

Regulation, Audit and Accounts Committee

11 March 2024 – At a meeting of the Regulation, Audit and Accounts Committee held at 10.30 am at County Hall North, Horsham, RH12 1XH.

Present: Cllr Condie (Chairman)

Cllr Boram, Cllr Kenyon (left at 1.00pm), Cllr McKnight, Cllr Montyn and Mr Parfitt

Apologies were received from Cllr Greenway and Cllr Wall

Also in attendance: Cllr Hunt (Virtual)

Part I

38. Declarations of Interest

38.1 Cllr Montyn declared a personal interest as a member of the Chichester Harbour Conservancy in relation to the Internal Audit Plan 2024-25 (Q1) agenda item.

39. Minutes of the last meeting of the Committee

39.1 Resolved – That the Part I minutes of the meeting of the Committee held on 15 January 2024 be approved as a correct record and that they be signed by the Chairman.

40. External Audit - Value for Money

40.1 The Committee considered the report from the External Auditor Ernst & Young (EY) (copy appended to the signed minutes).

40.2 Mr Lazarus (EY) introduced the report and commented on the good value for money work that had happened. The 2022/23 SmartCore position was noted and it was recognised that there was still a lot of work to do. Recommendations had been given on the reset and the need for good governance arrangements.

40.3 Mr Mathers (EY) commented that the report was positive aside from the noted comments on SmartCore.

40.4 Mrs Eves, Director of Finance and Support Services, highlighted that the report reflected on the 2022/23 SmartCore position and that officers were working to demonstrate the progress that had been made recently. A draft business case had been prepared which reflected all the lessons learned. The revised business case would be considered at the Performance and Finance Scrutiny Committee (PFSC) ahead of a decision being taken. Mrs Eves stressed the importance of discussing with the Systems Implementor the work undertaken to date (valued at £13m) and how this could be utilised in the programme going forward if a decision to proceed was agreed.

40.5 Cllr Montyn, Chairman of PFSC, confirmed that the committee were preparing to scrutinise the business case as soon as it was ready.

40.6 The Committee made comments including those that follow.

- Sought assurance that the SmartCore issues were bespoke and not systematic of wider problems. – Mrs Eves explained that the business case needed to demonstrate assurance and that the organisation had addressed and put in place improvements from the lessons learnt and these are reflected in the revised business case. The concerns on wider issues were noted and it was proposed that Internal Audit will have a role going forward.
- Raised disappointment that SmartCore was not on the Corporate Risk Register. – Mrs Eves confirmed that this would be added to the Corporate Risk Register. Mr Pake, Corporate Risk and Business Planning Manager, confirmed that it had always been considered on directorate level risk registers. Thorough consideration had been given to risks and the whole project sphere. The Committee stressed that presence on the risk register was not enough and that it was important to carefully monitor the project.
- Queried if the SmartCore experience demonstrated weak Project Management processes across the sector. – Mrs Eves highlighted the specific complexities of the SmartCore project which had only been realised as the project progressed. There was now an improved understanding of the requirements, which involved work across the organisation with services and joined up with the programme team. SmartCore would be considered as part of the quarter one Internal Audit work plan.
- Highlighted the important of separating business as usual tasks and focus on major projects. Dedicated resources were required to ensure projects could progress. – Mrs Eves recognised the concern and agreed that it was not sufficient to add project work to business as usual practices. Business change practices would be put in place going forwards and adequate resources provided (capacity and skills) to deliver the programme.
- Queried if the lessons learned were unique to West Sussex or similar to other authorities. – Mrs Eves reported that following the county council's officer's lessons learned exercise, other Oracle (and similar system) users were consulted, with feedback from new users and also established users. The feedback chimed with the in house lessons learned. Learning was also being considered for general projects, along with communications and engagement with programme teams involved in other similar cross cutting projects.
- Queried if there needed to be a specific task force for SmartCore. – Mrs Eves agreed to look into this. It was confirmed that the business case was coming to PFSC and that it was important to determine the specific role of each committee. The Committee stressed that the project timescales should not be amended to fit around meeting dates. Bespoke meetings should be set up if required.
- Cllr Hunt proposed inviting the Cabinet Member for Support Services and Economic Development to the next meeting where Oracle was scheduled for discussion.

40.7 Resolved – That the Committee notes the report.

41. External Audit - Audit Update

41.1 The Committee considered the report from the External Auditor Ernst & Young (EY) (copy appended to the signed minutes).

41.2 Mr Lazarus introduced the report and explained that there had been no additional guidance alongside the ministerial statement for audit resets. It was confirmed that work had continued where possible (for West Sussex this included the County Council's Value for Money opinion and the Pension Fund financial statements) and would continue up to the proposed September backstop date in those areas. The audit sector was experiencing pressure to keep audits on track with the reset aimed at getting back on a steady footing and this has been interpreted differently by the audit firms.

41.3 The Committee made comments including those that follow.

- Sought clarity on what the disclaimer would mean for West Sussex.
– Mr Lazarus recognised that it was an unfortunate position for West Sussex given the Council's good previous track record of external financial reporting and reported that some audit providers may have different mandate profiles for audit completion. It was confirmed that West Sussex was in a good position and lobbying was taking place to see if the disclaimer wording could be reflective of the West Sussex position. It was hoped that the public statement on the disclaimer would report that the fact the opinion on the 2022/23 accounts could not be given was not the fault of West Sussex and related solely to the establishment of a backstop date and the related need to reset local authority audit.
- Queried if the opinion would recognise the work that had been audited. – Mr Lazarus confirmed that the value for money work, pension fund statements and work on other audit responsibilities would be reflected. However it would be noted that the opinion on the financial statements would be disclaimed.
- Questioned how assurance would be restored where there were audit gaps. – Mr Lazarus explained that assurance would be built back up over the following years. West Sussex was in a good position and so the rebuild would be smaller than other local authorities. EY had no specific concerns on the areas that had not been audited. EY were lobbying to see if it was possible to add a distinction in the disclaimers to differentiate between 'good' and 'bad' local authority positions.
- Sought clarity on the decision on which organisation's audits would continue. – Mr Lazarus explained that the Government had specified which audits should continue. The Department for Levelling Up, Housing & Communities (DLUHC) and the Financial Reporting Council (FRC) consultation was also clear that audit providers should have regard to the potential detrimental impact on delivery of audits in other parts of the public sector, for example the National Health Service (NHS) and Central Government, in considering plans for open local government audits. EY also delivers NHS and Central Government audits, so this was a relevant consideration.
- Queried if there were any financial impacts on the pension fund if the audit was not fully completed. – Mr Mathers (EY) confirmed that

EY would be able to give a clean opinion on the pension fund, but explained that the audit report could not be separated from the county council statements, so issue of the Pension Fund opinion was dependant on issue of the County Council disclaimer. The audit results report could also be used to clarify the position of the disclaimer i.e. that it was solely attributable to the backstop date and reset process. Mrs Eves confirmed that there would be no risk on our ability to externally borrow and the context of the disclaimer would just need to be demonstrated.

- Asked if the approach going forwards would be possible within EY resources. – Mr Lazarus confirmed that EY had seen a 15% increase in workforce and that internal analytical planning was taking place across EY's whole portfolio. It was felt that the staff uplift would allow EY to get back on track, noting that audit backlogs are pervasive across all providers. Mr Mathers also reported that EY had deliberately bid for a lower work volume in the new 2023/24 Public Sector Audit Appointments Limited framework contract for local government audits, which would help. It was also highlighted that there was still a role for CIPFA to assist in streamlining the accounts.
- Queried what were the areas of concern during the rebuild processes for West Sussex. – Mr Lazarus said this would depend on legislation and guidance. The Committee proposed it may be useful to check contract documents where they referred to audited accounts.
- Asked if the risk register should reflect the concerns during the rebuild period. – Mr Lazarus explained that risk consideration should be focussed on how to gain assurances on non-audited areas.
- Queried if it was possible to see details of the three year rebuild plan. – Mr Lazarus confirmed that the outcome of consultations which were still awaited would inevitably dictate this, but proposed that the plan would be available in the autumn. EY's approach was to focus resources on current financial reporting (i.e. 2023/24) to better allow for timely reporting and the 'rebuild' to happen as quickly as possible.
- Sought clarity on the impact of each year's audit status. – Mr Lazarus confirmed that the disclaimer was for 2022/23 and that it would be a priority to ensure 2023/24 audit was achieved on time. Mr Mathers confirmed that the 2023/24 audit would be impacted by the 2022/23 disclaimer, but the impact would reduce in future years as the rebuild process continued.
- Queried if DLUHC were comfortable with EY's approach to the reset. – Mr Lazarus reported that there was no formal approval on the approach taken, but there had been an acknowledgement of the work undertaken, the transparent approach with all parties, and the difficult landscape for the sector.

41.4 The Committee noted the update and proposed that training on the changes coming out of Public Sector Audit Appointment (PSAA)/DLUHC and CIPFA would be beneficial to the Committee.

41.5 Resolved – That the report be noted.

42. Financial Statements - Plans and Progress (2023/24)

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

42.2 Mrs Chuter, Financial Reporting Manager, introduced the report and confirmed that officers were awaiting the outcome of the CIPFA consultation. The challenging deadline had been noted and the handbooks had been written to aim for draft accounts to be prepared for the statutory deadline of 31 May 2024. Mrs Chuter confirmed that officers were engaging with EY and working well with Mr Mathers' successor, Mr Wilkins.

42.3 The Committee made comments including those that follow.

- Asked if EY had appropriate resources to meet the plan. – Mr Mathers confirmed that EY were working to the County Council's plan.
- Queried if the DLUHC consultation had been taken into consideration. – Mrs Chuter confirmed that this had been undertaken. Mr Mathers suspected the consultation outcome would have little impact on the accounts.
- Asked if there would be a resource clash with the Statements and SmartCore work. – Mrs Eves recognised that there were dedicated resources for both areas of work and the SmartCore progression would not be impacted.
- Noted the reference to GBP in the pension fund WSPF accounting policy and asked if the drafting could be reviewed. – Mrs Wood, Pension Fund Investment Strategist, agreed to look into this and add clarity if necessary.

42.4 Resolved – That the Committee notes the project plans for the County Council and Pension Fund accounts; and approves the draft accounting policies for both the County Council and Pension Fund accounts for 2023/24 for application in preparing this year's accounts. The Committee also agrees to delegate authority to the Chairman to approve any amendments needed to the County Council accounting policies, following the outcome of the anticipated CIPFA Code of Practice consultation.

43. Review of Financial Regulations

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

43.2 Mrs Chuter introduced the report and explained that it was good practice to review regulations to ensure they were still appropriate. The appendix outlined the proposed changes which included adding clarity to Director and Assistant Director responsibilities. A three year cycle of review was proposed, but it was noted that the Oracle Fusion (SmartCore) implementation could impact this.

43.3 Mrs Eves proposed an additional amendment for the debt write off section. Paragraph 3.4, in the category between £15,001 and £100,000, the proposal was to include 'and in consultation with the Cabinet Member for Finance and Property' in the delegated approval box.

43.4 Resolved – That the Committee endorses the revised Financial Regulations for approval at the 22 March County Council meeting, including the additional amendment for the debt write off delegated approvals.

44. Internal Audit Progress Report

44.1 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).

44.2 The Committee welcomed Mr Davey Assistant Director (Highways Transport and Planning) and Ms Hulme (Head of Local Highway Operations) to the meeting to provide an update on health and safety processes at highway depots.

44.3 Mr Davey confirmed there were three operational depots that were shared with contractors. The responsibility of Health and Safety was shared with all site users. The audit had been requested by the Highways department to health check the procedures that were in place. Actions had been highlighted from the audit and steps had been taken to make appropriate improvements. The majority of actions had been completed.

44.4 Ms Hulme confirmed that the site usage was limited to particular staff and that staff inductions covered relevant health and safety aspects. Outstanding actions related to derelict buildings. First aid training sessions for all staff were being conducted over a twelve month period.

44.5 The Committee made comments including those that follow.

- Sought assurance that actions had been taken to address the health and safety issues and ensure they were not repeated in future. – Ms Hulme confirmed that the corporate duties for the sites had been maintained and that an appropriate officer was responsible for each site and co-ordinating all users.
- Queried if a culture change was required to reinforce approaches to health and safety. – Mr Davey confirmed that all staff undertook health and safety training. All new staff received an induction and it was confirmed that no activity could proceed at the depot without an understanding of the risks and mitigations. The importance of continually reminding staff of health and safety was acknowledged. The audit had been requested by Highways due to the recognition of the importance of safety. The depots had a good track record of health and safety and positive collaborative working with all depot users.
- Asked if mental health training had been considered. – Mr Davey confirmed that mental health first aiders were in the directorate and identified to all staff. It was recognised that highways workers were subject to abuse via site activity, email and social media. Work was done to ensure staff wellbeing was considered.
- Cllr Boram, Chairman of the Fire & Rescue Service Scrutiny Committee, recommended liaising with the Chief Fire Officer over mental health work. – Ms Hulme confirmed that training pieces had been shared from the Chief Fire Officer. It was confirmed that contractors were subject to alcohol and drug testing and that vehicle

usage was also carefully monitored. There was currently no mandate for alcohol and drug testing for County Council staff and it was noted that there was no history of this usage at depots.

44.6 The Committee thanked Mr Davey and Ms Hulme for their updated and welcomed the work that was being done in the depots.

44.7 Mr Pitman, Head of Southern Internal Audit Partnership, introduced the report and highlighted the progress of Internal Audit actions.

44.8 The Committee noted the work on fire service reviews and expressed concern on the delays. – Mr Boram, Chairman of the Fire & Rescue Service Scrutiny Committee (FRSSC), confirmed that he had challenged the Surrey joint service at a scrutiny meeting. Mrs Eves proposed that inviting an officer from the fire service to a committee meeting could be beneficial. Mr Pitman confirmed that he was confident with the rolling programme progress.

44.9 Resolved – That the Progress Report be noted.

45. Internal Audit Plan 2024/25 (Q1)

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 Mr Pitman introduced the report and sought any comments or queries from the Committee.

45.3 The Committee made comments including those that follow.

- Queried the impact of SmartCore on the audit plan. – Mr Pitman confirmed that SmartCore governance had been scheduled. Once the business case for SmartCore had been considered and future direction of travel agreed, the impact on the audit plan would be considered. The Chairman asked if someone from Internal Audit could join the SmartCore project board. Mrs Eves resolved to consider this as part of the Programme Governance.
- Sought clarity on the activity for School Place Planning. – Mr Pitman confirmed that work was being done to look into processes and consider wide view with regard to school programmes. Mrs Eves confirmed that this had been discussed at PFSC.
- Asked how the non-financial data in the Performance and Resources Report (PRR) was considered. – Mrs Eves confirmed that a Scrutiny Project Day was scheduled for 13 March for all scrutiny members, and scrutiny comments on the PRR would be sought.
- Queried if the partnership working was audited. – Mr Pitman explained this was not done thematically, but specific service reviews were looked at. A high level review across the organisation could be considered in the future.

45.4 Resolved – That the Committee approves the approve the Internal Audit Plan 2024-25 (Q1).

46. Internal Audit Charter

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 and confirmed the Charter was an annual report that sought approval from the Committee and senior management. There had been no changes since last year, but it was confirmed that standards would be changing in January and so a new Charter would come to the January meeting to reflect the new standards.

46.3 The Committee queried when the Charter had been externally assessed. – Mr Pitman confirmed it was last reviewed in 2020 and had been reported compliant with all standards. A review would be scheduled following the new standards.

46.4 Resolved – That the Committee approves the Internal Audit Charter 2024-25.

47. Quarterly Review of Corporate Risk Management

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

47.2 Mr Pake, Corporate Risk and Business Planning Manager, introduced the report and highlighted the changes since the last meeting.

47.3 Mrs Eves highlighted the risk relating to Financial Sustainability and Resilience and confirmed that mitigations had been reviewed.

47.4 The Committee made comments including those that follow.

- Cllr Montyn highlighted CR11 and confirmed that PFSC had challenged the risk remaining at 25 despite mitigating actions. – Mr Pake explained that there were recruitment issues at lower grades which were impacting the risk score. Mrs Eves added that some risks retained a high focus despite the mitigations. The Chairman proposed inviting the Director of Human Resources and Organisational Development to an appropriate meeting to discuss the risk. The Committee felt that a change in process should be considered if the risk remained high. Mr Pake raised the importance of recognising what was in the realm of control and being clear on risk actions and mitigations.
- Queried if CR50 was linked with highway depots. – Mr Pake confirmed this was a wider issue and linked to broader governance. The Committee asked if the risk considered contractors. Mr Pake explained that the risk was internally focussed, but contractor impact was recognised.

47.5 Resolved – That the report be noted.

48. Work Programme 2024/25

48.1 The Committee received the work programme for 2024/25 (copy appended to the signed minutes).

48.2 The Chairman resolved to discuss the work programme with officers outside of the meeting to ensure that meeting frequency and agenda length was appropriate.

48.3 Resolved – That the Committee notes the Chairman’s action to discuss the programme outside of the meeting.

49. Date of Next Meeting

49.1 The Committee noted that its next scheduled meeting would be held at 10.30 am on 8 July 2024 at County Hall, Chichester.

50. Part II Minutes of the last meeting

50.1 The Committee agreed it was not necessary to enter Part II to approve the minutes as there was no requirement to discuss the contents.

50.2 50.2 Resolved – That the Part II minutes of the meeting of the Committee held on 15 January 2024 be approved as a correct record and that they be signed by the Chairman.

The meeting ended at 1.45 pm

Chairman