

Regulation, Audit and Accounts Committee

25 March 2019 – At a meeting of the Regulation, Audit and Accounts Committee held at 10.30 am at County Hall, Chichester.

Present: Dr Dennis (Chairman)

Mr Waight, Mrs Dennis, Mr Jupp and Mrs Pendleton

Apologies were received from Mr Bradford and Mr Lea

Also in attendance: Mr Hunt and Mr Lanzer

Part I

30. Declarations of Interest

30.1 Mrs Dennis declared a personal interest as a Member of the Pensions Panel.

30.2 Mr Jupp declared a personal interest as a Member of the Pensions Panel and Horsham District Council.

30.3 Mrs Pendleton declared a personal interest as an Arun District Council Member.

31. Minutes of the last meeting of the Committee

31.1 Resolved – That the minutes of the meeting of the Committee held on 21 January 2019 be approved as a correct record and that they be signed by the Chairman.

32. External Audit

32.1 Mr Mathers (EY) gave a verbal update to the Committee on progress with the main council and pension fund audits.

32.2 Mr Mathers reported that work was progressing positively towards the Summer deadline. Data analytics had allowed timely work. EY were currently looking at revenue spend risk. All information relating to the Pension Fund migration had been received.

32.3 Resolved – That the Committee welcomes the update.

33. External Audit - WSCC Audit Plan

33.1 The Committee considered the audit planning report from EY (copies appended to the signed minutes).

33.2 Mrs Thompson (EY) introduced the report and explained that there were no fundamental changes to the way the audit was being undertaken compared to last year. The report outlined the identified risks which included the process of management override, PFI arrangements and

Restatement of the Comprehensive Income and Expenditure Statement (CIES).

33.3 Mrs Thompson talked through the independence section and explained that Public Sector Audit Appointments Limited had been asked to look at the work that was being proposed for children services.

33.4 The Committee made comments including those that follow.

- Queried if EY would be looking into the transformation design. – *Mr Mathers confirmed that whilst EY would not look specifically at this project, they would consider all materiality and how elements impacted the Medium Term Financial Strategy.*
- Sought clarity on the clarification used for the Novartis valuation. – *Mrs Chuter, Financial Reporting Manager, reported that the site had been classed as an operation asset as it did not fit within investment property definitions. Mr Mathers confirmed this approach and explained that investment property classification could only be used where the asset is held solely for rental income or capital appreciation. As other elements were proposed for the site, operational was the correct term. Mrs Thompson added that classifications can change as appropriate.*
- Queried if depreciation was considered for operational assets. – *Mrs Chuter confirmed that assets would be considered as part of the cyclical valuation programme.*
- Sought clarity on the audit opinion fee arrangements. – *Mrs Thompson explained that if issues came to light of high significance, EY would discuss the fee impact with the County Council. There was no incentive to give a different opinion as it would create more work.*
- Asked for detail on the reported inappropriate expenditure capitalisation. – *Mr Mathers explained that the test for this was to see if the correct criteria was being used. Areas such as non-attributable costs, nature of expenditure, and enhancement versus maintenance were considered.*

33.5 Resolved – That the Committee notes the plan.

34. Financial Statements 2018/19 - Plans and Progress

34.1 The Committee considered a report by the Director of Finance, Performance and Procurement (copy appended to the signed minutes).

34.2 Mrs Chuter introduced the report and explained that work had already been carried out on the accounts. Accounting policies had been streamlined in accordance with the CIPFA Code of Practice.

34.3 The Committee made comments including those that follow.

- Queried the lack of staffing risk for the County Council on the risk register. – *Mrs Chuter confirmed that the County Council finance team were stable, and that the team had now been in place for a year and was working well. The Pension team has had staffing changes which had been reflected in the report.*

- Sought clarity on the approach taken for property valuation. – *Mrs Chuter explained that samples had been taken of different classes. The criteria had been widened from last year across geography, size and asset type to strengthen the process. Montague Evans was the external valuer used.*
- Discussed the use of leases and asked if the associated risks had been taken into consideration. – *Ms Eberhart, Director of Finance, Performance and Procurement, confirmed that the estates team looked at leases and would recognise the risks. The statements show representation of all arrangements.*
- Queried the progress of the pension transfer. – *Ms Eberhart confirmed that the pension payroll had been run and would be received by the recipient on Friday. Investigations into the process had shown that the payroll had matched the intention.*

34.4 The Committee raised concerns from the previous item's discussion regarding the classification of property; investment versus operational. – *Ms Eberhart confirmed that the County Council was meeting the necessary policy. Mrs Thompson confirmed that the report recommendations were asking the Committee to approve the policy, not the property classification.*

34.5 Resolved – That the Committee notes the project plans and progress for the County Council and Pension Fund accounts; and approves the accounting policies for both the County Council and Pension Fund accounts for 2018/19 for application in preparing the accounts.

35. Internal Audit Progress Report

35.1 The Committee considered a report by the Director of Finance, Performance and Procurement and the Head of Southern Internal Audit Partnership (copy appended to the signed minutes).

35.2 Mr Pitman, Head of Southern Internal Audit Partnership, introduced Antony Harvey, Deputy Head of the Southern Internal Audit Partnership, who would also be attending meetings going forwards.

35.3 Mr Pitman introduced the report and reported that there was a low level of overdue actions, with one being a high priority. The report also included three limited assurance opinions; Sustainability, Public Health contracts, and the Financial Adults Safeguarding Team.

35.4 Ms Raleigh, Director of Public Health, informed the committee that following her appointment she had looked at Public Health contract processes. Internal Audit had been commissioned to assist and identify how to handle processes.

35.5 Following the audit, a Public Health Board had been created that was chaired by the Chief Executive. The Directorate Leadership Team also monitored reports on how contracts were performing. The register of contracts was now complete and up to date; with Key Performance Indicators for all contracts. Most audit actions were now complete. Ms Raleigh reported she was happy with the audit process.

35.6 Members welcomed the verbal update and commented that they felt assurance on progress.

35.7 The Committee made comments including those that follow.

- Noted the level of spend on the Public Health Contracts work and queried the likelihood that this could happen in other areas. Concerns were raised on the lack of assurance on value for money.
– *Ms Raleigh reported that the work had focussed on 14 of the public health contracts. The gap of appointment to the Director of Public Health post and the lapsing of contracts had led to the issues raised. Work was still required in this area. The Adult and Social Care Commissioning Team had oversight of the contracts. The Committee commented that management changed regularly and so this was not an acceptable reason for contracts to be impacted. Ms Eberhart confirmed that the need to improve contracts had been recognised and that a Task and Finish Group (TFG) was in place to make improvements. The Chairman proposed a TFG update at a future meeting.*
- Asked if the level of audit opinions was typical for a local authority.
– *Mr Pitman reported that the County Council utilised Internal Audit well, making good use of audit expertise to help improve processes. The figures were in line with local authorities using Internal Audit.*
- Queried the lack of draft report for Think Family. – *Mr Pitman explained that the work was focussed on grant certification work and so a report was not required. Dialogue would be added to future reports to confirm that the work had been signed off.*
- Sought clarity on the process for school financial statements. – *Mr Pitman confirmed that schools had to submit their self-assessments. Reconciliation work would follow this.*
- Queried the work that was still outstanding on the Deprivation of Liberty Safeguards. – *Mr Pitman resolved to follow up on this query within the next plan.*
- Asked if MASH would be added back into the audit plan. – *Mr Pitman confirmed this was not considered as an area of concern raised by the department and as such was not included within next years plan, albeit the plan remained fluid should it be later considered that a review would be desirable / necessary.*
- Sought clarity on the removed Service Resilience entry. – *Mr Pitman confirmed that this related to IT.*
- Queried the approach taken for cyber security and if the County Council had insurance for it. – *Ms Eberhart explained that officers worked to a Central Government checklist. An update of work would be included in the next meeting's report. Ms Eberhart resolved to look into insurance arrangements.*
- Asked if the backlog work would impact next year's programme. – *Mr Pitman confirmed that the work would not impact next year's resources.*
- Sought an update on the sustainability in procurement process work. – *Ms Eberhart resolved to look into this.*

35.8 Resolved – That the Committee notes the Internal Audit Progress report and requests an update from the Contracts Task and Finish Group when appropriate.

36. Internal Audit Plan 2019/20

36.1 The Committee considered a report by the Director of Finance, Performance and Procurement and the Head of Southern Internal Audit Partnership (copy appended to the signed minutes).

36.2 Mr Pitman introduced the report and explained that the plan had been written in consultation with management was being presented to the Committee for their consultation. The plan represented a point in time and was fluid to enable changes depending on priorities.

36.3 The Committee made comments including those that follow.

- Queried if the Whole Council Design and SAP replacement project were separate. – *Mr Pitman confirmed they were separate works. Ms Eberhart confirmed that the different work streams formed part of the whole council plan.*
- Asked if there were appropriate resources to deliver the plan. – *Mr Pitman confirmed there were enough resources.*

36.4 The Committee and the Cabinet Member for Finance and Resources thanked Mr Pitman and his team. It was noted that Internal Audit had given robustness to processes.

36.5 Resolved – That the Committee approves the contents of the Internal Audit Plan for 2019/20.

37. Internal Audit Charter 2019/20

37.1 The Committee considered a report by the Director of Finance, Performance and Procurement and the Head of Southern Internal Audit Partnership (copy appended to the signed minutes).

37.2 Mr Pitman introduced the report and explained that it was a requirement of the Public Sector Internal Audit Standards to present the charter to the committee.

37.3 Resolved – That the Committee approves the Internal Audit Charter for 2019-20.

38. Quarterly Review of the Corporate Risk Register

38.1 The Committee considered a report by the Director of Finance, Performance and Procurement (copy appended to the signed minutes).

38.2 Mr Pake, Corporate Risk and Business Planning Manager, introduced the report and highlighted the new elements of the report that had previously been requested by the committee.

38.3 The Committee queried the feedback for the risk management staff courses. – *Mr Pake reported that he was working with the Learning and Development team to look at the figures and monitor the peaks and troughs.*

38.4 Mr Mezulis, Chief Information Officer, attended the committee to talk on cyber security. It was expected that the risk would maintain a high level, and it would be for officers to appropriately manage mitigations. A regional Warning, Advice and Reporting Point (WARP) was set up to work with colleagues to assist with public sector early warnings.

38.5 Mr Mezulis spoke through other mitigation activities such as white hat hackers who would attack County Council systems to identify weaknesses. All cloud based provisions were conforming to set standards. Laptop antivirus software was also effective against attacks.

38.6 Mr Mezulis also spoke about the need to educate county council officers. Passwords were tested and found that some used simple words that were easy to crack. IT had also emailed officers with phishing emails to understand vulnerable areas. The results showed that a targeted campaign to educate staff on security was required.

38.7 The Committee made comments including those that follow.

- Referenced the recent cyber attack on the NHS and the need for county council equipment to be up to date so it was more secure. – *Mr Mezulis confirmed that the County Council was upgrading to Windows 10. Windows 7 would be supported by Microsoft until 2020. The rollout of equipment would completed before this deadline.*

38.8 The Committee requested an update at their November meeting on the progress of the IT rollout. Members also felt a member day on the IT kit would be useful.

38.9 Resolved – That the Committee notes the Corporate Risk Register and requests an update on the IT rollout at the November meeting.

39. Staff Induction Update

39.1 The Committee considered a report by the Director of Human Resources and Organisational Change (copy appended to the signed minutes).

39.2 Ms Hannant, Head of Organisational Development, introduced the report and reported that induction completion rates were now averaging 69%, compared to 41% in November. A working group was looking into the induction process for areas such as signposting, clarity over completion responsibility, reminders, communication campaigns, etc. Managers were now getting better prompts at staff progress. Feedback was being considered on elements of the induction, such as the proposal to reduce the full day into a half day.

39.3 Following a previous recommendation from the committee, the completion deadlines had been amended for on-line elements to be completed within the first month of employment.

39.4 Ms Muchamp, Head of Finance, reported that she had completed her induction within three months and felt that early awareness would be helpful to new employees.

39.5 The Committee made comments including those that follow.

- Felt it would be important to understand the difference in numbers between full time and part time; managers and members of staff.
- Queried the numbers of new staff entering the authority. – *Ms Hannant reported that the average was 50 a month, but there would be peaks and troughs.*
- Asked if sufficient sessions were provided for new starters. – *Ms Hannant reported that 60 spaces were available every month over three sessions. It was hoped that managers would book staff onto sessions as soon as possible. The new system made it easier to monitor progress.*
- Queried the length of the induction materials. – *Ms Hannant explained that the online element would take six hours, the face to face element lasted one day.*

39.6 The Committee welcomed the progress on staff inductions.

39.7 The Chairman noted the improvements that had been observed following the committee's recommendations and proposed an alternative resolution to the one recommended in the report; That the Chairman writes to the Chairman of the Governance Committee stating that the Committee have observed the improvements in the induction process and would like to ensure they continue to be appropriately monitored by the Governance Committee as this falls within their remit according to the constitution.

39.8 The Committee unanimously agreed to the new resolution, but felt that the item should come back to the Committee if the policy needed amending.

39.9 Resolved – That the Committee asks the Chairman to write to the Chairman of Governance Committee asking them to monitor staff inductions as part of their remit to ensure the improved completion rates do not revert back.

40. Draft Annual Governance Statement 2018/19

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

40.2 Mr Gauntlett, Senior Advisor, introduced the report and explained that the final Annual Governance Statement would come to the July committee for approval. The July report would look back on the previous action plan. The Committee were asked to note the report and progress.

40.3 Resolved – That the Committee notes the plans for the 2018/19 Annual Governance Statement.

41. Work Programme 2019/20

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

41.2 Mr Chisnall, Democratic Services Officer, introduced the programme as an outline for 2019/20 meetings.

41.3 Mr Chisnall reported that the programme contained an error, and that the Financial Regulations and Financial Procedures item would be taking place in March 2021 as it was in a three yearly review and had last been reviewed in July 2018.

41.4 Resolved – That the Committee notes the programme.

42. Date of Next Meeting

42.1 The Committee noted that its next scheduled meeting would be held at 10.30 am on 22 July 2019 at County Hall, Chichester. The Committee were also reminded that a training session on the financial statements was scheduled for the 13 June 2019.

The meeting ended at 12.53 pm

Chairman