

26 September 2011 – At a meeting of the Committee held at 2.15 p.m. at County Hall, Chichester.

Present: Mr Deedman (Chairman), Mr Hodgson, Mr Lanzer*, Mr Rice and Mr Stevens.

*Please see minute 50 below.

Apologies: Mr Acraman.

Declaration of Interests

45. There were no declarations at this stage, please see minute 90 in the Part II minutes.

Minutes

46. Resolved – That the minutes of the Committee held on 27 July 2011 be approved as a correct record and that they be signed by the Chairman.

47. The Committee agreed a change to the running order on the agenda; the external audit report would be considered as the first item of business.

Annual Governance Report 2010/11 – West Sussex Pension Fund

48. The Committee received the District Auditor's Annual Governance Report regarding the West Sussex pension fund and the Letter of Representation which was circulated at the meeting (copies of both appended to the signed minutes).

49. Helen Thompson (District Auditor) introduced the report which set out the work undertaken on the audit of the financial statements for 2010/11 for the pension fund. No material errors had been identified in the statements but there were a small number of non-trivial errors in the draft statements and one unadjusted error concerning equity distribution. The District Auditor was intending to issue an unqualified opinion on the statements.

50. Mr Lanzer joined the meeting at 2.25 p.m.

51. Francis Austin (Head of Finance) explained that the recommendations proposed in the District Auditors report had been accepted and work would be undertaken to address the issues raised. The Committee queried why the uncorrected misstatement of the reported fee rebate had not been corrected. It was confirmed that discussions had taken place with the District Auditor and the misstatement was the result of a categorisation issue. The misstatement would not have a significant impact on the accounts and the District Auditor was content with the explanation of officers and the proposed review of processes to address the issue.

52. Resolved – That the Committee, having considered the issues raised in the governance report:

- 1) notes the auditors assessment and recommendations; and

- 2) approves the Letter of Representation for the Pension Fund.

Annual Governance Report 2010/11 – West Sussex County Council

53. The Committee received the District Auditor's Annual Governance Report on the audit of West Sussex County Council financial statements and an Annual Governance Report update, containing details of the adjustments to the statements since the publication of the Committee agenda, circulated at the meeting (copies of both appended to the signed minutes). The draft Letter of Representation was also circulated at the meeting (copy appended to the signed minutes).

54. The District Auditor introduced the reports which set out the work undertaken on the audit of the financial statements for 2010/11 for the County Council and adjustments to the statements since the publication of the agenda. The audit of the accounts had not progressed sufficiently for a true and fair opinion to be provided at the meeting and there was uncertainty that the audit would be complete by the planned audit deadline of 30 September. The completion of the audit had been delayed due to material inconsistencies and errors with the initial statements submitted and as a result the audit fee would be higher. The District Auditor outlined a further late amendment to the entries under Appendix 2 of the updated Annual Governance Report to include a £4.2m change in the analysis of PFI schemes in Note 18.

55. The Committee referred to asset valuation problems with the statements for 2008/09 and the District Auditor confirmed that they had obtained the assurances they required in this area for 2010/11 based on their performance materiality of £15.7 million. They had also noted a general improvement in the quality of capital accounting but referred to the need for improved quality review of the statements by senior officers. The Committee queried whether the problematic submission of the accounts was a consequence of the cuts and the introduction of IFRS. It was confirmed that the cuts and IFRS had been a challenge to the production of the statements but the underlying issues involved processes and not people. Work had been undertaken with the District Auditor to identify solutions and enable a more structured approach to the production of the accounts in future. Internal quality assurance needed to be more robust and it was suggested that officers should examine the financial statements of other authorities as examples of good practice.

56. The Committee queried the significance of the audit remaining incomplete by 30 September and it was confirmed that this was not grounds for a qualified opinion. The Committee was concerned that accounts had been submitted that were not auditable and that statements had been advertised that were incomplete. The Committee expressed disappointment that deadlines had not been met and welcomed the expected intention of the District Auditor to provide an unqualified opinion.

57. Resolved – That the Committee, having considered the issues raised in the governance report:

- 1) notes the auditors assessment and recommendations; and
- 2) approves the draft Letter of Representation for the County Council.

Financial Report and Accounts 2010/11

58. The Committee considered the statement of accounts and an Errata sheet, circulated at the meeting, which contained details of changes to the Statement of Accounts since the despatch of the agenda (copies of both appended to the signed minutes).

59. The accounts were introduced by Francis Austin (Head of Finance) who informed the Committee that since the Statement of Accounts were presented in June the net effect of all changes on the bottom line was £114,000. Mr Austin acknowledged the problems affecting the accounts and confirmed a plan was being developed to adopt a holistic approach to the production of the accounts and improve internal quality assurance. Tim Stretton (Chief Accountant) introduced the changes to the Statement of Accounts contained in the Errata sheet and informed the Committee of the changes to the format of the accounts imposed by IFRS.

60. The Committee was informed that the audit of the accounts had not been completed and as such the accounts were being approved as at 26 September. The remainder of the audit could identify further changes to the statements. It was proposed that the Committee approve the Statement of Accounts in its current form and delegate authority to the Executive Director Finance and Performance to approve and sign the final version of the accounts and the Letter of Representation following the completion of the audit if any changes were required. This proposal was agreed by the Committee subject to any amendments made to the accounts prior to the completion of the audit being made in consultation with the Chairman. If no further changes were required then approval by the Committee at this meeting would constitute the final version, with no additional consultation or delegation necessary.

61. Resolved – That the Committee:

- 1) approves the latest version of the Statement of Accounts, comprising the changes outlined in the Errata sheet, the adjustments made by the District Auditor outlined in the Annual Governance Report update and the amendment in minute 54 above; and
- 2) delegates to the Executive Director Finance and Performance the authority to approve and sign an amended Statement of Accounts 2010/11 and the Letter of Representation (if necessary), following the completion of the audit by the District Auditor, subject to any amendments to the statements being made in consultation with the Chairman.

Treasury Management Compliance Update

62. The Committee received a report by the Executive Director Finance and Performance (copy appended to the signed minutes) that advised of compliance with the Treasury Management Strategy 2010/11. The report was introduced by Mr Stretton who advised that a further dividend was expected from the administrators of Heritable in October and anticipated debt recovery currently stood at 86 – 90 pence in the pound. As a consequence of financial market volatility investments with Santander UK had been placed in overnight accounts to ensure the money could be recalled at short notice.

63. The Committee asked for details of the Treasury Management Strategy training requested at the previous meeting and it was explained that it was intended the training would take place in November.

64. Resolved – That the Committee note the report.

Internal Audit Report – Implementation of High Priority Internal Audit Recommendations

65. The Committee received a report by the Executive Director Finance and Performance (copy appended to the signed minutes) which outlined outstanding high priority recommendations.

66. The report was introduced by Gavin Jones (Head of Internal Audit), who reported that the Car Loan Scheme had been abolished and the outstanding recommendation in item 8 of Appendix A was no longer relevant. The recommendation in item 7 however was still valid until all loans provided had been repaid in full.

67. The Committee queried why the implementation date of the new banking contract for the Adult Safeguarding Application had slipped to December 2011. It was explained that the new contract had been delayed to take full account of requirements contained in the new FSA regulations concerning money laundering.

68. Resolved - That the Committee note the report.

School Balances as at 31 March 2011

69. The Committee received a report by the Executive Director Finance and Performance (copy appended to the signed minutes) which provided an update on school balances at the end of the last financial year.

70. Maureen Hensman (Deputy Group Manager – Schools Team) introduced the report and explained that there had been significant improvements to school balances over the course of the last three years and the deficit for 2010/11 stood at £440,000. Three schools had been granted licensed deficits for the current year and each was on course to meet targets set for deficit recovery.

71. The Committee noted that uncommitted balances had risen sharply which was attributed to the threat of cuts during 2011/12. Mrs Hensman explained that cuts had not been made but changes to the funding formula had resulted in a reduction of funding for some schools and an increase for others; schools were allowed to carry-forward a proportion of savings made during the year. Training was offered to bursars who were strongly advised to attend.

72. Resolved – That the Committee note the report.

Implementation of Frameworki (Adults)

73. The Committee received a report by the Executive Director Finance and Performance and Head of Finance (copy appended to the signed minutes) which provided an update on the implementation of the Fraweworki system for adult social care.

74. Mr Austin introduced the report and explained that issues regarding the processing of returns, the payment of suppliers and the billing of clients had been identified during testing of the system and it was anticipated that problems would be resolved by January 2012. The system represented a significant improvement on the previous processes but it was understood that there was still room for improvement.

75. The Committee questioned officer acceptance of the new system and the management of the transition to the new system. In general staff had been accepting of the new system and significant work had been undertaken to transfer details contained in old paper systems into Frameworki.

76. Resolved - That the Committee notes the report and requests an update at the meeting on 19 March.

Impact of Spending Cuts on the Control Environment

77. The Committee received a report by the Executive Director Finance and Performance and Head of Finance (copy appended to the signed minutes) which provided an update on the impact of spending cuts on the Finance and Performance directorate.

78. The report was introduced by Mr Austin who advised that staff had responded positively to the challenges faced and were proactively identifying where work practices could be improved. The culture change outlined in the report was progressing and a further update report would be presented to the Committee at the March meeting.

79. Resolved – That the Committee note the report and request an update report at the meeting on 19 March.

Anti Bribery Policy and Procedures

80. The Committee received a report by the Head of Legal and Democratic Services (copy appended to the signed minutes) which outlined the new anti-bribery policy and procedures for the County Council.

81. Tony Kershaw (Head of Legal and Democratic Services) introduced the report and advised the Committee that the Policy had emerged from the UK Bribery Act and that specific training would be arranged for officers with a particular emphasis on those officers working in procurement.

82. Resolved – That the Committee endorses the anti bribery policy and procedures for adoption by the County Council.

Date of Next Meeting

83. The Committee noted that its next scheduled meeting would take place on 5 December 2011 at 2.15 p.m. at County Hall, Chichester.

Exclusion of Press and Public

84. Resolved – That under Section 100(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of

business on the grounds that it involves the likely disclosure of exempt information as defined in Part I, of Schedule 12A, of the Act by virtue of the paragraph specified under the item and that, in all the circumstances of the case, the public interest in maintaining the exemption of that information outweighs the public interest in disclosing the information.

Provision of Internal Audit Services

Exempt: paragraph 3, Financial or business affairs of any person (including the authority).

85. The Committee received and supported a report by the Executive Director of Finance and Performance regarding future arrangements for the provision of an Internal Audit Service.

Chairman