

Unconfirmed minutes – subject to approval/amendment at the next meeting of the Regulation, Audit and Accounts Committee

Regulation, Audit and Accounts Committee

16 March 2015 – At a meeting of the Committee held at 2.15 p.m. at County Hall, Chichester.

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

Declarations of Interest

93. Mr Lanzer declared a personal interest in Item 4 Financial Statements 2014/15 as a member of the Local Government Pensions Scheme.

Minutes

94. Resolved – That the minutes of the Committee held on 1 December 2014 be approved as a correct record and that they be signed by the Chairman.

Financial Statements 2014/15 – Plans and Progress

95. The Committee considered a report by the Executive Director Corporate Resources and Services and the Deputy Director Finance (copy appended to the signed minutes). Mr Stretton (Deputy Director Finance) advised that the planning framework and accounting policies, including those for the West Sussex Pension Fund, were in place to meet the milestones as set out in the report. This framework would ensure members had more time to ensure thorough scrutiny of the financial statements.

96. The Committee raised the following issues/questions:

- Delay in receiving responses on Related Party Transactions (Members); *the Committee agreed that the Chairman should write to Group Leaders and the Clerk to follow-up this up with reminders to those members who fail to respond.*
- Likelihood of achieving the project plan milestones; *Mr Stretton advised that the Project Plan was very detailed and was confident that the milestones would be met. There was low staff turnover in the Finance Team working on the closedown and therefore a relatively low risk from 'loss of key staff'. Following the experience of the previous year Mr Lewis (Executive Director Corporate Resources and Services) advised that EY had allocated more resource to the audit. The other local authorities in the West Sussex Pension Fund will also play a part in the improved project plan.*

97. Resolved – That

- (1) the project plans for the County Council and Pension Fund accounts are noted.

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- (2) the draft accounting policies for both the County Council and Pension Fund accounts for 2014/15 are approved for application in preparing this year's accounts.

External Audit

98. The Committee considered an Audit Progress Report by the External Auditor EY (copy appended to the signed minutes).

99. Resolved - That the Audit Progress Report is noted.

Changes to Public Sector Audit

100. The Committee considered a summary report by the External Auditor EY (copy appended to the signed minutes).

101. Mr Justesen EY outlined the changes to public sector audit following the closure of the Audit Commission at the end of March 2015. He highlighted some relevant changes including the management of objections, a new challenge toolkit and new arrangements for procurement. He advised that contracts could be up to five years duration. Peter Lewis advised that the County Council would undertake new procurements arrangements in early 2016.

102. Resolved – That the changes to Public Sector Audit are noted.

Treasury Management Compliance Report – Third Quarter 2014/15

103. The Committee considered a report by the Executive Director Corporate Resources and Services and Deputy Director of Finance (copy appended to the signed minutes).

104. Mr Stretton introduced the report and highlighted the following points; the third quarter to 31 December 2014 had on the whole been uneventful with no breaches in compliance. He advised on the maximum duration limits for new unsecured bank investments and referred to the performance of Pooled Funds; Payden Sterling Reserve Fund had been very successful, investment in Investec, less so and was just about justified.

105. Resolved – That the report is noted.

Financial Compliance

106. The Committee considered a report by the Executive Director Corporate Resources and Services and Deputy Director of Finance (copy appended to the signed minutes).

107. Mr Stretton reported on two areas of work for the Compliance Team; duplicate payments and vendor adoption. He advised that there were more robust reporting mechanisms in place and more resource available enabling a

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much better compliance regime. Quarterly progress reports would be brought to the meeting.

108. The Committee raised the following issues/questions:

- Concern that there was a high risk of fraud if access control and vendor master clean-up was not in place. *Mr Lewis agreed with these concerns and advised that the new Compliance Team will ensure that the necessary support will be given to ensure financial compliance and controls throughout the organisation.*
- Could a value be put on the duplicate payments? *Mr Jones (Head of Internal Audit) advised that investigations going back over two years had identified potential duplicate payments. The value of these was low.*

109. Resolved – That the progress made to date and future plans to address the issue of non-compliance is noted.

Review of Financial Regulations and Financial Procedures

110. The Committee considered a report by the Executive Director Corporate Resources and Services and Director of Law, Assurance and Strategy (copy appended to the signed minutes).

111. Mr Stretton introduced the report and advised that this report had already been scrutinised by the Governance Committee. The main operating changes set out in the report concerned some changes regarding third party officers and organisations working with the County Council. A point that had been highlighted to the Governance Committee regarding Financial Regulation C – Risk Management and Control of Resource, was that this section had been reworded to provide assurance to the Committee following the demise of the Audit Commission.

112. Resolved – That

- (1) the revised Financial Regulations and Financial Procedures, following the endorsement by the Governance Committee on 2 March 2015, are approved.
- (2) the Financial Regulation and Financial Procedures are reviewed every three years.

Internal Audit Report

Ms James left the meeting at 3.10 pm during this item.

113. The Committee considered a report by the Executive Director Corporate Resources and Services and Head of Internal Audit (copy appended to the signed minutes).

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114. Mr Jones introduced the report and advised that there were two areas of concern for Internal Audit: - the Millais School Contract and the procedures, controls and access authorisation for staff starting or leaving the organisation using the SAP system.

115. The Committee raised the following issues/questions:

- **Millais School** - given the size of capital expenditure for this project, the Committee expressed disappointment that extra effort had not been put into project and risk management. *Mr Olway (Principal Manager, Capital Planning & Projects, Strategic Planning & Place) advised that the SCAPE Framework had been used for this project which enabled the sharing of risk between the contractor Wilmott Dixon and the local authority. He welcomed the input of Legal Services and Internal Audit.*
- The Committee asked about the potential risk that the project would go over budget. *Mr Olway advised that there is a risk as there is for any project but this will reduce as the project progresses. The level of contingency fund needed is always difficult to estimate, issues around weather, materials, extension to time are factors which affect this.*
- The Committee asked if the project management was failing. *Mr Olway advised that as the project moves forward the County Council would use its own tendered frameworks for contractors to achieve greater cost assurance. Lessons had been learned, the lists of contractors reviewed, more robust challenge made and different companies and procurement routes used.*
- The Committee was satisfied that the project was now being thoroughly examined and noted that officers were optimistic of a successful outturn within budget.
- **SAP Starters and Leavers** – Mrs Edmunds (Director of Workforce, OD and Delivery Support) advised of the importance of a proper control environment. As part of the SAP optimisation project a review will be undertaken of role profiles. Individuals will be assigned to roles so that proper controls can be achieved.
- The Committee asked about the cost implications. *Mrs Edmunds advised that this was an element of the scoping work, to find out what the priorities were and to understand the scale to the task. Mrs Edmunds agreed to report back to the Committee.*
- The Committee agreed that whilst it was important to keep the cost of the project down the need for the optimum level of assurance was a necessity to negate the potential for fraud. *Mr Lewis advised that this work was at the centre of the administrative system of the*

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organisation and that controls as people moved between roles were essential.

116. Resolved – That the report is noted and that the Committee is assured that high priority recommendations are being actively resolved.

Annual Governance Statement 2013/14 Action Plan Update

117. The Committee considered a report by the Executive Director Corporate Resources and Services and Director of Law, Assurance and Strategy (copy appended to the signed minutes).

118. Mr Gauntlett (Senior Advisor Democratic Services) introduced the report which set out progress with the Annual Governance Statement Action Plan for 2013/14 which was nearly complete. He highlighted the objective following the OFSTED inspection of Children's Services; regular monitoring meetings chaired by the Cabinet Member and including the Leader are held monthly and robust scrutiny is now taking place.

119. The Committee thanked Mr Gauntlett for the detailed report.

120. Resolved – That the report is noted and that no items are taken forward to the 2014/15 action plan.

Draft Annual Governance Statement 2014/15

121. The Committee considered a report by the Executive Director Corporate Resources and Services and Director of Law, Assurance and Strategy (copy appended to the signed minutes).

122. The Committee discussed whether certain issues should be scrutinised by the Regulation Audit and Accounts Committee or the Performance and Finance Select Committee and if there was a danger of duplication. *Mr Gauntlett confirmed that officers could be invited to attend to speak to the Committee on any item on the Action Plan if it has any concerns. Members agreed to consider Issue 6 Capita Support Services and Information Technology Services Contract at the June meeting when it would be clearer what action the Select Committee would be taking on this topic.*

123. Regarding main Governance issues (Care Capacity). The Committee discussed a recommendation to the Health and Adults' Social Care Select Committee to set up a member task and finish group on this issue. *Mr Lewis advised that this should be looked again at the next meeting in June to ensure that this Committee's recommendation is taken forward.*

124. In the meantime the Committee agreed that the Chairman would write a letter of encouragement to the Chairman of the Health and Adults' Social Care Select Committee to set up such a task and finish group and that its remit be widened to include services for children too.

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125. Resolved – That

- (1) the draft Annual Governance Statement 2014/15 is supported.
- (2) the draft action plan for 2014/15 is supported.

Work Programme 2015/16

126. The Committee considered a report by the Director of Law, Assurance and Strategy (copy appended to the signed minutes).

127. The Committee noted that:

- Severance payments had been added as an item for the meeting on 29 June, it was important to audit the calculation process.
- Review of Financial Regulation and Procedures would be considered again in 2018 and not in March 2016.
- Standing Orders and Contracts will also be an item for the meeting on 29 June 2015.

Date of next meeting

128. The Committee noted that its next scheduled meeting will be held at 10.30 m on Monday 29 June, at County Hall, Chichester.

129. The Chairman thanked the Vice Chairman Mr Rae for his help and advice whilst serving on the Committee.

The meeting ended at 4.05 p.m.

Chairman