

Unconfirmed minutes subject to amendment/confirmation at the next meeting of the Committee

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

## **Agenda Item No. 2**

11 March 2013 – At a meeting of the Committee held at 2.15 p.m. at County Hall, Chichester.

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

Apologies for absence were received from Mr Rice. Mr Waight was absent.

### **Declarations of Interests**

86. There were no declarations of interest.

### **Minutes**

87. Resolved – That the minutes of the Committee held on 3 December 2012 be approved as a correct record and that they be signed by the Chairman.

### **External Audit Report – Fee Letters 2012/13**

88. The Committee received the Annual Audit Fee Letters from the External Auditor (copy appended to the signed minutes), which summarised the fee scale for the 2012/13 audits of the Council and Pension Fund.

89. The report was introduced by Kate Handy, the Audit Director, who informed the meeting that the fees had been set by the Audit Commission and were 40% lower than in previous years due to the redundancies of many staff and not producing national reports. The fees set out were based on several assumptions; level or risk remains the same, internal audit etc. Should these assumptions be incorrect then the fee levels may increase.

90. Resolved – That the Committee notes the West Sussex County Council and West Sussex Pension Fund Annual Audit Fee Letters for 2012/13.

### **Progress Report on Audit Commission Action Plan – Commissioning & Procurement**

91. The Committee received a report by the Head of Procurement and Contract Services (copy appended to the signed minutes), which summarised the activities that had taken place following recommendations from the Audit Commission.

92. The report was introduced by Edward Vera-Cruz, Head of Procurement and Contract Services, who highlighted the activities that had already taken place and drew the Committee's attention to the Task Force that had now been concluded to look at procurement and contract management that was chaired by Deborah Urquhart. The group's recommendations would be presented to full council on 22 March 2013.

93. The Committee questioned the irregularities that had led to the recommendations from the Audit Commission. Edward Vera-Cruz responded that one of the irregularities stemmed from Highway Consultancy procurement that had not followed the procedure set out in standing orders. This error took place in the

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initial stages of procurement and had been replicated. This error had been addressed with the department and everybody that was responsible for procurement within the County Council had been reminded of the need to comply with standing orders.

94. Resolved that: -

- (i) the Committee is satisfied that the information presented (including information previously presented to the Policy & Resources Committee) about the work being undertaken to strengthen the Council's commissioning and procurement arrangements provided assurance that the processes regarding these activities are robust and;
- (ii) the Committee is satisfied that the information presented (including information previously presented to the Policy & Resources Committee) about the work being undertaken to ensure the development and acquisition of the appropriate skills to operate as an effective commissioner of services is sufficient to provide assurance.

### **Internal Audit Report**

95. The Committee received a report by the Director of Finance and Assurance (copy appended to the signed minutes), that outlined progress on the implementation of high priority Internal Audit recommendations.

96. The report was introduced by Gavin Jones, Head of Internal Audit, who advised that the outstanding high priority recommendations had been satisfactorily addressed. The priorities for the internal audit plan were similar to previous years and would focus on contract monitoring. Following a change to the Public Sector Audit Standards there was a requirement for an external review at least every five years.

97. Mr Acraman questioned the asset values given for libraries, in particular Crawley and Southbourne, as these were both valued at the same figure when they were vastly different in size and he felt that this had to be an error. Vicky Chuter, Monitoring Manager, undertook to look into the detail of the valuations and report back to Mr Acraman.

98. Mr Acraman also questioned the robustness of the identification of 'bad risks' before they were written off. Vicky Chuter assured Mr Acraman that these had been outstanding for a considerable amount of time, every effort had been made to retrieve the money and that this was the last resort. Gavin Jones emphasised that there had been a big push to chase and resolve the 'bad risks' and his team were satisfied that this was being done well.

99. Resolved that: -

- (i) the Committee obtained assurance that high priority recommendations had been actively resolved and;
- (ii) the Committee endorses the priorities and emerging themes for future audit coverage with the inclusion of severance pay as an emerging theme.

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### **Implementation of Frameworki – Update**

100. The Committee received a report by the Director of Adults' Services, Director of Children's Services and Director for Finance & Assurance (copy appended to signed minutes), that provided an update on the implementation of the Frameworki system for Adults' and Children's Services, and outlined the major areas for continued development.

101. The report was introduced by Neill Pettitt, Service Development Lead Frameworki, who updated the Committee on developments since the report was published. This included a Quality and Assurance Board being established to look at Adult Safeguarding that would be attended by Operations Managers. £10.3m per annum of payments to in-house foster carers, adoptive families and holders of residence orders and direct payments to carers of children are made through Frameworki but have to be manually loaded onto SAP. There will be a new system in place from May to ensure that quality assurance is carried out by a central team.

102. The Chairman was concerned that staff that had moved onto other jobs within the council or had left the authority may still have access to Frameworki. Neil Pettitt assured the Chairman that they were in the process of deactivating access for staff that hadn't used the system for some time and were working with Human Resources to ensure that managers are informed when staff leave the organisation.

103. Resolved – That the Committee notes the report.

### **Financial Statements 2012/13 – Plans and Progress**

104. The Committee received a report by the Director of Finance & Assurance and the Head of Corporate Finance (copy appended to signed minutes) that set out the plans and progress made for the closure of the 2012/13 accounts for the County Council and the West Sussex Pension Fund.

105. Vicky Chuter introduced the report. Three risks had been identified as 'red', using the same standards as the Total Performance Monitor, two were valuation related and the third related to the loss of key staff including Tim Stretton's promotion to Head of Corporate Finance and Rachel Wood's (Pension Fund Investment Strategist) maternity leave. These had been mitigated by an advert being placed for a Chief Accountant whilst Tim continued to carry out the Chief Accountant role until a replacement was found and a maternity cover already being in place for Rachel. There was concern at the recording of a likelihood of a risk as level 5 (certain). Members felt that this had become an *issue* rather than just *certain*. It was considered in the circumstances that the words used in the Risk Register needed addressing. There had been no significant changes to the accounting policies. The timetable for the closedown was very tight but achievable with the last week being dedicated to quality assurance although a lot would be undertaken during the close down process.

106. Ernst and Young (External Auditors) had been involved in the process by holding meetings with staff and would continue to be involved throughout until quality assurance. The process was much improved and was deliverable. They were very impressed with the Project Management Handbook which they had not

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seen before. The level of quality assurance built into the timetable was particularly impressive with most authorities not having this standard.

107. Resolved that:-

- (i) Members noted the project plans for the County Council and Pension Fund accounts and considered the progress to date and:
- (ii) Members considered and approved the draft accounting policies for 2012/13 for application in preparing that year's accounts.
- (iii) Members requested that the wording within the risk register be amended as some classifications were misleading and not particularly clear.

### **Treasury Management Compliance Report – Third Quarter 2012/13**

108. The Committee received a report by the Director of Finance & Assurance and the Head of Corporate Finance (copy appended to the signed minutes), that detailed compliance against planned parameters and reported borrowing and investment activity.

109. The report was introduced by Vicky Chuter and the Committee noted one breach to compliance that had been reported to the full County Council meeting on 14 December 2012 where money arrived in the afternoon. There had been revisions to the strategy which had been agreed by the Cabinet Member for Finance and Resources and the Treasury Management Panel. There was no long term borrowing and £3.5m of the £70m borrowed in April 2011 had been repaid. Heritable Bank had repaid £300k in dividends in January 2013 and Ernst & Young had informed officers that the next dividend would be repaid in July 2013. £300k was outstanding and it was hoped that a higher figure would **eventually** be repaid.

110. Resolved – That the Committee notes the current compliance with the Treasury Management.

### **Work Programme 2013/14**

111. The Committee received a report by the Head of Law and Governance (copy appended to the signed minutes) which set out the proposed work programme for the year. Members requested that where possible training started at 2pm with the meeting to commence at 2.45pm to ensure a greater attendance of members.

112. Resolved – That the Committee agrees the proposed work programme for the 2013/14 year.

### **Pagham Harbour Byelaws**

113. The Committee noted the Executive Decision but the Deputy Leader that was published on 29 January 2013 which ceased a system of fishing and bait digging permits and as a result included mention of removing provisions from byelaws.

### **Date of Next Meeting**

114. The Committee noted that its next scheduled meeting would be held on 24 June 2013 at 2.15 p.m.

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The meeting ended at 3.29 p.m.

Chairman