

5 December 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, Mr Stevens and Mr Waight.

Apologies: Mr Acraman.

### **Declaration of Interests**

95. Mr Rice declared a personal interest as a member of Worthing Borough Council in respect of agenda item no. 11, Part II minutes of the previous meeting.

### **Minutes**

96. Resolved – That the minutes of the Committee held on 26 September 2011 be approved as a correct record and that they be signed by the Chairman.

### **Part II Matters**

97. The Committee agreed to consider the Part II minutes from the previous meeting on 26 September 2011 in Part I of the meeting at the end of the agenda. It was felt that the reason for the exemption of the report from the previous meeting did not apply to the minutes due to the omission of financial data.

### **Interim Internal Audit Report 2011/12**

98. The Committee received a report by the Executive Director Finance and Performance (copy appended to the signed minutes) which outlined outstanding high priority recommendations. The report was introduced by Gavin Jones (Head of Internal Audit), who reported that the objectives of the internal audit plan for the current year were on target. Mr Jones introduced areas of limited assurance and officers from relevant services to address concerns.

99. David Hails, Financial Adults Safeguarding (FAS) Team Manager, Finance and Performance and Simon Hoffman, Project Manager, Business Change provided a verbal update on work undertaken to address the limited assurance relating to the FAS Team. The FAS Team had: been developing an end to end process map of tasks undertaken; begun to re-define and agree the acceptance criteria for clients referred to the service; worked on restructuring the Team; and undertaken a review of financial transactions. A full progress report containing detail of the work undertaken by the FAS Team would be circulated to members of the Committee following the meeting. It was intended that the waiting list of clients not being managed would be reduced to nil and the new team structure and processes would be in place by the end of March 2012.

100. The Committee expressed strong concern with the no assurance opinion for the service which had been compounded by the consistent failure to implement high priority recommendations from Internal Audit. The extensive list of areas of concern highlighted in the report posed a significant risk to the authority and clients of the service. Concern was expressed that identification of problems was reliant on

Internal Audit and reflected the extent of the problems in management of the function. It was felt that a greater integration of risk management procedures into the governance arrangements of the County Council would have helped to identify issues and effect resolution at a much earlier stage. The Committee requested that an update be provided to the next meeting in March 2012 with evidence of considerable progress against the areas of concern.

101. Mr Jones introduced the limited assurance assessment of Pre Paid Cards and advised the Committee that the role of certifying officers, as prescribed by standing orders, was not being undertaken to a sufficient level which undermined the transparency and accountability of the system. The Committee recognised the potential reputational damage to the County Council caused by the weaknesses identified. Tim Stretton, Chief Accountant, explained that the area was being addressed and the report had highlighted the extent of the issues. Following the abolition of petty cash the governance arrangements for Pre Paid Cards were still being consolidated and it was anticipated that in time such arrangements would be fully embedded into the organisation.

102. Matt Goodwin, Principal Manager, Resources and Performance provided an update on the limited assurance opinion relating to effective risk management and the County Council's governance arrangements. Mr Goodwin had undertaken responsibility for the coordination of risk management roles in the County Council from April 2011 and had worked extensively on the Total Performance Monitor to enable risk to be more clearly recognised and defined. The role of members in relation to risk was also to be clarified and enhanced with Risk Register updates to be considered at meetings of the Policy and Resources Select Committee. It was acknowledged that the work undertaken represented a good step change in elevating the profile of risk management within the organisation and developing the role of members.

103. The Committee expressed concern relating to the limited assurance of recruitment checks and it was explained that the weaknesses related to lack of evidence of pre-employment checks particularly the 'right to work' check. Over the next quarter limited assurance findings would be escalated and an update provided at the next meeting in March.

104. Mr Jones advised the Committee of the implementation of high priority recommendations from 2009/10 and explained that the majority of outstanding recommendations related to the FAS Team and Frameworkki. High priority recommendations that had been resolved were listed in Appendix D and the Committee was asked to agree the removal of these items as cleared. An updated status report of high priority recommendations would be reported to the Committee in March.

105. Resolved – That the Committee:

- a) expresses strong concern relating to the no assurance assessment of the FAS Team and requests that a report be presented to the meeting in March 2012 with evidence of considerable progress on the areas of concern; and
- b) agrees the removal of high priority recommendations in Appendix D which had been implemented.

## **Looked After Children – Leaving Care Systems**

106. The Committee received a report from the Director of Children's Services relating to progress on older looked after children systems (copy appended to the signed version of the minutes). Stuart Gallimore, Director of Children's Services and Sam Tearle, Principal Manager, Specialist Services, Joint Commissioning Unit introduced the report and advised the Committee of a market stimulation event that had taken place in conjunction with Brighton and Hove City Council. The event had been attended by a number of providers and it was anticipated that the removal of a supplier monopoly and other actions which had been implemented would enable greater control of the budget.

107. The Committee queried the length of time it had taken to initiate measures to address the weaknesses identified and doubt was expressed that the new arrangements would realise a saving; an overspend of up to £750,000 was anticipated in the current year. Costs had increased over the course of the last four years which had been matched by an increase in the number of looked after children during this time. Social workers would now undertake the spot purchase of accommodation from a range of suppliers which it was anticipated would drive down costs. The Committee welcomed the progress made and the success of the market stimulation event.

108. Resolved – That the Committee notes the report.

## **P-Card Compliance Update**

109. The Committee received a report by the Head of Office Services relating to controls on purchasing cards use (copy appended to the signed version of the minutes). Patrick Ellis, Head of Office Services and Jeremy Jones, Procurement Card SME, introduced the report and explained that following the limited assurance assessment of P Cards in April 2011 a subject matter expert had been appointed to review the current system and resolve areas of weakness. To clarify the proposed saving of £2.04m presented in the report it was explained that this figure was provided by the National Audit Office and related to the cost of invoice processing only. However it did not take account of all forms of expenditure incurred by the County Council to process an invoice and was misleading. The introduction P-Cards had resulted in savings and there was an intention to increase usage to realise greater levels of savings in the future.

110. The Committee queried the 5% level of spot-checks of P-Cards transactions and the use of P-Card cheque books. It was explained that 5% was a reasonable level of checks and if the inappropriate use of cards increased the compliance regime could be expanded. P-Card cheque books were provided for small single use vendors who did not accept credit cards.

111. Resolved – That the Committee endorses the compliance monitoring strategy following the appointment of the P-Card subject matter expert in June 2011.

## **Treasury Management Compliance Update**

112. 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 following the downgrading of UK Bank's credit ratings all investments with those affected institutions had been withdrawn except for 2 fixed term deposits with Nationwide and TSB.

113. The Committee queried whether the overdrawn account over the weekend of 8/9 October was a breach of the Treasury Management Strategy. It was confirmed that the Strategy permitted short-term, overdrawn accounts.

114. Resolved – That the Committee note the report.

### **External Audit Reports**

115. The Committee received the Annual Audit Letter 2010/11 from the District Auditor (copy appended to the signed version of the minutes). Helen Thompson, District Auditor introduced the report and advised the Committee that following the previous meeting on 26 September 2011 the audit had been completed on 30 September. Significant delays and problems had resulted in additional audit fees of £25,000. The final version of accounts was of a good standard and an unqualified opinion was issued for the financial statements and value for money arrangements. A key message emerging from the Annual Audit Letter was the need for improved risk management arrangements.

116. The District Auditor introduced the Audit Progress Report for 2011/12 (copy appended to the signed version of the minutes) and advised the Committee of the action plan for working with Finance staff during the year. Key meetings would be taking place during December 2011 and an outline of progress made, with particular reference to risk management arrangements, would be provided at the March meeting.

117. Resolved – That the Committee:

- (a) agrees the 2010/11 annual audit letter for the County Council and the Pension Fund; and
- (b) notes the progress made on the 2010/11 and 2011/12 audits.

### **Annual Governance Statement 2010/11 – Progress Report**

118. The Committee received a report by the Head of Legal and Democratic Services providing an update on progress with the action plan for the Annual Governance Statement 2010/11. Lindy Nash, Policy Officer, introduced the report and advised the Committee that recommendations raised during 2009/10 were felt to have progressed sufficiently to warrant removal from the schedule.

119. Corporate Issues identified in 2010/11 relating to One Way to Buy, the limited assurance opinion for Adults and Children's systems and Risk Management arrangements were being monitored by Internal Audit and RAAC. The issue relating to Children's Social Care Services safeguarding was being monitored through a number of forums and the changes in management structures was being addressed through the risk management evaluation. Following a request from the June meeting of the Committee an assessment of approaches for producing future Annual Governance Statements, avoiding duplication wherever possible, is being carried out, the outcome of which will be brought to a forthcoming meeting.

120. Resolved – That the Committee notes the progress update and agrees to remove the items raised in 2009/10 from the action plan.

### **Anti Fraud and Corruption Strategy – Policy Statement**

121. The Committee considered a report by the Executive Director Finance and Performance (copy appended to the signed minutes) which outlined the new anti fraud and corruption strategy for the County Council.

122. Resolved – That the Committee approves the revised Anti Fraud and Corruption Strategy Policy for adoption by the County Council.

### **Part II minutes**

123. Resolved – That the Part II minutes of the Committee held on 26 September 2011 be approved as a correct record and that they be signed by the Chairman.

The meeting ended at 4.15 p.m.

Chairman