

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

20 March 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 Boram, Cllr Greenway, Cllr Kenyon, Cllr Montyn, Cllr Wall and Mr Parfitt

Also in attendance: Cllr Hunt

### **Part I**

#### **31. Declarations of Interest**

31.1 None

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

32.1 Resolved – That the minutes of the meeting of the Committee held on 1 February 2023 be approved as a correct record and that they be signed by the Chairman.

#### **33. Urgent Matters**

33.1 The Chairman noted that Silicon Valley & Credit Suisse had been in the news regarding banking collapses or rescues and queried if West Sussex investments could be impacted.

33.2 Mrs Chuter, Financial Reporting Manager, confirmed that there was no West Sussex portfolio exposure to Silicon Valley. For Credit Suisse, there was no direct exposure or indirect exposure with money market funds. Officers were checking exposure for the two multi-asset income funds. For UBS, there were holdings amounting to £1.4m with money market funds, with officers looking into the multi-asset fund position.

33.3 Cllr Hunt, Cabinet Member for Finance and Property, gave reassurance that officers were monitoring the situation.

33.4 Mrs Chuter resolved to send confirmation of the situation to the committee members following the officer investigation.

#### **34. Financial Statements 2022/23 - Plans and Progress**

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

34.2 Mrs Chuter introduced the report which was a regular paper to the March meeting of the committee for the West Sussex County Council and West Sussex Pension Fund Statements.

34.3 The current deadline for publishing the unaudited 2022/23 accounts was the end of May; with the audit deadline the end of September. The timelines to meet the deadline had been laid out in the report.

34.4 Mrs Chuter reported that a consultation from the Department for Levelling Up, Housing and Communities (DLUHC) on the May deadline had just closed. Mrs Chuter felt many councils would have raised concerns with the May deadline; with County Council officers responding that the end of June would be a better deadline. The risk register reflected the current challenge of meeting the May deadline.

34.5 The Committee made comments including those that follow.

- Raised concerns at the deadlines and asked when EY would begin their audit work. – Mrs Chuter confirmed that officers were working to the legislative deadline which was achievable but challenging. The ongoing work with the valuers would add a risk. It was reported that a strong, experienced team were working on the statements to ensure deadlines were maintained to avoid any impact on the following year's statements. Mrs Eves, Director of Finance and Support Services, expressed the importance of hitting the deadline so that the County Council was high on EY's list for auditing.
- Queried the sequencing of when working papers were completed. – Mrs Chuter confirmed that the working papers would be used in the preparation of the statements to substantiate numbers and it was typical that they were finalised after the statement publication due to the challenging deadline.
- Requested details on the school bank reconciliation work. – Mrs Chuter confirmed that this was a large piece of work to reconcile all the accounts. It was hoped that Oracle would bring improvements in this area. Mrs Chuter confirmed that there was always annual reconciliation work to complete.
- Sought clarity over the Teachers' Pension Scheme work. – Mrs Chuter reported that it was unlikely all cases would be completed in time, however officers were currently working on batches. The total number of cases has reduced from initial estimates where members were realised to no longer be in scope of the work. An internal discussion would be considered if additional resourcing was required.
- Noted the resourcing concerns for EY. – Mrs Chuter confirmed that this was a national issue for audit and that EY considered the County Council an important client. Mrs Eves reported on a letter from DLUHC which outlined all responsibilities and how Councils and Auditors should work together. The lack of resources was acknowledged, and it was reported that more External Audit companies were entering the market.
- Noted that the risks associated with the Smartcore project were significant as they would impact the whole Council. – Mrs Eves acknowledged the risks and confirmed that the project was complex. Smartcore had been discussed at a recent Performance and Finance Scrutiny Committee meeting, and would be discussed again at the June meeting. The project was carefully considering all elements; which included resource requirements; migration and the impact on EY's audit; and the production of accounts. There was currently no go live date following the decision to delay the proposed 6 April launch.

- Expressed the importance of involving staff in the Smartcore project who had detailed knowledge of the systems. – Mrs Eves confirmed that key staff were involved in the project, and resources for the go live element had also been considered. The 'adopt versus adapt' approach had been considered, as working with the product with as minimal adjustments as possible would ensure smoother implementation and maintenance.
- Requested that the committee receive communication from officers on timelines when the deadline date is confirmed.

34.6 Resolved – That the Committee:

- 1) Notes the project plans for the County Council and Pension Fund accounts and the progress to date.
- 2) Approves the draft accounting policies for both the County Council and Pension Fund accounts for 2022/23 for application in preparing this year's accounts.

### **35. Internal Audit Progress Report**

35.1 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).

35.2 The item began with attendance from Mrs Phillips, Assistant Director – Safeguarding planning performance, to discuss the Care Quality Commission (CQC) inspection preparation.

35.3 Mrs Phillips explained that adult social care had not been inspected in 13 years and so the CQC was inspecting to ensure compliance with the care act. County Council officers had been working with the CQC to understand the methodology that would be used for the inspection so that they could ensure necessary compliance with the care act responsibilities. 20 Councils will be inspected each quarter until all councils have a base line.

35.4 Mrs Phillips reported that officers were focussing on the 'must' and 'should' elements of compliance; and had created an action plan linked to adults project plan. Internal Audit were working with the service to look into the plans and the assessment criteria. Seven audits had been undertaken; five were reasonable and two were limited. Internal Audit had marked the project plan as reasonable, and highlighted areas for improvement. 142 policies are also being reviewed by officers to ensure compliance.

35.5 Mrs Phillips reported that additional funding had been granted by the County Council in the budget for a two year improvement programme.

35.6 The Committee made comments including those that follow.

- Queried how the plan would be organised and monitored. - Mrs Phillips explained that there was a Programme Management Office which was being chaired by the Director of Adult Services.
- Asked what oversight the Health and Adult Social Care Scrutiny Committee (HASC) would have over the project. – Cllr Wall,

Chairman of HASC, confirmed that the project was well on the Committee's radar.

- Sought clarity over the control systems to manage the multiple policies. – Mrs Phillips agreed there were a high number of policies and gave reassurance that a piece of work was underway to ensure the policies were accessible.
- Queried the assessment into the County Council's capabilities to successfully deliver the project. – Mrs Phillips reported that the new Programme Management Office was in place to manage and assess the project.
- Questioned who set the agenda of inspections. – Mrs Phillips explained that the methodology is set by CQC, and that the County Council should not be marked down for areas of development if they have been identified and addressed in the action plan robustly.

35.7 The Committee thanked Mrs Phillips for her attendance and update on the project.

35.8 Mr Pitman, Head of Southern Internal Audit Partnership, introduced the report and confirmed that there had been a reduction of overdue actions. A review of purchase cards had been undertaken to consider spend across the organisation to enable a holistic review of risks and identify susceptible areas.

35.9 The Committee made comments including those that follow.

- Commented that workforce planning had been discussed at the September Performance and Finance Scrutiny Committee (PFSC) and would be due again in September 2023. – Mrs Eves resolved to share the PFSC report with the Committee and gave reassurance that the Executive Leadership Team were closely monitoring the issue alongside PFSC.
- Sought clarity on the findings of the procurement service review of contractor expenditure not aligned to contracts. – Mrs Eves confirmed that the audit findings had been noted and accepted. Officers were looking into procurement strategies and thresholds; and working to ensure everyone was aware of the requirements.
- Raised concerns on the findings that 14,000 purchase card transactions had not been approved by a manager. – Mrs Eves reported that there had been significant improvements made in the Children's Services directorate in this area. Officers were working to tidy the system and ensure accurate data was held for account holders. Cllr Hunt confirmed that this was a historic issue that covered a significant number of transactions.
- Queried the deadlines in the report and how extensions were managed for actions. – Mr Pitman highlighted that annex 2 of the report outlined all timescales. The dates were set by the officers responsible for their implementation. Through the progress report the Southern Internal Audit Partnership transparently relayed any changes to the original timescales agreed, with reasons for those of a high priority. It is within the gift of the Committee to hold officers to account if they are concerned that timescales for the implementation of management actions are unreasonably long.

- Asked if Internal Audit challenged deadline changes. – Mr Pitman explained that there was no significant challenge from Internal Audit, and that formal challenges should come from the Committee.
- The Committee raised concerns on the dates for working time directive and cyber security. – Mrs Eves commented that the significant issues for cyber security had been addressed and resolved to ensure dialogue was added to the next report for the Committee to consider. Mrs Eves also proposed that background information should be added to reports to explain where dates were a long way off.

35.10 Resolved – That the Committee notes the Internal Audit Progress Report (February 2023).

### **36. Internal Audit Plan 2023/24 (Q1)**

36.1 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).

36.2 Mr Pitman introduced the report and explained that the Smartcore work will align with the new timetable.

36.3 The Committee made comments including those that follow.

- Queried how the quarterly planning approach allowed for long term strategy. – Mr Pitman explained that there was a background, whole audit view on all areas which was mapped against risk considerations.
- Discussed if it would be useful for the Committee to see the wider plan. – Mrs Eves explained that the Executive Leadership Team (ELT) worked to ensure necessary links with Internal Audit and risk. The Committee acknowledged that they regularly considered the Risk Register at every meeting.
- Sought clarity on the action for overtime. – Mr Pitman explained that the work was analysing the risk of overtime and the impact on staff retention.

36.4 Resolved – That the Committee approves the Internal Audit Plan 2023-24 (Q1).

### **37. Internal Audit Charter 2023/24**

37.1 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).

37.2 Mr Pitman introduced the report and confirmed that agreement of the Charter was an annual task for ELT and the Committee. There had been no change in standards and so the Charter was essentially the same as the previous year's. The standards were currently under review and so the Charter would likely be different next year.

37.3 The Committee made comments including those that follow.

- Queried when the arrangements for Internal Audit were reviewed. – Mrs Eves confirmed that the Southern Internal Audit Partnership was working well and that there was no drive to look into alternative arrangements. County Council officers undertook annual surveys on the service received. Mr Pitman explained that the benefits to the partnership were the opportunities of being able to consider the work of wider local authorities.
- Cllr Hunt highlighted the Committee's role in raising matters of concern to Scrutiny Committees or Cabinet Members, and queried if this should be added to the Charter. – Mr Pitman proposed that this would be better placed as an addition to the Committee's Terms of Reference. The Committee agreed that this should be added. Mr Chisnall, Democratic Services Officer, explained that the change would need to be agreed at a Governance Committee and then onward approval at a County Council meeting.

37.4 Resolved – That the Committee:

- 1) Approves the Internal Audit Charter 2023-24
- 2) Agrees to make changes to the Committee's Terms of Reference where the Committee can raise matters of concern to Scrutiny Committees or Cabinet Members.

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

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

38.2 Mr Pake, Corporate Risk and Business Planning Manager, introduced the report and confirmed that no new risks had been added since the last meeting of the Committee. CR75 had been removed from the Risk Register and would now be monitored on the Fire Risk Register. CR73 was being updated and would be finalised by the next meeting of the Committee.

38.3 Resolved – That the Committee notes the information detailed in the report.

### **39. Work Programme 2023/24**

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

39.2 Mr Chisnall introduced the programme and explained that the work plan looked to schedule all necessary items across the year, but the items could move between meetings if required. A provisional date had been added for November which would be utilised if required.

39.3 The Committee noted that there was an Internal Audit 'Fraud Plan' and also a 'Anti-Fraud' strategy and wondered if the titles should be aligned. – Mr Pitman agreed to look into this and proposed changing the Internal Audit paper to the 'Anti-Fraud Plan'.

39.4 The Committee queried where the Risk Management Strategy would be considered and felt that July could be a good time if timings allowed.

39.5 Resolved – that the Work Programme be approved.

#### **40. Date of Next Meeting**

40.1 The Committee noted that its next scheduled meeting would be held at 10.30 am on 17 July 2023 at County Hall, Chichester.

The meeting ended at 12.15 pm

Chairman