

Regulation, Audit and Accounts Committee

22 September 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, Cllr Wall and Mr Parfitt

Absent: Cllr Dunn

Also in attendance: Cllr Hunt

Part I

12. Declarations of Interest

12.1 None

13. Minutes of the last meeting of the Committee

13.1 The Chairman confirmed that he had written to group leaders as per minute 4.14, second bullet, concerning mandatory training.

13.2 Cllr Hunt requested that minute 3.5, first bullet, be amended to '...had moved a portion of the fund into income generation...'.

13.3 Resolved – That the minutes of the meeting of the committee held on 18 July 2022, subject to the above amendment, be approved as a correct record and that they be signed by the Chairman.

14. External Audit

14.1 The committee considered the 2021/22 West Sussex County Council Audit Progress Report and the 2021/22 West Sussex Pension Fund Audit Results Report from the External Auditor Ernst & Young (EY) (copies appended to the signed minutes).

14.2 Mrs Thompson (EY) introduced the report and explained that a progress report had been presented as EY were not in a position to give an audit results report for the County Council financial statements.

14.3 Mr Mathers (EY) explained that a national issue concerning the reporting of the carrying value of infrastructure asset values was the reason the audit was delayed and that CIPFA were looking into this. The rest of the audit was progressing well, and it was expressed that County Council officers had provided good support to EY. An adjustment had been made to the statements for pension liability valuations linked to the initial estimates given to the actuary for valuations, for which there were now known values.

14.4 The committee made comments including those that follow.

- Sought clarity on the infrastructure asset value issue. – Mr Mathers explained that major infrastructure assets were held on a named

basis on the register; however for some assets annual capital costs were grouped by year of spend. The Council is therefore unable to identify replaced components of assets that should be derecognised from the asset register. This has the potential to lead to material overstatement of the gross and net carrying value of assets and limits audit scope.

- Highlighted that in July the audit seemed on track, and queried what lessons could be learned to avoid delays in future years. – Mrs Thompson explained that in July it was hoped that a national solution for infrastructure assets would have been found. It was proposed that CIPFA had two options to resolve the issue; amend the code, or recommend the issue of statutory overrides. Delays on a solution were likely linked to parliament delays from the appointment of the new Prime Minister, and the pausing of parliament for the Queen's mourning period. Work on the audit was largely complete. It was hoped that the infrastructure solution would be applicable for next year. Mrs Thompson added that where councils were prepared for audit, such as West Sussex, they were prioritised by EY to achieve deadlines.
- Queried what would happen if the statements were not ready for approval by the November committee meeting. – Mrs Thompson confirmed that the deadline for publishing audited accounts was the end of November. EY were monitoring the situation to see what solution would be given nationally. Mr Kirkham, Interim Director of Finance and Support Services, proposed that the limitation of scope option could be applied to accounts if a solution was not found, but expressed that this was not ideal.
- Asked if the work on Property, Plant and Equipment (PPE) was complete. – Mrs Thompson confirmed that the EY Real Estate report was due soon to complete the work.
- Sought an update on going concern. – Mrs Thompson confirmed that this work was halted as it required completion of the other outstanding elements first. It was anticipated that, once the work could begin, it would be completed quickly due to the good support from County Council officers. Cllr Hunt confirmed that County Council officers had submitted the accounts on time and that all the delays were due to external factors.
- Queried if the issues relating to the Teachers' Pension were unique to the County Council; and asked why after a year it was still not possible to scale the problem. – Mr Mathers explained the issue was specific to the Council but that officers were getting closer to understanding the full risk implications, although progress needed to be accelerated in line with the Council's own plans. Mrs Chuter, Financial Reporting Manager, confirmed that officers were on track to submit data to the Teachers Pension Scheme (TPS). Officers knew the number of impacted individuals and had plans with the TPS to do monthly batch calculations on the data. By the March 2023 deadline it was anticipated that it would be possible to estimate the impact but there would then be a dependency on each individual's decision to know the actual liability. The committee requested an update on progress at each meeting. Cllr Hunt added that early indications suggested that it was unlikely to be a large impact. Rachel Wood, Pension Fund Strategist, explained it was a

unique exercise and there was no concept of the retrospective take up to the pension scheme.

14.5 Mrs Thompson introduced the West Sussex Pension Fund Audit Results Report and explained that the audit was almost complete, but the opinion could not be issued until the County Council statements were completed.

14.6 Mr Mathers confirmed that the statements were well prepared and that EY had been supported well by the officers. There were no significant changes or issues to report. Mr Mathers spoke through the specific risks that had been considered and confirmed there were no issues to report. There were also no significant amendments or disclosure changes resulting from the audit to highlight.

14.7 The committee made comments including those that follow.

- Asked if the Teacher's Pension issue would impact the statements. – Mr Mathers confirmed that it was a different pension scheme.
- Queried why the national issue on infrastructure assets did not impact the pension fund statements. – Mr Mathers confirmed that the pension fund held infrastructure assets as income generation investment assets; whereas the County Council held infrastructure assets as operational assets to deliver services and so were subject to different valuation and reporting arrangements.
- Asked why an EY property expert had only been used for County Council property holdings. – Mr Mathers explained that the County Council property assets were varied and harder to value; whereas the pension fund assets were more homogenous and had been previously considered by an external specialist, who had been happy with the valuations.
- Questioned why the report was listed as draft if the work was completed. – Mrs Thompson confirmed that the report was listed as draft until it could be issued with the County Council report.
- Queried the increase in audit fee from 2020/21 to 2021/22. – Mrs Thompson confirmed that EY had asked Public Sector Audit Appointments (PSAA) for an increase following the Redmond Report which considered that audit fees were too low. EY were waiting on PSAA to set the fee figure.
- Sought clarity over the IAS 19 fee from EY. – Mrs Thompson confirmed that this fee has increased by £500 for 2021/22.
- Queried the actuarial valuation report date within appendix d. – Mrs Thompson confirmed that 31 March 2020 was the date of the last triennial valuation.

14.8 Resolved – That the committee notes the 2021/22 West Sussex County Council Audit Progress Report and the 2021/22 West Sussex Pension Fund Audit Results Report.

15. Financial Statements 2021/22

15.1 The committee considered a report by the Deputy Chief Finance Officer (copy appended to the signed minutes).

15.2 Mrs Chuter introduced the report and confirmed that the draft accounts had been submitted by the required deadlines; and reiterated the previous agenda item's discussion on the elements which had caused delays to the approval of the final statements.

15.3 The committee made comments including those that follow.

- Noted that the report recommended the approval of the pension fund statements and felt that this should be subject to the final audit sign off. The committee agreed and proposed to amend the recommendation accordingly.
- Queried why the infrastructure asset issue had not been a factor last year. – Mrs Chuter confirmed that the national issue had been raised after the previous year's accounts had been issued. Mrs Thompson also added that EY had issued their opinion before the issue had emerged. Mrs Thompson added that even though there is now no requirement for EY to audit the Council's Whole of Government Accounts (WGA) submission, the National Audit Office (NAO) can pick any WGA for assessment which would impact the County Council accounts if chosen. The 2020/21 audit certificate was therefore unissued pending the NAO assessment period.
- Asked if the member of the public who raised an objection last year could raise the issue again. – Mrs Thompson confirmed that an objector could not raise a complaint on the same subject again, but could complain in the same area. It was confirmed that the current objection period was closed and no objections had been submitted.

15.4 Resolved – That the committee:

- a) approves the Statement of Accounts for 2021/22 for the West Sussex Pension Fund, subject to the completion of the audit for the County Council Statement of Accounts for 2021/22.
- b) notes the progress update on the audit of the West Sussex County Council Statement of Accounts 2021/22.

16. Quarterly Review of Corporate Risk Management

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

16.2 Mr Pake, Corporate Risk and Business Planning Manager, introduced the report and updated the committee on actions from the previous meeting. The Working Time Regulation risk was currently on the directorate risk register where it was felt to be most appropriate. Mr Pake also confirmed that the Internal Audit's role had been updated in the Risk Strategy, and agreed to share this with the committee.

16.3 The committee made comments including those that follow.

- Queried that CR22 had retained the same score from the previous quarter and was still referencing COVID-19. The impact from COVID-19 was being recognised differently now with regard to economics. – Mr Pake explained that COVID-19 has been removed from some risk descriptions as it was now being managed as

business as usual. CR68 may be removed from the risk register in the near future, but officers were mindful to be aware of spikes particularly during the winter period.

- Sought clarity on the change in impact score for CR11 from 4 to 5.
 - Mr Pake explained that the scores were calculated based on the assessment criteria in the Risk Management Strategy. Mr Kirkham added that there were a significant number of unknowns that the council needed to prepare for. The impact score could be determined on the plans in place which would reduce the timescale of the impact. Cllr Hunt added that the council was in a strong position and had made preparations with reserves should they be needed.
- Raised concerns with CR11 and how winter may add additional concerns. The committee queried if the risk concerned all staff or just skilled staff. – Mr Pake confirmed that the issue concerned all staff and that the wording would be updated. The committee noted that the risk now covered a wider area and discussed which forum was most appropriate to consider the whole issue. Following a discussion, the committee felt that each scrutiny committee would consider their area, and the Performance and Finance Scrutiny Committee (PFSC) could take an overarching view with regard to human resources. The Chairman of PFSC proposed to raise the issue at the next meeting of the scrutiny committee.
- Noted the target figure for cyber-crime and if it should be reviewed.
 - Mr Pake explained that the target was ambitious, but it reflected where the Council would like to be. The score reflected the changing environment and the work that the Council was doing. Mr Pake confirmed that the approach was consistent across other authorities he spoke with. The committee noted that impact score remained at 5, and so proposed that 20 could be a better target. Mr Pake explained that all figures came down to the assessment criteria. Mr Kirkham explained that the Council was always subject to attacks which were becoming ever more sophisticated.
- Queried the reference to COVID-19 within CR22. – Mr Pake confirmed that the risk was up for review in December. Mr Kirkham added that, whilst the risk of lockdown had reduced, there was still a long-term impact from COVID-19.

16.4 Resolved – That the committee noted the information detailed in the report.

17. Internal Audit Progress Report (August 2022)

17.1 The committee considered a report by the Head of Southern Internal Audit Partnership (copy appended to the signed minutes).

17.2 Mr Pitman, Head of Southern Internal Audit Partnership, introduced the report and updated on the statuses of the live audit reviews. Mr Pitman was awaiting an update on the IT Assurance Mapping project, and resolved to circulate this to the committee when it was available.

17.3 The committee made comments including those that follow.

- Raised concerns over the benchmarking processes for education capital projects. – Mr Pitman explained that the methodology used

was not comparable and so instead a working group had been set up to look into other methodologies that could be used. Cllr Hunt explained that benchmarking was hard within education due to every school being different; and different project finance practices such as the inclusion of foundation work and fixtures and fittings within project costs. The Assistant Director (Property & Assets) had been asked to look into the issue.

- Queried if there is an issue with project management skills within the organisation. – Cllr Hunt confirmed there was appropriate expertise within the County Council. Mr Pitman informed the committee that a review of project management was scheduled within the audit plan.

17.4 Resolved – That the committee notes the Internal Audit Progress Report (August 2022).

18. Internal Audit Plan 2022-23 (Q3)

18.1 The committee considered a report by the Head of Southern Internal Audit Partnership (copy appended to the signed minutes).

18.2 Mr Pitman introduced the report which outlined the plan for quarter three.

18.3 The committee noted the level of work being undertaken and asked if the committee should request any officer attendance. – Mr Pitman explained that there was a high level of work being undertaken in preparation for the Care Quality Commission inspection next year. Audit was working to support colleagues in the adult directorate on this. The committee welcomed the preparation work being undertaken. Mr Pitman proposed that the lead officer could give an overview at the January meeting.

18.4 Resolved – That the committee approves the Internal Audit Plan 2022-23 (Q3).

19. Date of Next Meeting

19.1 The committee noted that its next scheduled meeting would be held at 10.30 am on 21 November 2022 at County Hall, Chichester. This was a new meeting to look at the Audit Results reports, Financial Statements and the Annual Governance Statement.

The meeting ended at 12.20 pm

Chairman