

MINUTES of the meeting of the **AUDIT & GOVERNANCE COMMITTEE** held at 10.00 am on 25 September 2014 at Committee Room C, County Hall, Kingston upon Thames, Surrey KT1 2DN.

These minutes are subject to confirmation by the Committee at its next meeting.

Elected Members:

Mr Nick Harrison (Chairman)
Mr Denis Fuller
Mr Tim Evans
Mr Will Forster
Mr Tim Hall

Apologies:

Mr W D Barker OBE

In Attendance

Cheryl Hardman
Kevin Kilburn, Deputy Chief Finance Officer (Section 151 Officer representative)
Sue Lewry-Jones, Chief Internal Auditor
Verity Royle, Senior Principal Accountant – Management Accounting

118/14 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Bill Barker. Tim Hall had informed the Chairman that he would be late to the meeting.

119/14 MINUTES OF THE PREVIOUS MEETING: 31 JULY 2014 [Item 2]

The Minutes were agreed as an accurate record of the previous meeting.

120/14 DECLARATIONS OF INTEREST [Item 3]

There were none.

121/14 QUESTIONS AND PETITIONS [Item 4]

There were none.

122/14 RECOMMENDATIONS TRACKER [Item 5]

Declarations of Interest:

None.

Witnesses:

Kevin Kilburn, Deputy Chief Finance Officer
Sue Lewry-Jones, Chief Internal Auditor

Key points raised during the discussion:

1. In relation to R3/14 (Annual Governance Statement), the Chairman informed the committee that he had attended Corporate Parenting Board on 22 September 2014 at which an annual report on Health-related activities was considered. He was pleased to note that progress was being made on health and dental checks for looked after children although this indicator would never reach 100% take-up because attendance at checks could not be enforced.
2. In relation to R5/14 (SEN Strategy), a letter had been received from the Cabinet Member for Schools and Learning. This was tabled and is attached as an annex to the Minutes. It was agreed that the Chairman would discuss with the Cabinet Member for Schools and Learning the possibility of receiving an update in February 2015
(Recommendations Tracker ref: A23/14).
3. In relation to R4/14 (Operation Horizon), the Chairman informed the committee that he had looked at the report to Environment and Transport Select Committee and found inconsistencies with the audit report. He had highlighted these to the Chairman of that select committee to query. The Chief Internal Auditor informed the committee that the figure of £3m are actual savings made in year 1 that have been realised and will be available for future investment under Operation Horizon. These relate to savings made by Kier either on the schedule of rates or through value engineering and have been validated. The additional figure of £1.4m savings identified in the Environment and Transport Select Committee report relate to the Tarmac contract savings. These are not cashable savings but a discount on the schedule of rates and realised throughout the year as charges are applied. The audit did not look at the Tarmac contract and these savings have not been validated. She suggested that

Internal Audit would validate these savings as part of a future piece of work.

4. In relation to A35/13 (Council Tax and Business Rates collection), the Deputy Chief Finance Officer assured the committee that the Council Tax data was now much more complete and was an improvement on the previous year. This was helping with budget planning. Council Tax collection was also higher than had been estimated. However, Business Rates collection was slightly lower than had been estimated when budgets were set two years previously. This would not be an issue for the coming year but would become an increasing risk if the lower collection rate became an ongoing trend. A Member asked if any provision had been set aside for appeals against Business Rates. The Deputy Chief Finance Officer confirmed that there was provision and that External Audit was satisfied with the level of the provision.
5. In relation to A8/14 (Transport for Education), the Chairman agreed to follow this up with officers.
6. In relation to A18/14 (2nd direct debit date), the Deputy Chief Finance Officer informed the committee that the SAP team would be looking into the issues raised by adding a second direct debit run each month. To take this forward, SAP's parameters would need to be changed.
7. In relation to A19/14 (best practice), the Deputy Chief Finance Officer informed the committee that the Council had joined a benchmarking club and was in the process of submitting data to other local authorities. Officers were making contact with two other local authorities with very high levels of direct debt take-up to find out what they are doing differently. It was explained that being a member of a benchmarking club was very expensive and burdensome and so the Council was not involved all the time. It picks and chooses when it was most helpful to join.
8. In relation to A20/14 (Management Action Plan), the Chairman suggested that a report be brought to the December meeting on progress against the Social Care Debt Audit's Management Action Plan.
9. In relation to A21/14 (Annual Report), a Member felt that many people do not understand why the Council's accounts show interest on borrowing for assets that it no longer owns. The Deputy Chief Finance Officer informed the committee that there was a lack of clarity at a national level over where in the Whole of Government's Accounts the assets held by Academy Schools should be shown. The Chairman asked for a briefing note to be circulated to the committee on the issue.

Actions/Further information to be provided:

- i. The Chairman to discuss with the Cabinet Member for Schools and Learning whether it would be possible for the committee to receive an update on the SEN Strategy and Residential Strategy in February 2015.
- ii. The Deputy Chief Finance Officer to provide a briefing note on the issue of Academy assets and the Statement of Accounts.

RESOLVED:

That the committee notes the report.

Committee Next Steps:

None.

123/14 COMPLETED INTERNAL AUDIT REPORTS [Item 6]

Declarations of Interest:

None.

Witnesses:

Sue Lewry-Jones, Chief Internal Auditor

Verity Royle, Senior Principal Accountant – Management Accounting

Key points raised during the discussion:

1. The Chief Internal Auditor introduced the report. She highlighted that an audit report issued since the last meeting of the committee, on Looked After Children – Personal Monies, had an audit opinion of 'Unsatisfactory'. This had ten high priority recommendations.
2. One audit report on the Agency Staffing Contract had an audit opinion of 'Significant Improvement Needed'. The contract had been due to commence in April 2013 but was only signed in August 2014 after Internal Audit asked to see a signed copy of the contract. This meant that lower rates which had been negotiated for the new contract were not in place for over a year. The Chief Internal Auditor was asked if she knew why the contract had been signed late, but she was unable to provide an explanation. The Chief Internal Auditor said that there was also a question whether current arrangements meet Children's Services' needs, as the Service had been going 'off contract' due to concerns over Manpower's performance. Members questioned how the performance of Manpower is monitored and managed. The Chairman said that this audit report would be considered by Council Overview and Scrutiny Committee on 2 October 2014, and officers from HR and Procurement had been invited as witnesses. The Chairman asked that the Minute of Audit & Governance Committee's discussion be passed to Council Overview and Scrutiny Committee for its information prior to its meeting. The Minute would also be copied to the Cabinet Member for Business Services who had wished to be present at today's meeting but had to send her apologies. A Member confirmed that Children and Education Select Committee would be looking at the Agency Staffing Contract audit report. Members wished to put a question to Cabinet or Council about why the contract had not been signed but it was agreed that Council Overview and Scrutiny Committee be asked to follow up on this and the other points raised in the discussion with officers at its meeting (**Recommendations tracker ref: A24/14**).
3. The Chief Internal Auditor also highlighted the audit report on Grants to Voluntary Bodies which had two high priority recommendations.
4. The Chief Internal Auditor explained that the audit report on the Management of Citrix Systems was a position statement as it was not the audit which was in the Audit Plan. An audit on the Management of Citrix Systems was in the previous year's Audit Plan and had not gone ahead as the upgraded Citrix system was not yet in place. As it was still not in place for this year's planned audit, it had been decided to issue a position statement. This found that the project go-live date keeps slipping and the project costs had doubled. The Chairman informed the committee that he had spoken to the Head of Information Management and Technology about the project and invited him to

bring a report to the December meeting (**Recommendations tracker ref: A25/14**).

5. A Member queried why a Member task group which had vetted energy projects prior to the elections in May 2013 had not been continued. The Chief Internal Auditor was unaware of why that was. She pointed out that prior to the elections there was some concern about the LASER contract but a recent audit showed that this contract was offering good value for money. The recommendations of the recent audit of Energy Management were sensible and the new Energy Manager was working closely with the relevant auditor. The Senior Principal Accountant – Management Accounting informed the committee of a new project team overseeing energy and sustainability targets. It would be headed by senior officers and/or Cabinet Members. This would be reported on in the 2014/15 Annual Report of the Council. A Member suggested that County Hall could be a role model to other municipal buildings in Surrey by ensuring that its lights are turned off in the evenings.
6. A Member suggested to the Chief Internal Auditor that any reports on Children's Services or Education issues should be circulated to the Cabinet Members for Children and Families, and for Schools and Learning, as well as to the Cabinet Associate for Children, Schools and Families.

Tim Hall joined the meeting at 10.45am.

7. A Member informed the Chief Internal Auditor that in Surrey Heath, the Borough Council officers who had monitored the work done by EIKON had found that the work was unsatisfactory. The person leading EIKON now wanted to speak to the Local Committee as they were unhappy about these findings.
8. The committee was informed that a Children and Education Select Committee Sub-Group would be looking at the audit report on Looked After Children – Personal Monies. The Chief Internal Auditor stressed that the audit had been undertaken because information from other local authorities suggested that this was a problem area. Therefore, Surrey was not alone with having challenges to address. As the audit opinion was 'unsatisfactory', there would be a follow-up audit in six months with a report on findings to Audit & Governance Committee.

Actions/Further information to be provided:

- i. The Minute of Audit & Governance Committee's discussion on the Agency Staffing Contract to be passed to Council Overview and Scrutiny Committee for its information prior to its meeting, and copied to the Cabinet Member for Business Services.
- ii. The Head of Information Management and Technology to bring a report on the Citrix project to the December meeting of the committee.

RESOLVED:

That the committee notes the report.

Committee Next Steps:

None.

124/14 LEADERSHIP RISK REGISTER [Item 7]

Declarations of Interest:

None.

Witnesses:

Verity Royle, Senior Principal Accountant – Management Accounting

Key points raised during the discussion:

1. The Senior Principal Accountant – Management Accounting introduced the report, highlighting the review by the Statutory Officers Meeting. The Chairman requested that a chart linking directorate risks with the leadership risks be circulated for information **(Recommendations tracker ref: A26/14)**.
2. The Chairman reminded the committee of the informal session on 9 October 2014 to look at risk management and the Highways contract.

Actions/Further information to be provided:

- i. The Senior Principal Accountant – Management Accounting to circulate a chart linking directorate risks with the leadership risks for information.

RESOLVED:

1. That the committee notes the Leadership Risk Register; and
2. That there are no matters which the committee wish to refer elsewhere.

Committee Next Steps:

None.

125/14 ETHICAL STANDARDS ANNUAL REVIEW [Item 8]

Declarations of Interest:

None.

Witnesses:

Ann Charlton, Director of Legal and Democratic Services

Key points raised during the discussion:

1. The Director of Legal and Democratic Services introduced the report and stated that it had been average year for the number of complaints against Members. While it was unusual at the Council to have upheld breaches of the Code of Conduct in two cases, this was low compared to elsewhere.
2. The Director of Legal and Democratic Services confirmed that all co-opted Members were required to register disclosable pecuniary interests. The Chief Internal Auditor confirmed that she will include co-opted Members in the terms of reference for the Members' Interests audit **(Recommendations tracker ref: A27/14)**. She stated that she would need to get an up-to-date set of Companies House data for the audit. The Chairman suggested that the audit checks on directorships as well as shareholding.

3. A Member referred to a District Council which did not publish its register of interests. The Director of Legal and Democratic Services stated that she would look into this.
4. Members queried at what point a breach of the Code of Conduct would be referred to the police. The Director of Legal and Democratic Services agreed that a failure to register a disclosable pecuniary interest was potentially a criminal offence. The complainant is able to refer a matter to the police themselves. If a serious conflict of interest was to occur, the Director of Legal and Democratic Services would urge the Chairman of the Member Conduct Panel to refer the matter to the police. Members should be aware that there are serious sanctions available to the police if a conflict of interests was to occur.
5. A Member queried why a person would complain about a failure to register an interest if there were no conflicts of interest. The Director of Legal and Democratic Services informed the committee that complainants do not have to give a motive for a complaint.
6. The Director of Legal and Democratic Services suggested that, as 2015 was the mid-way point for the Council, refresher training be provided on the Code of Conduct. The Vice-Chairman had also raised concerns about Gifts and Hospitality so she would provide a reminder about the register (**Recommendations tracker ref: A28/14**).

Actions/Further information to be provided:

- i. Co-opted Members to be included in the terms of reference for the Members' Interests audit.

RESOLVED:

1. That refresher training on the Code of Conduct be provided in 2015 and a reminder be given about Gifts and Hospitality; and
2. That a further report on the operation of the Code of Conduct be provided in a year.

Committee Next Steps:

None.

126/14 ANNUAL COMPLAINTS PERFORMANCE REPORT [Item 9]

Declarations of Interest:

None.

Witnesses:

Dilip Agarwal, Customer Relations Manager, Adult Social Care
Jo Diggins, Customer Relations Manager, Customers and Communities
Mark Irons, Head of Customer Services and Head of Customer and Communities Directorate Support

Key points raised during the discussion:

1. The Head of Customer Services and Head of Customer and Communities Directorate Support introduced the report and explained how complaints were dealt with corporately and also within Children's Services and Adult Social Care due to different statutory complaints procedures. He explained that there was a trend of increasing numbers of complaints, while complaints handling performance had

stayed fairly consistent. The committee was also informed that the Children's Service Statutory Complaints Report 2013-14 had been annexed to the committee's report for completeness but that the report would be taken to the Children and Education Select Committee. Any comments or recommendations from the Audit & Governance Committee would be taken forward with the Select Committee.

2. Members queried whether there was a procedure for closing a complaint once it has been taken as far as is possible, even if the complainant does not agree. The Customer Relations Manager from Adult Social Care informed the committee that any effective complaints procedure has a beginning, middle and end. It should be accessible but there should be a mechanism for dealing with those people who do not accept the outcome. There was a policy for dealing with unreasonably persistent complainants.
3. Officers were asked why Children's Service received high levels of complaints. They explained that in Children's Service, staff were often making decisions that were not welcomed by service users. The highest level of complaints was about court proceedings. The nature of this service meant that one party was likely to be unhappy about the outcome. The Chairman pointed out that Adult Social Care had more service users than Children's Service but Children's Service had twice the number of complaints. Officers agreed that Adult Social Care was a more positive service than Children's Service and its input was generally more welcome.
4. Members asked what the different categories of complaints cost the council to address. The Head of Customer Services and Head of Customer and Communities Directorate Support stated that this was difficult to answer but that corporate complaints at Stage 2 had been calculated as costing £300 per complaint. However, this did not take into account officer time within the service.
5. The Head of Customer Services and Head of Customer and Communities Directorate Support informed the committee that Environment and Transport Select Committee receives a regular report on Highways complaints. He also highlighted a performance report that the Local Highways Services Group Manager circulates to Members each month. Members of the Audit & Governance Committee were unsure that they had seen this report. Officers agreed to check on this (**Recommendations tracker ref: A29/14**).
6. Officers confirmed that there was a process for identifying if an issue is a complaint or a service request.

Actions/Further information to be provided:

- i. The Head of Customer Services and Head of Customer and Communities Directorate Support to find out if the monthly performance report on Highways complaints was circulated to all Members.

RESOLVED:

That the committee notes the council's performance in 2013/14 and how feedback from customers has been used to improve services.

Committee Next Steps:

None.

127/14 AUDIT & GOVERNANCE EFFECTIVENESS REVIEW: FINAL REPORT [Item 10]

Declarations of Interest:

None.

Witnesses:

Nick Harrison, Chairman of the Task Group

Kevin Kilburn, Deputy Chief Finance Officer

Key points raised during the discussion:

1. The Chairman introduced the task group's report on its review of the committee's effectiveness.
2. With regard to the amendments to the terms of reference, the Chairman confirmed that in the main the changes were to formalise what the committee already does.
3. The committee queried if an annual report to Council on its activities was enough. The Chairman suggested that the Council may not be the best forum to have a discussion on governance issues and that other channels could be used to develop that understanding within the Council.
4. The Chairman explained that the work to improve working arrangements between Audit & Governance Committee and Select Committees would be led in the first instance by the Chairmen and Vice-Chairmen of Audit & Governance Committee and Council Overview and Scrutiny Committee. The Regulatory Committee Manager also confirmed that she would be working with Scrutiny Officers to support that relationship. The Chief Internal Auditor also suggested that the Select Committees use Audit & Governance Committee as a tool to provide information to Internal Audit about concerns. A Member informed the committee of a Children and Education Select Committee task group looking at school governance which was working closely with Internal Audit. This had been a very useful exercise.
5. With regard to the partnership arrangements, the Chairman highlighted the blue-light collaboration as an area which the Audit & Governance Committee needed to consider.
6. The committee agreed with the need of an additional meeting for the committee and it was proposed that this be in February, with the March meeting pushed to the start of April. Members also raised the Accounts meeting in July as an issue, suggesting that the other items on the July agenda be moved (**Recommendations tracker: A30/14**).
7. The Chief Internal Auditor suggested that the assurance mapping work could be brought to the committee in February 2015. It was agreed that the committee would not be 'scrutinising' the assurance mapping but would 'consider and review' it.
8. The Deputy Chief Finance Officer offered to take forward external audit's reporting on performance with Grant Thornton.
9. The Chairman suggested that it would be necessary for the committee to be mindful of major projects and consider them when reviewing the Audit Plan each year.

10. Members discussed the Council's objective to increase income from its investment in assets. The Deputy Chief Finance Officer informed the committee that investment in new assets is considered by the Investment Advisory Panel. The Chairman stated that an audit of the setting up of the Panel and the initial performance outcomes would be included in next year's audit plan.
11. The Chairman informed the committee that each select committee had set up a Performance and Finance task group and that he would be suggesting that a member of Audit & Governance Committee joins the Adult Social Care Select Committee task group. The Deputy Chief Finance Officer confirmed that the Family, Friends and Community Support programme had started to achieve its savings.
12. The Chief Internal Auditor suggested that officers would be able to bring information on fraud risk to the February meeting of the committee.
13. The committee suggested that the informal sessions on risk, audit and fraud had been very useful.

Actions/Further information to be provided:

- ii. The July agenda of the committee to be revised to reduce the number of items in addition to the Accounts.

RESOLVED:

1. That the Committee recommends to Council that its terms of reference be amended as follows:
 - i. A brief Statement of Purpose to be included: "The Council recognises the importance of undertaking scrutiny of the management of the internal control systems and the Audit & Governance Committee provides an independent and high-level focus on audit, governance and financial accounts matters".
 - ii. To amend section (b) under Regulatory Framework to read: To monitor the effectiveness of the councils' anti-fraud and anti-corruption strategy, *including by reviewing the assessment of fraud risks*".
 - iii. To add "To approve the Internal Audit Charter" under Audit Activity, following section (b).
 - iv. To amend section (b) under Audit Activity to read: "To approve the annual Internal Audit Plan & Inspection Plan *and monitor its implementation*".
 - v. To add "To provide oversight to the Annual Report of the Council" under Regulatory Framework, following section (e) (**Recommendations tracker ref: A31/14**).
2. That a communications plan be prepared and implemented to raise the committee's profile and the profile of control systems with officers and backbench Members (**Recommendations tracker ref: A32/14**).
3. That work be undertaken to improve working arrangements between Audit & Governance Committee and the Select Committees (**Recommendations tracker ref: A33/14**).
4. That the committee develops a protocol for working with the newly established Statutory Responsibilities Network (**Recommendations tracker ref: A34/14**).

5. That the committee develops a map of partnership arrangements and negotiates its role alongside those arrangements with the Leader, according to their type and the risk attached (**Recommendations tracker ref: A35/14**).
6. That the number of committee meetings be increased to six per year, while the committee continues to adopt innovative ways of working outside formal committee meetings (**Recommendations tracker ref: A36/14**).
7. That the committee considers and reviews the Assurance Framework upon completion of the assurance mapping process (**Recommendations tracker ref: A37/14**).
8. That Grant Thornton provides information on its performance to the committee, in a format agreed with the Chairman (**Recommendations tracker ref: A38/14**).
9. That the Chairman (or in his/her absence, the Vice-Chairman) be consulted upon the appointment or removal of the Chief Internal Auditor (**Recommendations tracker ref: A39/14**).
10. That the committee considers how to develop its involvement in major projects such as the New Models of Delivery project (**Recommendations tracker ref: A40/14**).
11. That the Chairman discuss with the Chairman of Adult Social Care Select Committee the possibility of joint scrutiny with that Committee as to whether robust arrangements are in place to achieve savings in Adult Social Care (**Recommendations tracker ref: A41/14**).
12. That the committee improve its approach to ensuring that the council has effective arrangements for countering fraud and corruption risks (**Recommendations tracker ref: A42/14**).
13. That the full committee continues with its regular training covering all areas of its work, while individualised training programmes are agreed with Members as requested (**Recommendations tracker ref: A43/14**).

Committee Next Steps:

None.

128/14 DATE OF NEXT MEETING [Item 11]

The committee noted the date of the next meeting.

Meeting ended at: 12.20 pm

Chairman

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Mr Nick Harrison
Chairman
Audit & Governance Select Committee
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23 September 2014

Dear Nick

SEN Strategy

Thank you for your letter of 1 September 2014 and please accept my apologies for the delay in replying.

The SEN Strategy was agreed in 2010 for five years and thus now needs updating. As you know there have been major changes in the law governing SEN in the intervening period, most of these being implemented on 1 September this year. The new SEND (Special Educational Needs and Disabilities) Governing Board which was convened in June on which I sit is looking at a new strategy on 8 October, and I would then expect a revised text to go to Cabinet in the following cycle.

A consultant was hired for the Residential Strategy to demonstrate a measure of independent advice in an area where the Council's agreement to fund is often controversial. The consultant made his report before the summer break and officers are currently considering how best to implement it. The key issues are the need for residential provision for (1) children with autism, and (2) children with behavioural difficulties. We are currently discussing these policy issues with our special schools and other interested parties.

I hope this information is helpful but I would be happy to update the Committee on this issue in, say, 6 months time..

Yours sincerely

Mrs Linda Kemeny
Cabinet Member for Schools and Learning

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