

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

1 December 2023 – 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 Greenway, Cllr McKnight, Cllr Montyn, Cllr Wall and Mr Parfitt

Apologies were received from Cllr Kenyon

### **Part I**

#### **18. Declarations of Interest**

18.1 Cllr Greenway declared a personal interest for the Pension Fund Financial Statements 2022/23 item as a deferred member of the Local Government Pension Scheme.

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

19.1 Resolved – That the minutes of the meeting of the Committee held on 21 September 2023 be approved as a correct record and that they be signed by the Chairman.

#### **20. Update on the 2022/23 County Council Financial Statements**

20.1 Mr Lazarus (EY) gave a verbal update to the Committee on the audit progress of the 2022/23 County Council Financial Statements.

20.2 It was confirmed that the Statements for 2021/22 were complete and signed off. The 2022/23 West Sussex Pension Fund Statements were in a good position, but could not be completed due to the outstanding County Council Statements. The sector was awaiting a ministerial update regarding a direction for the sector backlog, but a change in Government Minister could lead to further delays on the update. In the interim, EY were working to maximise assurances where possible and would work to finalise the Statements as soon as possible.

20.3 The Committee made comments including those that follow.

- Queried what could be possible if the ministerial update came in January. – Mr Lazarus explained that work would depend on the guidelines in the update, but EY would work hard with County Council officers to see if the 2022/23 Statements could be completed by March.
- Asked if the delays were due to Audit Sector resources or the County Council. Mr Lazarus confirmed that the delays were not linked to County Council activity. The issues were broader than a matter of audit resources, and were impacted by technical issues. EY were lobbying the Government to expedite things where possible, but noted the need to maintain the work to date if no steer was given. The County Council were in a good position and it was reported that there was a good level of collaborative work between

EY and County Council officers. Mrs Eves, Director of Finance and Support Services, added that there would be potential resourcing conflict if the 2022/23 audit and the preparation of the 2023/24 accounts both happened at the same time. Officers were conscious not to impact the publication deadlines of the 2023/24 Statements.

20.4 The Committee noted the update.

## **21. External Audit - 2022/23 West Sussex Pension Fund Audit Results Report**

21.1 The Committee considered the 2022/23 West Sussex Pension Fund Audit Results Report from the External Auditor Ernst & Young (EY) (copy appended to the signed minutes).

21.2 Mr Lazarus confirmed that the Pension Fund audit was complete except for finalisation due to the issues discussed in the previous agenda item. EY thanked Mrs Wood, Pension Fund Strategist, and Ms Quaid, Finance Manager - Pension Fund, for their assistance with the audit.

21.3 A judgemental difference had been highlighted on the audit concerning the value of a Private Equity Investment. EY were satisfied and understood the officer position, but had to highlight the proposed value as it was not something that could currently be compared against a benchmark. The value was under the threshold for higher level concern.

21.4 Mr Lazarus confirmed that the Pension Fund statements could not be signed off until the County Council statements were finalised, but they were currently clean with an unqualified opinion.

21.5 The Committee made comments including those that follow.

- Noted the position on the Private Equity valuation, and queried how this could be resolved for future statement audits. – Mr Lazarus explained that conversations would continue between EY and finance officers to monitor the situation. The issue related to lack of similar funds to allow a value comparison. Mrs Wood confirmed that robust processes had been followed, and work would continue on the investments with fund managers. Conversations would continue with EY to see how they could secure validations on values. Conversations were also taking place with other Local Authorities to understand wider considerations.
- The Committee noted the consideration of the Private Equity investments and queried why the investment had been made if there were value uncertainties. – Mrs Wood explained that due consideration had been given to risk and returns. Active management was in place for the investment which had a twelve year lifespan. Mr Lazarus agreed to keep the Committee updated on the issue.
- Sought clarity on the regulation expectations for the Pension Fund statements. – Mrs Wood confirmed that the fund was required to publish the accounts as part of the annual report today.
- Queried the role of the Committee with regard to the Management Representation Letter. – Mr Lazarus confirmed that this was standard wording. Mrs Eves confirmed that last year the letter was

signed by the Chairman of the Committee and herself, and confirmed that the letter was 'noted' by the Committee. Something similar could be done for this letter.

21.6 Resolved – That the report be noted.

## **22. Pension Fund Financial Statements 2022/23**

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

22.2 Mrs Wood introduced the report and thanked the members that had attended the recent briefing on the financial statements. It was confirmed that, whilst the Pension Fund Statements were connected to the County Council Statements, they had minimum interaction with each other. The accounts had been prepared on a going concern basis.

22.3 The Committee made comments including those that follow.

- Noted the high detail within the notes which may make reading of the accounts difficult for members of the public. It was proposed that an explanation document would make it easier to read. – Mrs Wood explained that normally the Pension and County statements would be published together and include a narrative document. This would be included in the full pack, but noted it was missing due to the delay with the County Council statements. Mrs Eves confirmed that the annual report was designed to be more user friendly, and would work to address the narrative void.
- Clarity was sought around the "change in fiscal policy" referred to within the Actuarial Statement in note 19 of the accounts. Mrs Wood advised that this related to the Autumn 2022 budget. Mrs Eves praised the hard work of the pension team and EY in meeting the deadlines. The Committee also expressed praise to the teams.

22.4 Resolved that the Committee approves the Pension Fund's Statement of Accounts for 2022/23; and delegates authority to the Chairman to sign the Pension Fund Statement of Accounts for 2022/23 on behalf of the Regulation, Audit & Accounts Committee and sign-off any minor changes which may be required after the Committee meeting.

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

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

23.2 Mr Pake, Corporate Risk and Business Planning Manager, introduced the report and confirmed that since the last Committee meeting the effect of mitigation work had reduced CR7's risk level. Risk owners were reported to be working well in providing updates on risks.

23.3 The Committee made comments including those that follow.

- Welcomed the way risk was being embedded and queried how risk was handled in other local authorities. – Mr Pake confirmed that West Sussex was in a good place for risk consideration, but there

were always improvements that could be made. Mrs Eves confirmed that the Executive Leadership Team's risk strategy sessions held good challenge and reviews of risks.

- Queried if the work of scrutiny committees should factor into the risk register. – Mr Pake agreed to discuss this with risk owners. Mrs Eves confirmed that relevant actions should be captured where appropriate. Mrs Eves added that the substance of risk was discussed at scrutiny meetings, and that the Committee were able to refer particular matters of concern to scrutiny chairmen.
- Asked how much assessment was done to monitor if risk activity was improving. – Mr Pake confirmed that conversations took place with Internal Audit to consider deadline dates and their adherence. Mr Pake felt that better conversations were taking place with improved risk considerations.
- Queried the social care debt within risk CR58, and asked what lessons would be learned. – Mrs Eves confirmed that the debt was being looked into and outcomes would be discussed at the Health and Adult Social Care Scrutiny Committee.
- Queried the delays to school projects. – Mr Pitman, Head of Southern Internal Audit Partnership, confirmed that he was looking into the capital strategy delays for quarter four and one. Cllr Montyn, Chairman of the Performance and Finance Scrutiny Committee, confirmed that property had been discussed thoroughly at a recent meeting.

23.4 Resolved – That the report be noted.

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

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

24.2 Mrs Chuter, Financial Reporting Manager, introduced the report and informed the Committee that there had been no breaches for the quarter and no new borrowing.

24.3 The Committee made comments including those that follow.

- Requested an update on pooled funds. – Mrs Eves confirmed that the funds were being kept under review, and that they had reduced and so were showing a loss. There is currently a temporary statutory override in place which means that the loss does not need to be realised.
- Queried if the value had been impacted by interest rates. – Mrs Chuter confirmed that that this has caused an impact, as well as inflation and the property market. Fund managers were being active to improve the situation.
- Sought clarity over the Birmingham City Council holdings. – Mrs Chuter confirmed that the holdings had now come back, as had the Cornwall Council holdings. Mrs Eves confirmed that the money was protected by the Local Government Act 2003 and that due diligence was undertaken before investments were made. Mrs Chuter added that balance sheets and other factors were also considered.

- Queried the twenty year durations for investments with other local authorities. – Mrs Chuter confirmed that this would be reviewed. Investments with other local authorities were sometimes longer than one year, but never held as long as twenty years.

24.4 Resolved – That the report be noted.

## **25. Amendment to Contracts Standing Orders - Electronic Signatures**

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

25.2 Mr Kershaw, Director of Law and Assurance, introduced the report and explained that an amendment was being proposed for Standing Orders. Currently if contracts were signed with a seal they held protections for twelve years, whereas electronic signatures only held protections for six years. It was recognised that the use of electronic signatures was more efficient, and so standing orders would be changed to extend usage of electronic signatures, but not to replace seal usage. Seal usage would be used for values over £500,000, with electronic signatures being used below this level. Assurance was given that necessary security was in place in the system. It was also confirmed that seals could still be used for lower value contracts if additional cover for enforcement was required.

25.3 The Committee queried the consideration given to cyber security. – Mr Kershaw confirmed that the procured system had been tested for cyber security, and was a widely used and well tested system by other authorities and banks.

25.4 Resolved – That the Committee endorses the proposed changes to Standing Orders on Procurement and Contracts to enable the use of electronic signatures within the scope set out in the report.

## **26. Date of Next Meeting**

26.1 The Committee noted that its next scheduled meeting would be held at 10.30 am on 15 January 2024 at County Hall, Chichester.

The meeting ended at 11.55 am

Chairman