

Regulation, Audit and Accounts Committee

5 November 2018 – 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 (arrived at 10.45am), Mr Jupp, Mr Lea (left at 12.05pm) and Mrs Pendleton (left at 1pm)

Apologies were received from Mr Bradford

Also in attendance: Mr Hunt

Part I

15. Declarations of Interest

15.1 Mr Jupp declared a personal interest as a member of Horsham District Council.

15.2 Mrs Pendleton declared a personal interest as a member of Arun District Council.

15.3 Mr Waight declared a personal interest as a member of the Worthing Borough Council Governance Committee.

15.4 Mr Lea declared a personal interest as a Member of the Mid Sussex District Council Audit Committee. Mr Lea also declared a personal interest in relation to his professional role in IT.

15.5 Mr Hunt declared a personal interest as a member of the Chichester Harbour Conservancy in relation to the Treasury Management Compliance Report.

16. Minutes of the last meeting of the Committee

16.1 Resolved – That the minutes of the meeting of the Committee held on 23 July 2018 be approved as a correct record and that they be signed by the Chairman.

17. Quarterly Review of the Corporate Risk Register

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

17.2 Mrs Curry, Executive Director Children, Adults, Families, Health & Education, attended the meeting to talk through specific risks on the risk register.

17.3 Mrs Curry spoke through risk CR55 which referred to work which recognised the peer review recommendations relating to compliance and governance. The 100 day programme had sought to address the issues

and the effectiveness of the programme was currently being reviewed. The momentum from the programme would continue.

17.4 The Committee made comments including those that follow.

- Sought clarity on home closures, the level of notice received, and the proactive work to identify problems. – *Mrs Curry explained that the County Council rarely received notice of a home closure; citing Horncastle House where there had only been 24 hours notice. The County Council monitored homes within its capacity, but it was the Care Quality Commission (CQC) with the ultimate responsibility and access to homes' financial health. Contracts were with individuals, not homes, which ensured that individual needs were met. Individuals had an allocated social worker and an annual review of their contract.*
- Queried what the County Council had done in the case of Horncastle House. – *Mrs Curry reported that officers had stopped sending people there when it was aware of safeguarding concerns. The County Council would work with the CQC to facilitate homes and their registration status. The County Council was operating in the best way possible within its parameters.*

17.5 Mrs Curry spoke through risk CR56 and specially the issues relating to the backlog work for Deprivation of Liberty Safeguards (DoLS). The criteria for DoLS had changed which had raised problems for all authorities. Efforts were being made to streamline the process. Mrs Curry explained that when she joined the County Council in January she asked Internal Audit to look into DoLS. The 100 day programme had included work on DoLS and the move was now to introduce this work into the general day to day work. Staff were being retrained and officers were looking into induction arrangements.

17.6 Ms Eberhart, Director of Finance, Performance and Procurement, introduced the report and highlighted the changes in the risk register following requests made at the previous meeting; with high scoring risks being highlighted. Processes were in place to review financial standards for suppliers, with a report on this going to the Procurement Board.

17.7 Ms Eberhart reported that progress was being made with risk management e-learning and lunch and learn sessions. Dr Dennis reported that he had met with Mr Pake to discuss this and would continue to have meetings every 6 months to ensure this is embedded. It was reported that Mr Pake was happy to meet with committee members individually if they wished.

17.8 The Committee made comments including those that follow.

- Queried the progress of improving risk culture across the County Council. – *Ms Eberhart reported that having a dedicated risk manager had made a big difference as Mr Pake met with officers regularly. The Executive Leadership Team also had a weekly discussion on risk. Mr Pake was working towards ensuring consistency across the authority.*

- Questioned the status for Risk CR53. – *Ms Eberhart explained that the risk ownership change was linked to the Director leaving. Once the re-appointment had taken place the risk would be reallocated.*
- Noted the list of suppliers in Appendix B and queried company 34. – *Ms Eberhart explained that this supplier was linked to children with learning difficulties and there was an issue linked with financing/ hedge fund movements.*

17.9 Resolved – That the Committee notes the information detailed in the report and the current Corporate Risk Register.

18. External Audit

18.1 The Committee considered the Annual Audit Letter from EY (copies appended to the signed minutes).

18.2 Mrs Thompson, (EY) introduced the letter and explained it was a summary of the results of the July report. An unqualified opinion had been given on the financial statements. Mrs Thompson thanked officers for the smooth audit and reported that the work had been completed by the new deadline.

18.3 The Committee made comments including those that follow.

- Queried the work to on the valuation of land and buildings and asked what assets were not being revalued. – *Helen Thompson reported that work on this already being done. Mr Mathers, EY, explained that they had asked officers to use actual valuation to calculate properties, rather than an annual valuation. All assets would be valued within 5 years.*
- Sought clarity on the calculations done for asset valuations. – *Mr Mathers explained that schools' depreciation was considered. Highways assets also considered depreciated costs. This area had been a considerable focus of the audit.*
- Queried the value for money considerations with regard to contracts. It was noted that there was a Task and Finish group looking at the monitoring of contracts, but it was important to ensure that initial contract negotiations were appropriate. – *Ms Eberhart confirmed that action had been picked up and was being discussed by the Performance and Finance Select Committee's Business Planning Group (BPG) later. The Committee requested an update from the BPG on the outcome of the discussion.*
- Raised concerns on the risks for the pension scheme and if accuracy of member records should be listed as a risk. – *Ms Eberhart confirmed that the transition to Hampshire County Council for pension administration had been well discussed with EY. Some of the processes would be improved after the transition was complete. No underlining problems had been identified.*
- Queried the due diligence that had taken place for the pension transfer and sought clarity on the timescales involved. – *Mr Hunt confirmed that the due diligence had been a large part of work for the decision that had been taken. Ms Eberhart reported that the transfer would take place on 4 March and that data reconciliation work was happening every month to identify issues ahead of the*

transfer. Officers were confident of a robust transfer. A communication plan to members would begin this month.

- *Queried the reported pension fund deficit of £704.1m. – Ms Eberhart explained that this figure represented the IAS19 practice and that officers considered the actuarial valuation. Mr Hunt confirmed that there were 3 different valuations; EY's, the actuary's and the government's. Mrs Thompson commented that they could look into how this risk was presented in future reports. Mr Mathers explained that current requirements required reporting to IAS19 requirements.*

18.4 Mr Hunt and Dr Dennis expressed their thanks to Mrs Thompson and her team, and also to County Council officers for their hard work to achieve the new deadline.

18.5 Mrs Thompson, (EY) introduced the 2018-19 fee letters for the West Sussex County Council and the West Sussex Pension Fund. Mrs Thompson reported that the fees were reduced due to an expectation on good working with local authorities. Risks would be coming to the January meeting for discussion.

18.6 The Committee made comments including those that follow.

- *Raised concerns that the reduction in fees could lead to a reduction in time and quality that EY was able to give to the audit. – Mrs Thompson explained that it was a challenge, but gave assurance that EY would not sign a contract if there was concern the audit could not be achieved. Different ways of working could be utilised, such as allocating appropriate work off shore. Mr Mathers explained that if additional work was required, the fee would increase. EY staff held themselves to a high standard and would continue to work with the Committee to give assurance. Mrs Thompson resolved to send a special report from Institute of Chartered Accountants in England and Wales (ICAEW) to the Committee which outlined the expectation gap.*
- *Asked if there was a data risk in moving work off shore. – Mrs Thompson confirmed that only public data could be sent off shore. Reassurance was given that General Data Protection Regulations were complied with.*
- *Queried how long EY were in station for West Sussex. – Mrs Thompson reported that EY had been in station since 2012 and that Public Sector Audit Appointment regulations allowed a maximum of 20 years.*

18.7 Resolved – That the Committee notes the Annual Audit Letter; and the West Sussex County Council and the West Sussex Pension Fund 2018-19 fee letters.

19. Internal Audit Progress Report - October 2018

19.1 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).

19.2 Mr Pitman, Head of Southern Internal Audit Partnership, introduced the report and talked through the live audit reviews. The pension administration review had now been completed.

19.3 Mr Pitman explained that 2 recommendations from the Mazars report had not been accepted for the cyber security. The first was linked to the amount of unsuccessful logins occur before a system is locked out. The Mazars report recommended 3, national cyber guidance recommended 10; the County Council policy was to have 6. Internal Audit were comfortable with 6. The second recommendation was linked to black listing of websites for malware. This recommendation had been refused as current technology ensured more rigor to blacklisting.

19.4 The Committee made comments including those that follow.

- Asked if there were sufficient resources to deliver the plan. – *Mr Pitman confirmed there was appropriate resource and that the Audit Partnership could be utilised to provide additional resilience.*
- Requested an update on the materiality of progress. – *Mr Pitman explained that in quarter 3 the report will be a month old. Mr Pitman expected the work to be scoped as outlined at this point.*
- Sought clarity on the level of overdue actions. – *Mr Pitman explained that some actions may only just be overdue. Mapping the position against other similar authorities showed that West Sussex was in a healthy position.*
- Raised concerns on some of the wording in the policy relating to insufficient access to training. – *Ms Eberhart proposed inviting the relevant Director to a future meeting to discuss.*

19.5 Resolved – That the Committee notes the Internal Audit Progress Report.

20. Annual Governance Statement - Action Plan

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

20.2 Mr Gauntlett, Senior Advisor, introduced the report which outlined the actions in place to address issues raised in the Annual Governance Statement 2017-18.

20.3 The Committee made comments including those that follow.

- Queried if there were sufficient resources to deliver the actions outlined. – *Mr Gauntlett confirmed there was sufficient resources and good collaboration with officers to deliver the work.*

20.4 Mr Gauntlett proposed an update for the March meeting on action plan progress.

20.5 Resolved – That the Committee notes the progress against actions arising from the Annual Governance Statement 2017-18 and requests a further update at the March meeting.

21. Staff Induction

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

21.2 Ms Hannant, Head of Organisational Development, introduced the report and explained the progress that had taken place since the first report to the Committee in November 2016. Further improvements had been made in April 2017 with Directors being sent 6 monthly reports on incomplete elements. Completion rates had risen from 14% to 44% last year, but had now plateaued at 51%. Officers were proposing a new expectation that online modules should be completed within 1 month of employment, and face to face modules being completed within 3 months.

21.3 The Committee made comments including those that follow.

- Expressed concern at the completion rates and asked how they were monitored. – *Ms Hannant explained that new starter data was sent to managers so they could ensure elements were completed. It was noted that the Library service had a good completion rate and so attempts would be made to mirror this success. A workforce dashboard was used to monitor induction progress and training attendance.*
- Queried the key areas of incomplete inductions. – *Ms Hannant reported that Adult and Children services were large directorates and so had a high number of incomplete inductions.*
- Felt it would be useful to understand if the incompleteness rates had trends related to categories such as pay grades, term appointments, compulsory elements, training elements, etc.
- Queried how different elements were delivered and the difference between manager and director roles. – *Ms Hannant explained that all mandatory elements were reported on and that different services had bespoke elements on top of this. The inductions for managers and directors also had different elements included. Line managers were expected to work with their staff through the induction process and discuss training requirements. New starters could opt to complete some elements before they joined the authority.*
- Asked how outsourced and external employees were monitored. – *Ms Hannant explained that the report only covered County Council employees. External providers would have their own requirements for their staff. Training modules were made available to outsourced and external employees. Ms Eberhart added that this would be part of contractual requirements and resolved to confirm this.*
- Queried if this area had been considered by Internal Audit. – *Mr Pitman reported that there was no specification action on this within the plan, but it could be included in the future if necessary and agreed to discuss this with Human Resources.*
- Asked how long the training should take to complete. – *Ms Hannant reported that the online training should take 6 hours and 1 day of face to face training. Some bespoke roles, such as a lollypop person, contained different corporate elements.*

21.4 Mr Lanzer, Cabinet Member for Corporate Relations welcomed the strong steer from the Committee and agreed there was a corporate risk for incompleteness. Induction progress should be linked with appraisals.

21.5 The Committee requested a report to the March meeting to look at progress.

21.6 The Committee felt that recommendation 4 in the report was not sufficient and proposed an alternative.

That the Committee raises concerns at the lack of completion rates with staff inductions, which it considers a crucial element of corporate governance. An update is requested at the March 2019 meeting which should reflect all points discussed by the Committee to improve staff induction and staff appraisal processes.

21.7 The Committee unanimously agreed to the amended recommendation.

21.8 Resolved – That Committee:

1. Requests that the monitoring of completion rates of mandatory elements continues with escalation and follow-up as appropriate
2. Supports the proposal to set up a working group in Human Resources to tackle the lack of progress in driving completion rates up
3. Approved the change in completion date for on-line elements to first month and all elements by month 3.
4. Raises concerns at the lack of completion rates with staff inductions, which it considers a crucial element of corporate governance. An update is requested at the March 2019 meeting which should reflect all points discussed by the Committee to improve staff induction and staff appraisal processes.
5. Supports the use of staff pulse surveys to measure progress on some of the more behavioural and cultural elements of induction, for example, "I am treated with fairness, respect and am trusted to do my job".

22. Treasury Management Compliance Report - Second Quarter 2018/19

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

22.2 Mrs Chuter, Financial Reporting Manager, introduced the report and informed the Committee that there had been no new external borrowing or breaches of strategy.

22.3 The Committee made comments including those that follow.

- Queried the high value of holdings for Northamptonshire County Council. – *Mr Hunt gave assurance that the authority was backed by local government and that future reports would include*

settlement details. Mrs Chuter added that this investment, and Lancashire County Council, were due to be settled soon.

- *Sought clarity on the £48.9m payment of LEP balance. – Mrs Chuter explained that Croydon were taking on responsibility of the LEP holdings following a recent procurement.*

22.4 Resolved – That the report be noted.

23. Date of Next Meeting

23.1 The Committee noted that its next scheduled meeting would be held at 10.30 am on 23 January 2019 at County Hall, Chichester.

The meeting ended at 1.06 pm

Chairman