

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

1 February 2023 – 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 Greenway, Cllr Kenyon, Cllr Montyn, Cllr Wall and Mr Parfitt

Apologies were received from Cllr Boram

Also in attendance: Cllr Hunt

### **Part I**

#### **20. Declarations of Interest**

20.1 None

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

21.1 Resolved – That the minutes of the meeting of the Committee held on 22 September 2022 be approved as a correct record and that they be signed by the Chairman.

#### **22. Annual Governance Statement 2021/22**

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

22.2 Mr Gauntlett, Senior Advisor – Democratic Services, introduced the report and informed the Committee that approval of the Annual Governance Statement had been delayed to align with the approval of the Financial Statements. The statement was in line with climate change actions, and half of the seventeen actions had now been completed.

22.3 The Committee made comments including those that follow.

- Sought clarity over the requirements for the publication of officer interests. – Mr Gauntlett explained that members' interests were published and that the Director of Law and Assurance was looking to install a robust system for officer interests. Mr Gauntlett resolved to look into timescales for this.
- Queried the milestones for the Teachers' Pensions work and if the report reflected the current status. – Mrs Eves, Director of Finance and Support Services, explained that the report outlined the relevant actions and that three had been completed. The wording could be updated for the final version to reflect the remaining outstanding actions.
- Question if any scale of the cost or impact had been considered for the Teachers' Pension resolution. – Mrs Chuter, Financial Reporting Manager, confirmed that officers were waiting on the Teachers Pension Scheme to finish calculating liabilities. The figures also depended on how many individuals decided to opt into the scheme. It was confirmed that reserves would be used to cover the interest

portion of the liability. Cost estimates could likely be calculated after March 2023 for the 2022/23 financial statements.

- Queried if lessons could be learned in responding to changes in regulations. – Mrs Eves gave reassurance that the County Council was always monitoring regulations and the impact of changes. Network contacts were utilised to consider issues and how to respond to change. Cllr Hunt, Cabinet Member for Finance and Property, added that the Pension Fund currently had a very efficient administration service which helped with a good response to change.
- Asked about the frequency of use of the whistleblowing policy. – Mr Gauntlett confirmed that the policy was used, but in low numbers.
- Sought clarity on the progress of the new operating model for Finance as referenced in the update on the Financial Management Code. – Mrs Eves explained that this focussed on a new finance and human resources system, and was an opportunity to look at rules and processes. The work would be taking place over twelve months and would be an opportunity to make efficiencies. Miss Williams, Deputy Chief Finance Officer, added that the hope was to automate manual processes which would allow officers to spend more time supporting services.
- Noted the abolition of County Local Forums and queried the alternative provision for local member support. – Mr Gauntlett explained that the County Council engaged with residents via different forums such as community partnerships, and via relationships with District and Borough Councils.
- Sought clarity over the action relating to compliance and consistency for Directors. – Mr Gauntlett explained that there was now more stability within senior management and the action was with the Executive Leadership Team to look at delegations to ensure appropriate consistency.
- Queried progress on the cross Council Business Planning Group for operational service plans. – Mrs Eves confirmed this was in place and was looking to bed in improved processes. The 2024/25 Business Plan would show how this had been embedded.

22.4 Resolved – That the committee approves the 2021/22 draft audited Annual Governance Statement and Action Plan, and recommends adoption and signing of the Annual Governance Statement by the Leader of the Council and Chief Executive.

## **23. External Audit**

23.1 The Committee considered the 2021/22 Audit Results Report and the 2021/22 draft Auditor's Annual Report from the External Auditor Ernst & Young (EY) (copies appended to the signed minutes).

23.2 Mrs Thompson (EY) began by introducing the 2021/22 Audit Results Report and explaining that in September the audit had been completed except for the outstanding issue relating to the reporting of infrastructure assets. CIPFA had issued an update to the Code of Practice on Local Authority Accounting and the Department for Levelling Up, Housing & Communities (DLUHC) had issued a statutory instrument to allow for resolution of the issue. CIPFA had subsequently issued guidance on the

update to the Code. Mrs Thompson commented that the challenging audit had been greatly helped by the support from County Council officers.

23.3 Mrs Thompson explained that EY were likely to issue an unqualified audit report whilst they worked to finalise the audit over the coming weeks.

23.4 Mr Mathers (EY) spoke through the summary of risks in the audit and that there were no areas of concern. Recommendations had been made and accepted in areas such as the approach used for the valuation of solar farms; and in the quality assurance measures for data inputs for valuation processes.

23.5 Mr Mathers reported that the County Council had responded to the CIPFA guidance on infrastructure assets and produced a paper outlining its approach. The paper was currently with EY for assessment.

23.6 The Committee made comments including those that follow.

- Noted that the audit last year raised issues with school valuations, and that valuation processes had been also raised in this audit; and queried if there was a wider problem with County Council valuations.
  - Mr Mathers confirmed that the previous school valuation issue had been resolved. It was explained that the County Council held over £1.7bn of assets which covered a broad range, for which the County Council relied on specialists for valuations. Processes could be improved to assist with what information was passed on to valuers, and how the County Council could challenge valuer reports. Mr Mathers highlighted that the County Council officers took a proactive approach and sought to raise issues as they arose in this area, having previously raised the school issue themselves for EY's attention.
- Sought clarity over the infrastructure resolution and if the solution was temporary or long-term. – Mrs Thompson confirmed that the solution was temporary for financial years up to March 2025. For April 2025 onwards a final solution would be agreed from the three proposals currently under consideration. The County Council was recommended to consider how they would respond to the three proposed solutions. Mrs Eves added that many local authorities were in the same position and so discussions would take place to collaborate on approaches to the solutions. Mrs Thompson highlighted the importance for authorities to respond to the CIPFA consultation.
- Queried if any processes had changed in response to the infrastructure issue. – Mr McEwan, Finance Manager (Financial Control), explained that officers reported according to the Code and so no change would be made in approach until the Code was updated. Mrs Thompson added that officers should record infrastructure details now in preparation for an agreed solution.
- Requested details of the sample of related party disclosures which were reviewed. – Mr Mathers explained that a sample of non-return disclosures were checked and it was confirmed that no transactions had taken place.
- Asked for details on the school bank reconciliation. – Mr Mathers confirmed that EY were satisfied that differences highlighted were not

material. Mr McEwan explained that the reconciliation has been looked at over a number of years and was a complex piece of work to cover multiple school transactions. The work on SmartCore would assist in future year's reconciliations. If write offs occurred they would be appropriately recorded.

23.7 Mrs Thompson introduced the 2021/22 draft Auditor's Annual Report and explained that the opinion had not been issued yet as so some areas of the report would require final updating.

23.8 Mr Mathers reported that EY was preparing to report no matters to report by exception. Recommendations had been made within the value for money section on governance arrangements.

23.9 The Committee made comments including those that follow.

- Raised concerns that issues of non-disclosure had been found within the related party transactions work. – Mr Mathers confirmed that recommendations for improvement had been made in this area which had been accepted. Mrs Chuter confirmed that work was happening with Human Resources and Organisational Development to improve processes when people left the authority. Mr McEwan added that the issues raised during the audit did not imply that members or officers had failed to make disclosures which were asked of them; rather, that the survey should be expanded so that all interests (regardless of materiality of transactions) are declared.
- Sought clarity over the definition of materiality for declarations. – Mr Pitman, Head of Southern Internal Audit Partnership explained that work by the National Fraud Initiative looked into payroll every two years as an additional check, which added reassurance to the processes in place. Mr Hunt confirmed that the code of practice had been followed correctly, but acknowledged that there was areas to improve on.

23.10 Resolved – That the Committee:

1. Notes the content of the 2021/22 Audit Results Report and, if needed to address changes of a minor nature arising after the meeting of the Committee, agrees to delegate authority to the committee Chairman to approve and sign-off the final text.
2. Notes the 2021/22 Draft Auditor's Annual Report.

## **24. Financial Statements 2021/22**

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 introduced the report and confirmed that the changes in the statements following the September meeting had been highlighted in the report. The changes had not impacted the General Fund balance.

24.3 Mrs Eves thanked the hard work of the finance team and EY for completing the audit. The thanks were echoed by all of the Committee.

24.4 The Committee noted the low percentage of 16-24 council employees. – Mrs Eves reported that this had been discussed at a recent Performance and Finance Scrutiny Committee (PFSC) where it was commented that the profile was not unique to West Sussex, however it was being looked into with ways to make the County Council an attractive place to work and further your career. Cllr Montyn, Chairman of PFSC, reported that the committee had asked for the issue to be monitored as part of the quarterly Performance and Resources Report.

24.5 Resolved – That the Committee:

1. Approve the Statement of Accounts for 2021/22 for West Sussex County Council.
2. Agrees to delegate authority to the Chairman to approve and sign-off any minor changes to the Statement of Accounts for 2021/22 for West Sussex County Council which may be required after the date of the Committee.

## **25. Letters of Representation**

25.1 The Committee considered the Letters of Representation for the West Sussex Pension Fund and West Sussex County Council (copies appended to the signed minutes).

25.2 Mrs Eves introduced the letters and confirmed that they would not be signed until the financial statements were completed. The letters had been included so the Committee could see the proposed wording.

25.3 The Committee queried the final line of the letters and asked if the Committee should be agreeing or noting the letters. – Mrs Thompson confirmed that this had been added by the request of the Committee previously, but EY were content to change the wording to 'noted' if preferred by the Committee. The Committee agreed to refer consideration of the wording to Mrs Eves to update accordingly.

25.4 Resolved – That the Committee agree to refer final wording of the letter to Mrs Eves, and agrees for the Chairman to sign the final letter including any minor changes.

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

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

26.2 Mr Pake, Corporate Risk and Business Planning Manager, introduced the report which highlighted the changes to the risk register from the previous meeting. Mrs Eves confirmed that the Executive Leadership Team (ELT) reviewed the risk register quarterly ahead of the Committee.

26.3 The Committee made comments including those that follow.

- Commented on the wording for CR73 and the County Council's impact on local weather systems. – Mr Pake confirmed that a meeting had been scheduled to update the wording.

- Sought clarity over the calculation of risk assessments. – Mr Pake explained that the County Council’s Risk Management Strategy contains an assessment criteria to support the production of risks. Mr Pake also highlighted that consideration was given to other local authority approaches to support alignment with best practice.
- Queried the work done to reduce the risks for CR75. – Mr Pake confirmed that the score reflected business continuity planning and was reviewed every month. There were more known factors now which had helped to create accurate assumptions. Cllr Hunt confirmed that the Chief Fire Officer had updated Cabinet and explained that the preparations and response to COVID-19 had helped with business continuity. Mrs Eves confirmed that the papers had been published ahead of the ballot results.
- Sought clarity over the work to reduce the risks for CR58. – Mrs Eves confirmed that the issue was high on the radar of the Director of Adults and Health and the Health and Adult Social Care Scrutiny Committee (HASC). Everything was being done to work with the market on addressing staff shortages, but it was noted there were supply issues in the market. Cllr Wall, Chairman of HASC, gave assurance to the Committee that the issues were being closely monitored.

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

## **27. Internal Audit Progress Report (December 2022)**

27.1 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).

27.2 Mr Pitman introduced the report and spoke through the overdue actions and also the audit work that had been completed.

27.3 The Committee made comments including those that follow.

- Queried the progress on the Grenfell Tower actions. – Mr Pitman confirmed that the work was awaiting a final meeting to close.
- Requested an update on the fire working time directive. – Mr Pitman reported that analysis work was still being undertaken which was hoped to be completed in February. The Committee requested an update on the numbers impacted when the data was available.
- Asked if the Climate Change Strategy commitments had been completed. – Mr Pitman resolved to look into this and report back to the Committee.
- Queried the potentially incorrect revised due dates in Annexe 2. – Mr Pake apologised and confirmed that the odd revised dates should be 2023.

27.4 Resolved – That the Committee note the Internal Audit Progress Report (December 2022).

## **28. Internal Audit Plan 2022-23 (Quarter 4)**

28.1 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).

28.2 Mr Pitman introduced the report and explained that the approach for quarterly planning allowed Internal Audit to focus on key areas and respond to new issues.

28.3 The Committee made comments including those that follow.

- Asked how much overdue actions impacted planning work. – Mr Pitman gave reassurance that each management action was followed through to completion.
- Queried if the delay in the committee approving the quarter four plan had impacted the workplan. – Mr Pitman noted that the change in committee date had impacted the approval. It was explained that the Internal Audit plan was discussed with ELT to ensure that work could continue.
- Questioned how the workforce planning work aligned with corporate risk CR70. – Mr Pake confirmed that CR70 had been closed.

28.4 Resolved – That the Committee approves the Internal Audit Plan 2022-23 (Quarter 4).

## **29. Treasury Management Compliance Report - Third Quarter 2022/23**

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

29.2 Mrs Chuter introduced the report and confirmed that there had been no breaches of policy or exposure limits.

29.3 The Committee made comments including those that follow.

- Queried how the risk of failing banks was managed. – Mrs Chuter explained that the risk was managed via limits in the strategy and adherence to credit ratings. A mix of short and long term investments also helped spread the risk. Mrs Eves also confirmed that external advice was utilised.
- Sought clarity over the reduction in pooled fund values. – Mrs Chuter noted the unrealised loss and explained that it was linked to the current Ukraine conflict and rising energy costs. Officers were constantly monitoring the situation and liaising with fund managers. Mrs Eves confirmed that this had been discussed at the Treasury Management Panel, where it was agreed to sit tight due to the nature of long term investments. Cllr Hunt added that the loss would only be realised if a decision was made to sell. Mrs Chuter confirmed that the actions were compliant with the strategy requirements.

29.4 Resolved – That the report be noted.

### **30. Date of Next Meeting**

30.1 The Committee noted that its next scheduled meeting would be held at 10.30 am on 20 March 2023 at County Hall, Chichester.

The meeting ended at 1.15 pm

Chairman