

Regulation, Audit and Accounts Committee

23 July 2020 – At a virtual meeting of the Regulation, Audit and Accounts Committee held at 10.30 am.

Present: Cllr N Dennis (Chairman)

Cllr Waight, Cllr Baldwin, Cllr J Dennis, Cllr Goldsmith (left at 11.30am.) and Cllr M Jones

Apologies were received from Cllr Bradford

Also in attendance: Cllr Hunt

Part I

1. Declarations of Interest

1.1 None declared.

2. Minutes

2.1 Resolved – That the minutes of the meeting of the Committee held on 20 January 2020 be approved as a correct record and that they be signed by the Chairman; and that the notes from the informal, virtual meeting with Members of the Regulation, Audit and Accounts Committee held on 3 April 2020 be noted.

2.2 The Chairman confirmed that he had raised the Committees' concerns on Corporate Risk CR66 with Cllr Turner, Chairman of the Health and Adult Social Care Scrutiny Committee. This had been raised at a Performance and Finance Scrutiny Committee meeting and would be monitored by Cllr Joy Dennis.

3. External Audit

3.1 The Committee considered the 2019/20 Audit Planning Updates for the West Sussex County Council and the West Sussex Pension Fund from the External Auditor EY (copies appended to the signed minutes).

3.2 Mr Mathers (EY) introduced the West Sussex County Council Audit Planning Report Update which outlined how risk assessments had been updated to reflect Covid-19 and the associated market volatility. The County Council was required to disclose how assurances had been gained, and demonstrate the areas of uncertainty. An audit was required on the cashflow forecast that had been produced by the Council to support its going concern assessment, which would need to demonstrate all scenarios and liquidity.

3.3 The Committee made comments including those that follow.

- Queried coverage of the going concern assessment of the report and how this would be evaluated up to November 2021 and if different budgetary scenarios be considered. – *Mr Mathers confirmed that the County Council had been asked to prepare a cashflow forecast*

considering all scenarios. EY would consider if the assumptions made were reasonable and whether they were consistent with the assumptions made in the Medium Term Financial Plan.

- *Asked if performance materiality remained unchanged as a percentage or an absolute figure. – Mr Mathers explained that performance materiality was calculated as a percentage. EY had checked if the figure for County Council, 75%, was still valid due to Covid-19. EY felt the figure was valid and should be maintained.*
- *Queried when the audit report would be signed. – Mr Mathers confirmed that the current plan was for the audit to be reported to the November committee meeting.*
- *Sought clarity over the timescales for the creation of the cashflow forecast. – Mr Mathers confirmed that the cashflow was planned for consideration at the end of the week. The cash flow forecast would need to extend forward for a period of at least 12 months from the planned audit report date.*
- *Queried the scope of the stress tests. – Mr Mathers confirmed that this was new working due to Covid-19 and that the checks would see if the included elements were reasonable. The approach being followed was similar across all authorities.*
- *Queried if the audit work on Property, Plant and Equipment has started. – Mr Mathers confirmed that the work had started and explained that the County Council held values for existing use and fair value. Depreciation had been considered and was not impacted by Covid-19. The real estate team at EY were looking into the risks for the selected asset sample. The level of work was significantly higher than normal.*
- *Sought clarity on the government support transaction stream. – Mr Mathers explained that the County Council had received initial support which was being held in reserve. The support would continue into the new financial year. Detailed audit of the support would not be included specifically in the current year's audit, but could form part of income and expenditure testing if selected.*
- *Queried the testing for unpredictable circumstances. – Mr Mathers acknowledged that there would always be a degree of uncertainty and that EY were looking to see if the assumptions made were reasonable. The statement disclosures needed to include the assumptions and the evidence to support them.*
- *Congratulated EY and the County Council's finance team on their hard work.*

3.4 Mr Mathers (EY) introduced the West Sussex Pension Fund Audit Planning Report Update which took a similar approach to assets as for the County Council's accounts. Materiality uncertainty caveats had been included in respect of directly owned property and certain other investments. Accurate valuations were difficult to provide given the impact of Covid-19, which had been outlined the report. The fund was in a good position with positive cashflow, with assets in a position to be easily liquified if necessary. Volatility had been impacted and so materiality would be considered at the year end. Going concern risks were lower on the pension fund than main council audit.

3.1 Mrs Thompson spoke on fees and explained that this would be quantified when additional work had been requested, such as the extra

valuation work. A consultation process was taking place within EY which would ensure a consistent approach. Once the fee had been quantified it would be discussed with Ms Eberhart, Director of Finance and Support Services, and then a report would be brought to the committee.

3.6 Mr Mathers explained the impact that Covid-19 had had on EY's work, such as practical difficulties in looking at the financial statements with County Council officers; and the impact of risk within the statements. Whilst it had not been a normal year, Mr Mathers confirmed that EY had been able to work well with County Council officers. The account work was hoped to be completed in August apart from work on property, plant and equipment valuation.

3.7 The Committee noted that the funding level had been at 112% at the beginning of the year and queried the approach for risk profiling and de-risking. – *Mr Mathers explained that this was a judgement for the fund and not for EY. EY were only able to comment on the accuracy of the fund position. Mrs Thompson, EY, explained EY's independence and that decisions would be made by those charged with governance. Mr Hunt, Cabinet Member for Finance and Chairman of the Pensions Committee, gave reassurance that the strategy was being considered by the committee along with the approach for risk. The fund was still over 100% funded.*

3.8 Resolved – That the Committee notes the update reports for the West Sussex County Council and the West Sussex Pension Fund.

4. Internal Audit - Annual Audit Report 2019 / 20

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

4.2 Neil Pitman, Head of Southern Internal Audit Partnership, introduced the report and reported that despite the impact of Covid-19, the majority of the plans had been delivered to a draft state which allowed Mr Pitman to give a 'limited' audit opinion. The report outlined where resources had been applied and the status of reviews to be finalised. Two reviews could not be completed due to Covid-19. The graph on page 48 omitted a substantial opinion review of bank reconciliations, this would be amended for the final version.

4.3 The Committee made comments including those that follow.

- Asked how the overall 'limited' opinion compared to other Councils and if strategic action was required. – *Mr Pitman commented that the opinion showed that audit was looking in the right areas and that officers were utilising Internal Audit to best effect. The County Council had taken positive steps towards addressing governance framework. Internal Audit were working with directors and expected the work to be finalised and reported at the next committee meeting.*
- Queried if the six limited opinions would be reassessed before the final report. – *Mr Pitman explained that the management would be*

working through the actions and Internal Audit would then follow up to see if things had been appropriately implemented.

- Asked if there were particular concerns for Special Educational Needs. – *Mr Pitman explained that the report was still in draft and so it was not appropriate to discuss in open session. Internal Audit would report on this to the committee at an appropriate time. The limited opinion showed that there were areas to be addressed which would be reviewed for 2021.*
- Queried the position last year. – *Mr Pitman confirmed that the opinion last year was 'adequate'.*
- Sought clarity on the status of the governance review. – *Mr Pitman explained it would be later in the year when a rounded conclusion could be given.*
- Asked if disaster recovery planning would be reconsidered following Covid-19. – *Mr Pitman explained that the following agenda item covered the plan for 2020/21 which would include IT. Risk linked to Covid-19 would be highlighted, with a focus on home working aspects.*
- Sought clarity on the section relating to allowances and enhancements data not being fully optimised. – *Mr Pitman explained that the data could be more analytical. Mr Harvey, Deputy Head of Southern Internal Audit Partnership, added that some elements of the systems were not being fully utilised.*
- Queried the other entries in the position statement and if they were given formal opinions. – *Mr Pitman explained that these were not given formal opinions, but were looking at areas where things could be implemented. Issues in these areas would be reported on via normal routes, such as coming to the committee.*
- Asked why risk management had received a limited opinion. – *Mr Pitman explained that the opinion did not specifically relate to risk management, but was a rounded opinion on all areas.*
- Queried what recommendations had been made to management regarding corporate governance. – *Mr Pitman explained that no recommendations had been made and that the position statement for Whole Council Design would cover this.*

4.4 Resolved – That the Committee approves the annual audit report for the year ending 31 March 2020.

5. Internal Audit Plan 2020/21

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

5.2 Mr Harvey introduced the report and explained that a paper had been considered by the Executive Leadership team in March. The paper proposed workshops to identify assurance issues; however due to Covid-19 the workshops had not been able to take place. As an alternative, the risk register and strategic documents had been considered to identify areas that informed the plan for the year. Meetings with directorates followed to look at the areas to ensure that the work of Internal Audit aligned with identified risks. The plan would be fluid as necessary.

5.3 Mr Pitman added that reviews for public health and fire were progressing but had been delayed due to Covid-19. An update on these would be provided at the next committee meeting.

5.4 The Committee made comments including those that follow.

- Queried if the changes to the presentation in the risk register were recommended by Internal Audit. – *Mr Harvey confirmed this was not an Internal Audit recommendation.*
- Sought confirmation that the controls in place for duplicate payments were robust. – *Mr Harvey confirmed that the controls had been looked at and that this area had been previously discussed at committee meetings. Mrs Chuter, Financial Reporting Manager, confirmed that there were controls within the system to look for duplicate payments and that monthly meetings also occurred for this area. A review was currently taking place and the results would come to the committee when the work was concluded.*
- Queried if Internal Audit work would all be remote. – *Mr Harvey confirmed that the technology enabled remote working. Some areas that required physical visits had been impacted by Covid-19. Outstanding site visits would be picked up when restrictions were lifted.*
- Asked if the Oracle transfer from SAP was included in the Internal Audit review. – *Mr Harvey confirmed that provision for this was included in the Corporate Project Support section.*
- Queried when results on Smart Core would be reported. – *Mr Harvey confirmed that any identified concerns would be reported to the committee.*
- Sought clarity on the liaison with EY as the external auditors. – *Mr Harvey explained that liaison happened to ensure there was no duplication of work and that assumptions could be considered.*
- Asked if Internal Audit were appropriately staffed to complete all reviews. – *Mr Harvey confirmed that there was appropriate staff, and that if the reviews started promptly they would hit the targets.*

5.5 Resolved – That the Committee approves the contents of the Internal Audit Plan and Fraud Plan for 2020/21.

6. Quarterly Review of the Corporate Risk Register

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

6.2 Ms Eberhart, Director of Finance and Support Services, introduced the report and highlighted a new entry concerning Covid-19. Risks on this were being monitored twice a week. Lunch and learn sessions had been restored and were happening virtually.

6.3 The Committee made comments including those that follow.

- Queried the lack of risk targets in the risk register and noted that it made risks difficult to monitor and challenge actions. – *Ms Eberhart apologised for the missing information, which had been hidden in*

error. A corrected version would be sent to the committee after the meeting.

- Noted the risk concerning the Fire and Rescue Service Improvement Plan and queried if it would be appropriate to invite the Chief Fire Officer to attend a committee meeting to discuss, following the previous invitation to the cancelled March meeting. The committee also queried if the January request for a written response to the Fire and Rescue Service Improvement Plan in the minutes had been received. – *Ms Eberhart confirmed that it was for the Committee to decide if the Chief Fire Officer was required. The funding plan work was ongoing. Ms Eberhart resolved to put a summary in writing to the committee. Mr Waight, Vice Chairman of the Committee and Chairman of the Fire & Rescue Service Scrutiny Committee, noted that the risk had reduced and that attendance from the Chief Fire Officer was no longer necessary. The Chairman agreed with this approach, but would extend an invite to the Chief Fire Officer in the future if required.*
- Queried if the recent fires at two household waste recycling sites should be reflected in the risk register. – *Ms Eberhart resolved to raise this with the Chief Fire Officer.*
- Questioned the postponing of risk management practices. – *Ms Eberhart explained that there was a queue of getting necessary resources online and that this element would be a webinar soon. An update would be provided within the next report.*
- Sought clarity on risks concerning staff welfare. – *Ms Eberhart confirmed that this was discussed regularly and the risk was being actively managed. The risk was not significant to include in the risk register.*
- Noted for risk CR67 concerning the Children’s Trust that there was no update to explain reduction in risk value.
- Questioned the progress for risk CR69 for the Children First Improvement Plan’s three key pillars and asked if a relevant officer could attend a future meeting to comment. – *The Chairman agreed to request attendance.*

6.4 Resolved – That the Committee notes the report.

7. Draft Annual Governance Statement 2019/20

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

7.2 Mr Gauntlett, Senior Advisor – Democratic Services, introduced the report and explained that Covid-19 had impacted the completion of the draft statement. The statement would be completed for the next committee meeting.

7.3 Ms Eberhart confirmed that the Annual Governance Statement would be approved with the accounts when they were completed.

7.4 The Committee queried if the Chief Financial Officer directly reported to the Chief Executive. – *Mr Gauntlett confirmed that this was*

the case.

7.5 Resolved – That the Committee notes the draft Annual Governance Statement for 2019-20.

8. Regulation of Investigatory Powers

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

8.2 Mrs Henshaw, Principal Solicitor, introduced the report and explained that the powers were not used often, but required updating to align with new guidance.

8.3 The Committee made comments including those that follow.

- Queried the changes from the previous version. – *Mrs Henshaw explained that the changes concerned social media. A tracked changes version could be provided if required.*
- Asked if there had been any issues with the policy being out of date. – *Mrs Henshaw was not aware of any issues with the original policy. Whilst the policy was not used often, it was important to take the opportunity to ensure it was up to date.*
- Sought clarity on the usage of the policy. – *Mrs Henshaw confirmed that the main use was trading standards.*
- Queried what the sign off would be for uses other than trading standards. – *Mrs Henshaw confirmed this would be through the Chief Executive and the Director of Law and Assurance.*

8.4 Resolved – That the Committee endorses the revised policy for the governance and control of the Council's exercise of the powers available to it under the Regulation of Investigatory Powers Act 2000 and that the Director of Law and Assurance be authorised to maintain and update the policy in line with changes to law or Codes of Practice or future inspectorate recommendations.

9. Treasury Management Compliance Report - First Quarter 2020/21

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

9.2 Mrs Chuter, Financial Reporting Manager, introduced the report and informed the Committee that all requirements for the quarter had been met and there had been no breaches. There had been no changes to approved lending. Consideration had been given the cashflow in light of Covid-19, with liquid funds being held in preparation. Cashflow needs would be monitored as required.

9.3 The Committee queried why Aberdeen City Council was the only local authority with a credit rating. – *Mrs Chuter explained that it was not a requirement for a local authority to have a credit rating; Aberdeen City Council had chosen to have a credit assessment. The County Council did*

not have a credit rating.

9.4 Resolved – That the report be noted.

10. Work Programme 2020/21

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

10.2 Mr Chisnall, Democratic Services Officer, introduced the programme which included the new September date to potentially be used for the financial accounts.

10.3 The Chairman highlighted that the anti-fraud and corruption strategy had not been reviewed by the committee since 2014 and asked if this should be included on the work programme, including any other strategies that required consideration. – *Mrs Chuter confirmed that the anti-fraud and corruption strategy had been reviewed as part of a constitution review, just not by the committee. Mr Chisnall resolved to discuss strategies with colleagues that needed to be reviewed by the committee and consider appropriate scheduling.*

10.4 The Committee queried the new September date and what items could be scheduled. – *Mr Chisnall confirmed that this was a new date that had been scheduled to potentially consider the financial accounts, and resolved to work with officers and the Chairman to see what items could be brought to the meeting to potentially reduce the large agenda for the November meeting.*

10.5 Resolved – That the Committee agrees the outline work programme for 2020/21.

11. Date of Next Meeting

11.1 The Committee noted that its next scheduled meeting would be held at 10.30 am on 25 September 2020.

The meeting ended at 1.10 pm

Chairman