

Regulation, Audit and Accounts Committee

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

Present: Mrs Millson (Chairman), Mr Bradbury, Ms James*, Mr M Jones, Mr Lanzer, and Mr Waight.

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

Mr Patel was absent from the meeting.

*Ms James left at 12.49 p.m.

Part I

138. The Chairman began the meeting by informing the Committee this was Mr Jones' (Head of Internal Audit) last meeting. The Committee thanked Mr Jones for his support to the Committee and wished him well for the future.

Declaration of Interest

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

140. Mr Lanzer declared a personal interest for the External Audit Reports item as a deferred member of the Local Government Pension Scheme.

141. Mr Waight declared a personal interest as a Worthing Borough Council member in relation to the Internal Audit Report item.

Part I Minutes of the previous meeting

142. Resolved – That the part I minutes of the meeting of the Committee held on 28 November 2016 be approved as a correct record and that they be signed by the Chairman.

Urgent Matters

143. Mr Bradbury raised concerns with the process for Staff Appeals. Anxiety was particularly expressed on the lack of Human Resources oversight to the meetings and the processes that led up to them, the adequacy of training for senior managers and the availability of note takers.

144. Resolved – That the Committee asks the Governance Committee to review the process for Staff Appeals and that work is started by the relevant officers in anticipation of such a review.

Part II Matters

145. Queries were raised on the content of the Part II report and if the content, and any associated emails could be seen under a Freedom of Information (FOI) request. Mr Kershaw, Director of Law and Assurance, confirmed that Part II information was not eligible for disclosure under a FOI request and this would apply to similar information contained in emails (unless redacted).

146. The Committee queried if any information contained in the Part II report may be released at a later date. Mr Kershaw resolved to investigate the content and see if it was possible to identify any information considered publishable.

147. The Committee agreed not to bring the Part II content into the Part I discussion.

Update on Governance

148. The Committee received a presentation on Governance Review by Mr Elvery, Chief Executive (copy appended to the signed minutes).

149. Mr Elvery spoke through the presentation which outlined the importance of Governance and the areas of focus for Risk Management, Performance, Internal Audit and Corporate Fraud.

150. It was explained that the risk register would have 13 areas of focus applied to each directorate. The Committee was informed that risk would be discussed weekly at Executive Leadership Team meetings; updated monthly; and reported quarterly to the Committee.

151. Members commented on the lack of risk within staff appraisals. Mr Elvery explained that risk and performance needed to be equally considered and that ownership of risk was being embedded within each directorate.

152. Members raised the work of Internal Audit and the current attitude towards audit intervention. Mr Elvery felt this was a well-founded observation and that a change in culture was required.

153. Members asked where contractors fitted within the Risk Register and Mr Elvery explained that all risks were considered by the strategy and that issues with contractors should not be treated differently.

154. In response to members' questions on Internal Audit reports; the independency of the audit function; and the internal scrutiny of risk by officers, Mr Elvery confirmed that Ms Eberhart, as the Section 151 officer, held the statutory responsibility for Internal Audit and so had to be satisfied with their work. Internal Audit would take review of the Risk Management Strategy to see if it was appropriate. It was also confirmed that EY as the External Auditor had to be satisfied with the work of Internal Audit.

155. Members queried the role of the Performance and Finance Select Committee(PFSC) for risk. Mr Elvery explained that PFSC had a role in performance and risk would be considered in that context by PFSC whereas the constitution put the oversight of Risk Management with the Regulation, Audit and Accounts Committee (RAAC).

156. The Committee welcomed the presentation.

Risk Management Strategy

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

158. Ms Eberhart introduced the report which outlined proposed changes to the risk strategy. The Committee were asked to endorse the new approach and note that the County Council would be invited to agree that the constitution be changed accordingly. The Committee was informed that the strategy would be reviewed annually.

159. Members asked about the overall responsibility of risk and risk performance and Mr Elvery confirmed that he had ultimate responsibility. The Leader held Mr Elvery to account for his responsibilities; RAAC would be responsible for quarterly monitoring of risk.

160. Members discussed the 4T model in the strategy and Ms Eberhart explained that 'Transfer' related to risks transferring for commissioned activities. The County Council would then monitor the contractor's outcomes. The 'live with risk' section related to procedures for when risks occurred and were deemed manageable whilst taking appropriate actions.

161. In response to members' questions on the timeframe attached to the risk scoring matrix, Ms Eberhart explained that mitigation plans were important to ensure that reactions could take place as fast as possible.

162. Members queried risk appetite and Mr Elvery explained that a strong approach to risk management allowed the opportunity to consider risks that arose in relation to challenging proposals with significant potential gains. The Committee requested changing the wording for the risk appetite opening paragraph. Mr Elvery agreed to look into the request.

163. In response to members' proposal of a 'Personal' category being added to the strategy, to take account of physical or mental health risks faced by staff Mr Elvery agreed to add 'Personal' to the 'Managerial/Professional' category.

164. Members raised concerns on the similar wording for risk occurrences for 'High' and 'Medium', Ms Eberhart explained that the definitions were subjective and related to the timeframes of risk. Mr Elvery proposed adding timeframes to the descriptions to add clarity to the distinction.

165. Members asked about the refresh of the corporate plan. Mr Elvery explained that the current plan had an end point and that the elections could potentially lead to a refreshed plan being required to set new objectives.

166. Members asked about the costs of the previous and new risk systems. Ms Eberhart explained that between £10,000 and £15,000 had been spent on consultants in December. Ms Eberhart agreed to investigate the costs of the previous system. The Committee was informed that the Risk Manager post was still vacant, but given assurance that the Risk Management group meetings were still taking place and would continue.

167. Members pointed to the empty 'Reputation' section of the strategy and Ms Eberhart resolved to update this for the final version.

168. Resolved – That the Committee:

- (1) Endorses the approach to corporate risk management as set out in the Risk management Strategy.
- (2) Recommends to County Council changes to the Constitution (Part 4 Section 4) so as to match the responsibilities of members and officers to those described in the Risk Management Strategy.

Quarterly Review of the Corporate Risk Register

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

170. Ms Eberhart introduced the report and explained that the Risk Register was divided into categories outlined within the Risk Management Strategy.

171. In relation to the introduction of a Culture Board, Mr Elvery explained to members that the new board would consist of a range of staff from different groups and would discuss organisational attitudes.

172. Members asked about the retention of Adult Services staff. Mr Elvery confirmed that the current focus was on Children's Services and resolved to investigate the relevant risk levels within Adult Services.

173. In response to members' questions on the inconsistent approach to contract management, Ms Eberhart confirmed that work was being done to centralise contract work. Contracts would be managed more tightly which would help with the need to deliver savings.

174. Members expressed concern about the impact of technological safeguarding from hacking and Mr Elvery confirmed that the wording of this section required improvement. Work was underway to improve contracts and the handling of data.

175. A question was raised about the success of the technology measures being linked to the Capita reset and Mr Elvery confirmed that the details of this were still being worked on. It was reported that the Capita relationship was currently being discussed in a positive environment.

176. Members expressed confusion on the different dates for the Asset Strategy completion date (April 2017 in Risk Register, July 2018 in Internal Audit Report). Mr Smales, Director of Economy, Planning & Place, confirmed that July 2018 was the correct date.

177. Resolved – That the Committee notes the Corporate Risk Register.

Duplicate Payments

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

179. Mrs Chuter, Chief Accountant, introduced the report and explained the work that was being undertaken by Meridian Cost Benefit Ltd.

180. In response to members' questions on the monitoring of the process of Meridian and their methods of recovery, Mrs Chuter confirmed that officers held a weekly phone call with Meridian to look at progress. Meridian had several approaches to their work. One element of work had been to send over 300 emails to contractors requesting statements to determine whether the suppliers were holding credit notes; another had been targeting specific contractors where potential duplicate payments had been identified. To date, 6 duplicate payments had been identified totalling around £18,000.

181. A member requested a detailed explanation of the entire process but Ms Eberhart explained that the report met the previous request for an update in March. It was proposed that a report could come to the Committee at the end of the process that would give an account of the whole exercise. Ms Eberhart welcomed the work and productivity of Meridian to date.

182. Members asked how Meridian would be paid for their work, Mrs Chuter reported that they received a percentage of recovered payments.

183. In relation to the use of credit notes, Mrs Chuter gave assurance that this was typical where there was an ongoing relationship with a supplier.

184. Members asked how far back the investigation would go. Mrs Chuter explained that this would depend on evidence and the goodwill of suppliers.

185. The Chairman welcomed the proposal for a report when the process was complete, but suggested that interim updates could be sent to Committee members.

186. Ms James requested that the minutes record that she was not satisfied with the process to recover duplicate payments

187. Resolved – That the Committee notes the progress being made with the payment recovery audit and notes that a full report will be presented when the work is complete.

Internal Audit Report

188. The Committee considered a report by the Director of Finance, Performance & Procurement and the Head of Internal Audit (copy appended to the signed minutes).

189. Mr Jones, Head of Internal Audit, introduced the report and highlighted those areas that had received less than satisfactory assurance audit opinions since the last meeting.

190. Members raised the issue of late payments and expense deadlines. Mr Jones explained that CHAPS was not used to pay for expense claims that had been submitted late but had been used for nominal late payroll payments. Mr Waight commented that Worthing Borough Council seemed able to process payroll payments faster. Ms Eberhart resolved to look into the payroll process.

191. In response to members' queries on the delays to SAP, Ms Eberhart explained that technical issues had led to the delays. The project was likely to continue in May.

192. Mr Smales, Director of Economy, Planning & Place, gave a verbal update on the progress of the Strategic Asset Management Plan. It was confirmed that buildings were being maintained and operational activities were happening whilst the asset work was being done. The new process would improve the data recorded for assets and help categorise them to determine their value. Officers were aiming to have a working hypothesis for assets available in January 2018 with the full strategy in place for summer 2018.

193. Mr Howell, Director of Adult Operations, gave an update on the work of Adults' Services. It was confirmed that constructive conversations were taking place with Internal Audit with positive elements identified. An action plan had been identified and was being worked on to continue to make improvements. It was also reported that a safeguarding pilot had been introduced.

194. In relation to the work on ethical governance, Mr Kershaw, Director of Law and Assurance confirmed that meetings of senior managers were being used to address the work.

195. Resolved – That the Committee notes the report and obtains assurance that high priority recommendations are being actively resolved.

External Audit Reports

196. The Committee considered External Audit Plans for West Sussex County Council and the West Sussex Pension Fund from the External Auditor, EY (copies appended to the signed minutes).

197. Mr King, EY, introduced the West Sussex County Council Audit Plan and outlined the new format requirements relating to the Comprehensive Income and Expenditure Statement. It was confirmed that fees remained unchanged and that end of year processes should be complete in August in time for the September Committee meeting.

198. Mr Mathers, introduced the West Sussex Pension Fund audit plan and confirmed that this work should also be completed in time for the September Committee meeting.

199. The Committee welcomed that fees had remained unchanged and proposed that an expert in Minimum Revenue Provision attends an appropriate meeting.

200. Resolved – That the Committee notes the audit plans.

Internal Audit – Annual Audit Plan 2017/18

201. The Committee considered a report by the Director of Finance, Performance & Procurement and the Head of Internal Audit (copy appended to the signed minutes).

202. Mr Jones, Head of Internal Audit, introduced the report and confirmed that there would be an increased focus on Children's Services.

203. In response to members' queries on an increase in Internal Audit resources, Mr Jones confirmed that anti-fraud work would be on top of the figures outlined in the report. Ms Eberhart confirmed that no decision had been made on how the additional resources for anti-fraud would be allocated.

204. In relation to the review of the Capita Contract, Mr Jones confirmed that the review would be looking into governance arrangements to ensure they were appropriate. No specific concerns had been identified.

205. Resolved – That the Committee approves the contents of the Internal Audit plan for 2017/18.

Financial Statements 2016/17 – Plans and Progress

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

207. Mrs Chuter, Chief Accountant, introduced the report which outlined the preparation for the 2016/17 accounts closure.

208. Dealing with the process for related party transactions, Mr Chisnall, Democratic Services Officer, confirmed that members would be contacted soon for these and that a plan was in place to ensure all responses were received in time.

209. Resolved – That the Committee:

- (1) Notes the project plans for the County Council and Pension Fund accounts.
- (2) Approves the draft accounting policies for the County Council and Pension Fund accounts for application in preparing this year's accounts.

Treasury Management Compliance Report – Third Quarter 2016/17

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

211. Mrs Chuter, Chief Accountant, introduced the report and confirmed there had been no breaches to the approved strategy.

212. The Committee noted that the County Council's bank account had been overdrawn for one day and welcomed that the bank had taken ownership of the issue.

213. Resolved – That the Committee notes the report.

Pagham Harbour Local Nature Reserve Byelaws

214. The Committee considered a report by the Executive Director of Economy, Infrastructure and Environment and the Director of Highways and Transport (copy appended to the signed minutes).

215. Ms Weller, Countryside Services Manager, introduced the report which looked to update the byelaws at Pagham Harbour Local Nature Reserve to align them with standard byelaws issued by Natural England.

216. Members commented on the dated nature of the byelaws for elements such as smartphone usage. Ms Weller agreed that there would always be site specific issues and that enforcement of the byelaws would require an appropriate balance.

217. It was confirmed that the Chairman would receive any comments that were received from the press advertisement of the proposed byelaw changes.

218. Resolved – That the Committee:

- (1) Approves the County Council's intention to apply for confirmation of the byelaws be advertised in the local press.
- (2) Authorises the Director of Law and Assurance to seal the byelaws and make an application to the Secretary of State to confirm the byelaws, subject to there being no representations received.
- (3) Requests that in the event of representations being received, the Director of Highways and Transport be authorised to assess those representations and incorporate them as appropriate before the Director of Law and Assurance seals and submits the byelaws to Defra for confirmation. However, in the event that the representations result in changes in the effect of the proposed byelaws that they be returned to the Regulation, Audit and Accounts Committee for determination.

Work Programme 2017/18

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

220. Mr Chisnall, Democratic Services Officer, introduced the programme and agreed to liaise with the Director of Finance, Performance & Procurement to schedule the annual review of the Risk Management Strategy.

221. Resolved – That the Committee agrees the outline work programme the 2017/18.

Date of Next Meeting

222. The Committee noted that its next scheduled meeting would take place on 13 March 2017 at 10.30 a.m. at County Hall, Chichester.

Exclusion of Press and Public

223. 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.

The meeting ended at 1.41 p.m.

Chairman

Summary of Matters discussed in the absence of the Press and Public on 13 March 2017

Part II Minutes of the previous meeting

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

The Panel agreed the part II minutes of the meeting of the Committee held on 28 November 2016.

Historic Potential Duplicate Payments

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

The Panel noted the progress that was being made to recover historic potential duplicate payments.