr Pake, Corporate Risk and Business Planning Manager, confirmed that reputational risk is considered and a review of public consultation is included in the report. Mrs Eves concluded the discussion in recognition that the full spectrum of compliance and policy should be considered and emphasises the need for a well-rounded approach to be taken.

- Members praised the report's format
- Questioned how workforce planning can be built into RAAC's business planning outcomes. – Mrs Eves said that officers would take this away for consideration to ensure there is no duplication between discussions at RAAC and the Performance and Finance Scrutiny Committee (PFSC).
- Questioned on the review of procurements and contracts less than £100,000 in value. Mrs Eves commented that there is more work to do in this area and a current piece of work is being led on by the County Council's Procurement Team to improve processes and compliance. She added that the implementation of the Oracle fusion system would support improvements in buying behaviour.

4.5 Resolved – That the Committee:

1. Explores the relationship between RAAC and scrutiny committees to ensure a well-rounded governance approach.
2. Approves the Internal Audit Annual Report and Opinion 2022/23.

## **5. Internal Audit & Fraud Plan (Q2)**

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 explained that the Plan is flexible and that a list of reviews will be made transparent in the progress report, in terms of those added and removed.

5.3 Resolved – That the Committee approves the Internal Audit and Fraud Plan 2023/24 (Quarter 2).

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

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

6.2 Mr Pake, Corporate Risk and Business Planning Manager, introduced the report and highlighted changes to current risks, including those which

have been increased and reduced. He drew attention to risk 76 as a new addition and pointed out that risks 72 and 74 have been de-escalated from Executive Leadership Team to Directorate level. Mr Pake emphasised that risk scoring is subjective and welcomed comments on the Risk Management Strategy before the next RAAC meeting.

6.3 The Committee made comments including those that follow.

- Requested that mitigation measures are added to the corporate risk register in respect of staff wellbeing.
- Requested that the cost-of-living impact on specific services is added and identify whether it is a corporate or departmental risk.
- In reference to CR11, suggested that the risk impact column is revised to reflect the challenge of covering unprecedented events and the impact on the workforce. – Mr Pake offered to take this up with the Director of Human Resources and Organisational Development to ensure that the required level of staff can respond to emergencies and that it is added to the team’s business continuity plans.
- Mr Pake commented that substantial reductions in risk will require further financial investment.
- Questioned whether the teacher strikes over pay and the Dedicated schools grant (DSG) is a departmental risk and sits with the Director of Children, Young People and Learning. – Mrs Eves confirmed that the latter is very high on the financial planning agenda.
- Questioned what makes a risk corporate or departmental. – Mr Pake clarified the factors involved and explained that escalation and de-escalation is explained in the Strategy. Mrs Eves added that she has encouraged conversations with ELT and re-assured the Committee that ELT has oversight of the corporate risk register and departmental risks.

6.4 Resolved – That the Committee receives the report.

## **7. Annual Governance Statement 2022/23**

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

7.2 Mr Gauntlett, Senior Advisor, introduced the report and confirmed that 13 of 17 actions have now been completed. He drew attention to the completed actions on governance matters affecting Children’s Services and the Fire and Rescue Service, and highlighted the notable challenges now included in paragraph 7. Mr Gauntlett advised that RAAC is required to approve the Statement at the same time as the audited financial statements are approved.

7.3 The Committee made comments including those that follow.

- Regarding Principle B, it was commented that more could have been said about Highways and stakeholder engagement. – Mr Gauntlett confirmed that there is a consultation and engagement approach and the action on page 114 is for the Head of Communications and Engagement to review and develop for best

practice in the future. Mr Gauntlett agreed to an expansion of the Principle B action.

- In reference to page 121, paragraph 79, questioned whether more could be added about workforce planning, in addition to noticeable challenges. Mr Gauntlett agreed to build the actions on pages 121 and 122 into the summary and the notable challenges section in paragraph 7.

7.4 Resolved – that the Committee notes the draft Statement for 2022/23.

## **8. Anti-Fraud and Corruption Strategy & Anti-Money Laundering Policy**

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

8.2 Mrs Chuter, Financial Reporting Manager, introduced the report and confirmed that ownership has moved back to the County Council, in reference to the key policies as set out in para 2.1.

8.3 The Committee made comments including those that follow.

- Queried why the cash limit is £5,000 and not £500. – Mrs Chuter explained that the County Council is moving towards becoming a cashless organisation and that most income is received via bank transfer, but acknowledged that the County Council still needs to be able to accept cash. Mrs Chuter offered to look into what impact reducing the limit to £500 would have.
- In reference to page 165, questioned whether there is a designated officer who suspected fraud should be reported to. – Mrs Eves confirmed that reports should be made to either herself, the relevant service director or the Director of Law and Assurance. She added that an anti-money laundering training programme is in the process of being developed for staff and members. Mr Gauntlett referred the Committee to the County Council's whistleblowing policy for more information. Mrs Eves requested officers to carry out an analysis on the number of bankings and value of cash payments received by the County Council from members of the public.

8.4 Resolved – That the Committee approves the Anti-Fraud and Corruption Strategy and the Anti-Money Laundering Policy.

## **9. Treasury Management Compliance Report - First Quarter 2023/24**

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

9.2 Mrs Chuter, Financial Reporting Manager, introduced the report and informed the Committee that there has been no new borrowing during the quarter ending June 2023 and corrected an error on page 134 for the start date of one of the £5million deposits with Australia and New Zealand Bank. This should have read '21 April 2023', as opposed to '21 April 2022'.

9.3 Resolved – That the report be noted.

## **10. Proposed Changes to the Committee's Terms of Reference**

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

10.2 Mr Gauntlett, Senior Advisor, introduced the report and referred the Committee to the proposed new term of reference. Attention was drawn to page 189 which details a change to the audit function to reflect CIPFA's most recent wording.

10.3 The Committee made comments including those that follow.

- In reference to page 189, following on from CIPFA's presentation and training, questioned whether the number of independent co-opted members on an audit committee could be increased to 'up to two'. The Committee agreed the amendment and requested that this is reflected in the final version.
- Requested the addition of 'risk management' to the opening introduction in relation to the work of the Committee.
- Requested that 'anti-money laundering' is added to the bottom of page 190.

10.4 Resolved – That the Committee supports the proposed changes to the Committee's Terms of Reference for submission to the Governance Committee.

## **11. Date of Next Meeting**

11.2 The Committee agreed with the Chairman's suggestion that the Committee should aim to alternate the venue of its meetings between County Hall in Chichester and County Hall North in Horsham, where practicable.

11.1 The Committee noted that its next scheduled meeting would be held at 10.30 am on 21 September 2023 at County Hall, Chichester.

The meeting ended at 1.03 pm

Chairman