

Regulation, Audit and Accounts Committee

27 November 2017 – At a meeting of the Committee held at 10.30 a.m. at County Hall, Chichester.

Present: Dr Dennis (Chairman), Mr Waight (Vice Chairman), Mr Bradford, Mrs Dennis, and Mr Lea.

Apologies for absence were received from Mr Fitzjohn and Mr Patel.

In attendance by invitation: Mr Hunt (Cabinet Member for Finance and Resources).

Part I

Declarations of Interest

93. 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.

94. Ms Eberhart (Director of Finance, Performance & Procurement) declared a personal interest as her daughter is employed at Ernst & Young (EY).

Part I Minutes of the previous meeting

95. Resolved – That the minutes of the meeting of the Committee held on 4 September 2017 be approved as a correct record and that they be signed by the Chairman.

Part II Minutes of the previous meeting

96. The Committee agreed that as they had no comments on the minutes it was not necessary to enter Part II to discuss their content.

97. Resolved – that the Part II minutes of the meeting of the Committee held on 4 September 2017 be approved as a correct record and that they be signed by the Chairman.

Urgent Matters

98. The Chairman informed the committee that a motion had been received from Mr Lea that would be discussed at the end of the agenda.

Recovery Audit work

99. The Chairman welcomed Peter Welch who is a Director at Meridian Cost Benefit Limited, the company who had undertaken the recovery audit work for the County Council. Mr Welch had attended an informal meeting with the Committee Members in order to explain the work they had undertaken.

100. The Chairman informed the Committee that the Vice Chairman and he had seen a commercially sensitive report from Meridian that gave reassurance on the processes and techniques used during the recovery audit. The report showed that the County Council had improved in the area of duplicate payments. The report also looked into issues with supplier statements and VAT calculations. The Chairman requested a report in due course on these elements.

101. The Vice Chairman reported that he was satisfied with the work of Meridian and that the County Council had not ignored the issue. The Vice Chairman was happy to close the item, subject to the further work that had been proposed.

102. The Committee noted from the previous minutes (minute no. 74) that a quarterly report could be considered by the committee.

103. The Chairman proposed a resolution, which was seconded by Mr Waight, asking the Committee if it considers the duplicate payments issue now closed, but that the committee should receive a report on supplier statements and VAT calculations; quarterly updates on duplicate payments; and a further review be undertaken in spring 2019. The resolution was agreed by majority to close the issue on duplicate payments and receive the proposed reports.

104. Resolved – That the Committee considers the duplicate payments issue closed, but requests a report on supplier statements and VAT calculations; quarterly updates on duplicate payments; and a report following the review in spring 2019 when a similar exercise is undertaken.

External Audit.

105. The Committee considered the Annual Audit Letter by the External Auditor EY (copies appended to the signed minutes).

106. Mr King (EY) introduced the letter which provided a summary of the September report. EY expected to meet the closedown deadline which was the end of July.

107. The Committee queried the £1 million reporting threshold and if it should be lower. – *Mr Mathers (EY) reported that there was no evidence of omitted counterparty returns. The reporting threshold had been applied as in previous years but there had been no specific dispensation this year to do so.*

108. Resolved – That the Committee notes the Annual Audit Letter.

Internal Audit Progress Report –November 2017

109. The Committee considered a report by the Head of Internal Audit (interim) (copy appended to the signed minutes).

110. Mr Pitman, Head of Internal Audit (interim), introduced the report and highlighted the work that had been done to address P-Card usage, business resilience and Beechfield Secure Children's Home.

111. The Committee made comments including those that follow.

- Queried if the issues relating to Beechfield had been resolved. – *Mr Pitman confirmed that the majority of issues had been resolved following the adverse Ofsted report. New staff were in place that were using the report to improve the financial processes that were in place. Mr Hunt reported that the issues were historic and had all been addressed with no additional staff. The home had not been reopened yet as Ofsted needed to interview the interim manager. The interview had been delayed. The Committee queried where the spend had come from to address the issues. Mr Hunt reported that a £700,000 grant had come from the Department for Education.*
- Questioned the recommendation that audit managers should develop closer relationships with senior management, and felt this should be happening anyway. – *Mr Pitman agreed that the conversation was important and that the previous staff turnover had led to a disconnection. Stability at manager level had helped improve dialogue.*
- Queried the lack of dates on the progress report. – *Mr Pitman explained that date deadlines were difficult to show progress and so the comments field was used to add dialogue to explain improvements. The Committee felt that dates would be useful in order to monitor slippage.*
- Asked why Fostercare had been removed from the report. – *Mr Pitman explained that PricewaterhouseCoopers were doing work for the County Council and so work had been taken out of the report to avoid duplication. Ms Eberhart confirmed that Internal Audit would look at the work when it was complete.*
- Sought clarity on how items were considered for inclusion in the audit plan. – *Mr Pitman explained the planning process which considered all areas of the County Council via a risk assessment. A plan was then created and sent to Members in March.*
- Queried the list of objectives in the data analytics strategy and the budget available to deliver them. The Committee also queried if open source software could be used as an alternative to paying for software. – *Mr Pitman explained that the objectives would be delivered from the finance as part of the business as usual budget. Internal Audit provided funds to assist with the fraud work. Software procurement had not been considered for delivery of the work as existing software would be utilised. The work would not duplicate existing work and would build on good practice.*
- Asked how Internal Audit would monitor progress. – *Mr Pitman explained that the new partnership work would have the benefit of a wider pool of staff which would enable greater flexibility and resilience.*
- Queried the ethical governance work. – *Mr Pitman explained that the first part of this work had been completed and the second part was still outstanding. The second part was linked to the review of HR policies which was currently ongoing.*

112. Resolved – That the Committee notes the Internal Audit Progress report for the period to November 2017.

Annual Governance Statement 2016/17 – Actions Update

113. The Committee considered a report by the Head of Internal Audit (interim) (copy appended to the signed minutes).

114. Ms Eberhart introduced the report and invited the Committee to ask any questions.

115. The Committee made comments including those that follow.

- Asked for progress on the Capita Reset. – *Ms Eberhart reported that this was a large piece of work and that regular meetings were taking place. Mr Hunt reported that a portion of the reset had been completed in 2015/16 and reported to County Council. The work would be proposing to make a number of changes over a period of time rather than delivering all the changes at once. Mr Hunt apologised if the report had been misleading on the progress of works and Ms Eberhart agreed to improve the wording for future reports.*
- Queried the implications of the pending General Data Protection Regulations (GDPR). – *Ms Eberhart reported that a post would be added to look at this work. Ms Palmer, Director of Human Resources & Organisational Development (Interim), reported that there was a pilot within Human Resources to assess how much of an issue this would be on residents. It was hoped this work would produce a template that could be used by other departments.*
- Asked if EY would monitor compliance with GDPR. – *Mr King explained that this would not be specifically covered unless an issue with GDPR impacted other compliance.*

116. Resolved – That the Committee notes progress against actions arising from the Annual Governance Statement 2016-17.

Staff Induction

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

118. Ms Hannant, Head of Organisational Development, introduced the report which gave an update on the November 2016 report. A programme had been launched to raise awareness to managers of their responsibility for staff inductions. Reports were being run to monitor completion; the current rate was 44%. It was recommended that the Committee continue to see an annual report to monitor progress of staff inductions.

119. The Committee made comments including those that follow.

- Queried staff retention statistics. – *Ms Hannant reported that many losses were observed in the first year of employment. It was hoped that better staff inductions would improve this. Mr Hunt confirmed that workforce data went to the Performance and Finance Select Committee which covered this issue.*
- Asked how posts were advertised. – *Ms Palmer was looking into this and considering professional recruitment methods.*
- Commented that managers should allocate time for staff to complete induction modules. – *Ms Hannant agreed and felt it was important managers allowed appropriate time for staff to complete their induction.*
- Queried what would happen on a staff member's first day. – *Ms Hannant explained that some elements were completed on the first day and other elements were spread across 6 months.*

- Asked if the induction covered all staff. – *Ms Hannant confirmed that the induction covered the whole organisation, but explained that some staff needed a different approach, for example, Saturday staff in libraries. Only County Council employees progress would be monitored, not agency staff. It would be up to managers to ensure agency staff received an induction. It was also reported that work was being done to look at the value of agency staff.*
- Queried why the induction training was not being completed and if it was linked to the quality of the materials. – *Ms Hannant reported that the quality of the training had been looked into. Feedback had been received on the elements that linked to items such as financial policy. This feedback had led to sessions being more interactive and engaging.*
- Sought clarity on staff exits. – *Ms Hannant confirmed that all staff had a leaving interview and any areas of concern were looked into.*
- Queried if members should receive training updates. – *Mr Waight commented that Member days were effective for this. Mr Hunt proposed bespoke training could be undertaken before committee meetings. Mr Chisnall, Democratic Services Officer, resolved to look into this.*

120. Resolved – That the Committee:

1. Supports continued monitoring of completion rates of mandatory elements with escalation which are followed up as appropriate.
2. Supports that trends of performance indicators are monitored to see what impact induction is having, with adjustments made as necessary.
3. Supports the use of staff pulse surveys to measure progress on some of the more behavioural and cultural elements of induction.
4. Requests a further update report when appropriate.

Progress with the County Council's Asset Strategy

121. The Committee considered a report by the Executive Director of Economy, Infrastructure and Environment and Director of Economy, Planning and Place (copy appended to the signed minutes).

122. Mr Smales, Director of Economy, Planning and Place, introduced the report which outlined the work of the asset strategy to understand what assets the County Council had and what was needed. Work was being done to investigate these elements and create a complete asset register by the end of the financial year.

123. The Committee made comments including those that follow.

- Queried the legislation that could penalise landowners with underdeveloped land. – *Mr Smales said the County Council could be impacted. This would be investigated when the legislation came into effect.*

- Questioned long term planning and how service delivery in the future may impact asset use. – *Mr Smales reported that this had been considered and work was underway to understand service planning impact on assets. Ms Twine, Asset Strategy Manager, used Adult Services as an example, where day services used to be run from large centres, but future models looked to utilise community buildings instead. There was a pilot in Burgess Hill on this.*

124. Resolved – That the Committee notes the updates on the Asset Strategy and supports the work being undertaken.

Quarterly Review of the Corporate Risk Register

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

126. The Executive Director Children, Adults, Families, Health and Education gave a presentation to the Committee on Corporate Risks 14, 19 and 29 (copy appended to the signed minutes).

127. Ms Wilson reported that there were particular stresses and strains in the health area and cost based information was required to understand health and social economics. Work was happening to try and bring the clinical commissioning groups together to work on this. There was also differences between care options in the North and South of the County which made it difficult to provide a consistent approach.

128. Ms Wilson reported that businesses were encouraged to talk to the County Council if they were struggling. Ms Eberhart was working on a model to improve contract management to ensure a better management of the market.

129. The Committee made comments including those that follow.

- Questioned where risk 29 was held. – *Ms Eberhart explained that this risk was not a corporate risk, but sat with her.*
- Asked if social care should go to the health service or a third party to help ensure a consistent approach. – *Ms Wilson reported that the health service had a three year structure reform and it was being considered how they could commission with the County Council to ensure consistency of outcomes for residents.*
- Queried if funds were available to deliver the work. – *Ms Wilson reported that the better care fund had helped and that adult and social also get support. The new Executive Director Children, Adults, Families, Health and Education would have a different approach and clear leadership would help. The County Council was in a good place to deliver this.*

130. Mr Pake, Corporate Risk and Business Planning Manager, introduced the report and explained that the ownership of risk 9 had been transferred to the Director of Human Resources & Organisational Development (Interim). A broad risk had been added for Brexit with a neutral impact at this stage. Work was continuing to embed a risk culture with the organisation with an induction pathway scheduled to be in place in March 2018. Progress on this would be reported at the next Committee meeting.

131. The Committee made comments including those that follow.

- Queried the increased rating for risk 55. – *Mr Pake resolved to investigate this and report back.*
- Questioned the amber risk rating for risk 11. – *Mr Pake confirmed that the risk level reported translated as amber. This risk had been transferred to the Director of Human Resources & Organisational Development (Interim) for investigation.*
- Sought clarity on moving target dates. – *Mr Pake explained that some dates had moved where risks had been transferred to new owners. Work would be done to look into how target dates were calculated.*
- Queried the cost that would be required to reduce risk 42. – *Mr Pake reported that he encouraged officers to conduct a cost/benefit analysis of the controls against the risk, before deciding on the mitigating actions.*

132. Resolved – That the Committee notes the current Corporate Risk Register.

133. Treasury Management Compliance Report –Second Quarter 2017/18

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

135. Mrs Chuter, Financial Reporting Manager, introduced the report and confirmed that there had been no breaches for the quarter. There had been credit rating changes from Moody's and no change in County Council borrowing.

136. The Committee made comments including those that follow.

- Queried the impact of exchange rate changes to non-UK investments. – *Ms Chuter explained there was a limit on the maximum per sovereign state. Investments depended on what opportunities were available.*
- Sought clarity on trigger points for rating changes. – *Ms Chuter reported that trigger points could impact at any time and confirmed that the County Council looked above A- ratings.*
- Commented on the exceeded overdraft for the account with Lloyds and that the NHS clinical commissioning group should have notified the County Council. – *Ms Chuter confirmed that channels had been utilised to speak to the clinical commissioning group on the matter.*

137. Resolved – That the Committee notes the report.

Motion

138. Mr Lea presented a Motion calling for Committee reports that were greater than 6 pages in length be accompanied by a summary document. The Motion called on officers to ensure that report information was presented in a way which would be clear to the non-expert layman member of the public and avoided/explained acronyms or jargon. The Motion was seconded by Mrs Dennis ([copy appended](#) to the signed minutes).

139. The Chairman sympathised with the request, but felt the proposal was too prescriptive. The Chairman felt that executive summaries needed to be improved and that Committee Members should utilise officer contact information on reports if they had any queries. The Chairman also highlighted the discussions that took place at the Committee's Pre Agenda meeting to comment on draft reports in preparation for the statutory dispatch of papers.

140. Mr Chisnall raised concerns that additional documents being prepared could delay statutory dispatches.

141. Mr Lea felt it was important to improve the public record of the Committee. – *Ms Eberhart agreed to ensure improvements were made to executive summaries and reported that no complaints had been received from the public on Committee reports.*

142. The Committee felt that the impact of proposed reports should be summarised in the executive summary to answer the 'So what?' impact. – *Mr Hunt commented that reports needed to remain politically neutral and that it was for committee members to make judgements on the impact of the report. Members were in post to represent the public.*

143. Resolved – That the Committee asks for the executive summaries to be improved using straight forward language and drawing attention to any significant matters for future reports and the impact of this be monitored.

Date of Next Meeting

144. The Committee noted that its next scheduled meeting would take place on 26 March 2018 at 10.30 a.m. at County Hall, Chichester.

145. The meeting closed at 1.20pm.

Chairman