

MINUTES of the meeting of the **AUDIT & GOVERNANCE COMMITTEE** held at 10.00 am on 28 May 2015 at Ashcombe Suite, County Hall, Kingston upon Thames, Surrey KT1 2DN.

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

Elected Members:

Mr Stuart Selleck (Chairman)
Mr Denis Fuller (Vice-Chairman)
Mr W D Barker OBE
Mr Will Forster
Mr Tim Hall

Apologies:

Mr Saj Hussain

In Attendance

Cath Edwards, Risk & Governance Manager
Cheryl Hardman, Regulatory Committee Manager
Kevin Kilburn, Deputy Chief Finance Officer (Section 151 Officer representative)
Sue Lewry-Jones, Chief Internal Auditor

36/15 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Saj Hussain.

37/15 MINUTES OF THE PREVIOUS MEETING: 9 APRIL 2015 [Item 2]

The Minutes were approved as an accurate record of the meeting.

38/15 DECLARATIONS OF INTEREST [Item 3]

There were none.

39/15 QUESTIONS AND PETITIONS [Item 4]

There were none.

40/15 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 A49/25 (Teacher's Pension Return), the Deputy Chief Finance Officer informed the committee that there was still no response from the Teacher's Pensions Agency and that certification of the Teacher's Pensions Return would again be an issue for External Audit's Findings Report on the Surrey County Council Accounts. The committee suggested that the Deputy Chief Finance Officer write again to the Teacher's Pensions Agency, copying in the MP for East Surrey (who is also Parliamentary Under Secretary of State for Childcare and Education), the Leader of the Council and the Chairman of the Council.
2. In relation to A51/14 (sustainable transport schemes), it was agreed that the notes of the Local Committee Chairman's Group would be circulated to members of the committee. A member of the committee had attended the meeting and informed the meeting that a promise had been made by the Strategic Director for Environment and Infrastructure that communications would be addressed.
3. In relation to A53/14 (treasury management), the committee requested that the training be arranged in the autumn on the same day as the committee meeting.
4. In relation to A12/15 (trading company directorships), the Deputy Finance Officer confirmed that the Shareholder Board is advised by Finance and that a finance officer attends all meetings. However, a finance officer was not a director of SE Business Services Ltd.

Actions/Further information to note:

None.

RESOLVED:

That the committee NOTES the report.

Committee next steps:

None.

The agenda was reordered to ensure that the Annual Governance Statement could be considered at 11.30am. Item 6 'Whistle Blowing Update' and item 7 'Overview of IMT Projects' were moved to the end of the agenda.

41/15 COMPLETED INTERNAL AUDIT REPORTS [Item 8]

Declarations of interest:

None

Witnesses:

Sue Lewry-Jones, Chief Internal Auditor

Key points raised during the discussion:

1. The Chief Internal Auditor introduced the report and highlighted that key financial systems and important change initiatives such as Care Act Preparedness had been found to be effective.
2. **Direct Payments (Children):** Members queried what the message would be from team managers regarding the recording of reviews on ICS and how this would be conveyed. The Chief Internal Auditor explained that while formal reviews may not have happened, informal meetings and changes to care packages are happening although there is no formal record. This is what needs to be addressed through training.
3. **Social Care Debt – Credit Balances:** There was concern at the amount of money being held by the Council which did not belong to us. The Chief Internal Auditor confirmed that while most recommendations had been implemented, this had not yet had an impact on credit balances. She confirmed that letters are sent to executors of estates and that the service was looking to work with a genealogy company to identify relatives. Members suggested that financial record keeping should be moved from Adult Social Care to Business Services as they had the expertise. In response to Member concerns that record keeping had long been an issue for Adult Social Care, the Cabinet Member for Business Services and Resident Experience said that she was open-minded about proposals that this function be moved to Business Services. It was agreed that the Chairman would write to the Leader of the Council and relevant Cabinet Members with this recommendation (**Recommendations tracker ref: A20/15**). It was also suggested that Members could arrange to shadow front line staff to understand the challenges.
4. **Waste management and minimisation:** The Deputy Chief Finance Officer confirmed that work was constantly ongoing to determine the additional costs of the Eco Park contract. This would be fed into the refreshed Medium Term Financial Plan and the 2016/17 budget. The work won't stop until the plant is operational. Members suggested that if costs significantly increase, this could fundamentally change the business case. Officers were asked when the additional cost would be known and at what point the council would say that the contract was not value for money. The Deputy Chief Finance Officer informed the committee that the most recent costs and value for money assessment

had gone to Cabinet in April. The council was not close to a point at which the contract would not be the best value for money option.

Actions/Further information to note:

The Chairman to write to the Leader of the Council and relevant Cabinet Members recommending that the function of record keeping for accounts relating to individuals' care charges be moved from Adult Social Care to Business Services.

RESOLVED:

That the committee NOTES the report.

Committee next steps:

None.

42/15 INTERNAL AUDIT ANNUAL REPORT 2014/15 [Item 9]

Declarations of interest:

None

Witnesses:

Sue Lewry-Jones, Chief Internal Auditor

Key points raised during the discussion:

1. The Chief Internal Auditor introduced the report which summarises the work of Internal Audit over the previous year.
2. In relation to the audit findings for Highways, Members gave examples of poor communication and an article from the 28 May 2015 edition of the Camberley & Sandhurst News & Mail entitled 'Hospital Roadworks Delay' was tabled which exemplified some of the problems. It highlighted a series of issues which had delayed roadworks after cones and fencing was set up and a lack of communication with councillors. The Chief Internal Auditor stated that she would feed any examples into an ongoing audit of the permit scheme.
3. The Chairman asked if deferred or cancelled audits would be automatically prioritised for the coming year. The Chief Internal Auditor informed the committee that this was not automatic. However, Pension Administration and Deputyship would be happening in the first quarter of the new year. The Chairman requested that the deferred Foster Care audit be prioritised as it was an area of particular interest to the public. Members also highlighted performance issues regarding foster care placements (**Recommendations Tracker ref: A21/15**).
4. In response to a question about whether an investigation into whether an automated solution to recover discounts from Kier MG had been completed, the Chief Internal Auditor agreed to find out and circulate the answer (**Recommendations Tracker ref: A22/15**).
5. The Chief Internal Auditor confirmed that the Agency Staff Contract is owned and managed by HR. The service had been assisted by procurement specialists. A follow-up audit is being undertaken.

Actions/Further information to note:

- i. The Foster Care audit to be prioritised for commencement in the new financial year.

- ii. The Chief Internal Auditor to find out if an investigation into whether an automated solution to recover discounts from Kier MG had been completed and circulate the answer.

RESOLVED:

That the committee NOTES the work undertaken and the performance of Internal Audit in 2014/15.

Committee next steps:

None.

43/15 FULL-YEAR SUMMARY OF INTERNAL AUDIT IRREGULARITY INVESTIGATIONS AND COUNTER FRAUD MEASURES: APRIL 2014 - MARCH 2015 [Item 10]

Declarations of interest:

None

Witnesses:

Reem Burton, Lead Auditor
Sue Lewry-Jones, Chief Internal Auditor

Key points raised during the discussion:

1. The Lead Auditor introduced the report and suggested that a second fraud seminar be scheduled for the committee given the new membership and the upcoming in-depth review of the Strategy against Fraud and Corruption.
2. Members asked why only seven borough and district councils were involved in the counter fraud partnership. The Lead Auditor explained that when Internal Audit applied for funding from the Counter Fraud Fund, they had approached all borough and district councils. Seven had said that they wanted to participate in a partnership. The service was sharing its work with the four remaining authorities and they could then choose to participate in the partnership.
3. It was confirmed that the relevant authority that the procurement case was referred to was Trading Standards who would share with Surrey Police.
4. The Lead Auditor explained that Internal Audit records how much time it spends on different activities and so could identify the amount spent on the investigation of fraud and irregularity. The figure of £15,270 is the direct salary costs and the £42,103 figure includes on-costs. However, the latter figure is slightly over-inflated as it assumes that staff are on the mid-point of their grades whereas most of the staff are closer to the bottom of their grades. The cost of the 35 day case is included in these figures.
5. In response to a query about the fuel cards issue raised in the previous report, the Lead Auditor informed the committee that there had been some reasonable explanations for discrepancies although a small number were being followed up. A follow-up audit is being undertaken and early signs are that controls are improved.
6. The Chairman asked if any efforts were underway to reduce the use of cash in transactions. The Lead Officer stated that this was being worked on where possible. However this needed to be balanced with

the personalisation agenda. Controls on how cash is handled have improved and there are fewer instances of stealing from petty cash.

7. The Lead Officer informed the committee that in 2014 none of the cases of proven fraud have so far gone to court. However the procurement case may go to court. The Crown Prosecution Service is likely to judge that it would not be a good use of taxpayers' money to take low value cases of fraud to court. In these cases, action is limited to disciplinary action or dismissal. Cases that go to court tend to be higher value frauds.

Actions/Further information to note:

To schedule a seminar on counter fraud (**Recommendation Tracker ref: A23/15**).

RESOLVED:

- i. That the committee NOTES the report; and
- ii. That the committee APPROVES the updated Strategy against Fraud and Corruption and ENDORSES it to Council for inclusion in the Constitution (**Recommendation Tracker ref: 24/15**).

Committee next steps:

None.

44/15 RISK MANAGEMENT ANNUAL REPORT [Item 11]

Declarations of interest:

None

Witnesses:

Cath Edwards, Risk and Governance Manager

Key points raised during the discussion:

1. The Risk and Governance Manager introduced the report and highlighted the work on risk culture at Surrey.
2. The Deputy Chief Finance Officer explained that 'casualty claims' was not referring to deaths but was the word for liability for mental, physical and financial injury.
3. Members suggested that future reports include the percentage of attendance at risk forums.
4. The Risk and Governance Manager confirmed that the risk management framework is in place to get some consistency in the approach to risk across the council. However, some flexibility is needed. She held regular meetings with strategic risk representatives to monitor how the risk framework is working for them and to tailor support.
5. The Chief Internal Auditor confirmed that procurement has risk-assessed critical contracts and some contracts had been included in the Internal Audit Annual Plan on that basis.
6. It was suggested that a presentation on legal implications of risk be provided to senior managers.
7. In response to a query about the risk of not finding a replacement quickly if a supplier is lost, the Chief Internal Auditor informed Members about an upcoming audit of supply chain resilience.

Actions/Further information to note:

None.

RESOLVED:

- i. That the committee was satisfied with the risk management arrangements;
- ii. That the Risk Management Strategy be ENDORSED to Council for inclusion in the Constitution (**Recommendations tracker ref: A25/15**); and
- iii. That the committee NOTES the Leadership Risk Register.

Committee next steps:

None.

45/15 ANNUAL GOVERNANCE STATEMENT [Item 13]

As the Leader of the Council and the Chief Executive had arrived, it was agreed to bring **Item 13 Annual Governance Statement** forward on the agenda.

Declarations of interest:

None

Witnesses:

David Hodge, Leader of the Council

David McNulty, Chief Executive

Key points raised during the discussion:

1. The Chief Executive proposed some additional wording to be included in the Annual Governance Statement regarding concerns about performance in Children' Services and the establishment of an Improvement Board chaired by the Deputy Leader and comprising the Lead Member for Children and representatives from the Liberal Democrats, Independents and UKIP.
2. Members agreed that the presentation of the Annual Governance Statement was much improved and commented on the useful discussion at an informal consultative meeting.
3. Members felt that the programme of finance briefings for Members could be improved as there were not many briefings held and very little information was provided. It was suggested that a briefing should be held after the budget envelope has been set to give oversight of what was happening across the council. Also, very few Members attended the briefings. The Chief Executive agreed that the finance briefings could be improved on but stressed that Council had signed off on a planning cycle which included quarterly finance briefings. Information is as full and accurate as can be provided at the time of the briefings. Information may also seem repetitive because the same issues continue to challenge the council, eg Adult Social Care and school places. The Chief Executive agreed that larger groups of Members attending would be welcome as knowledge develops over time. Those attending do have robust conversations.

4. Members suggested that communications with councillors was not as good as it could be. The Chief Executive understood the frustration of Members when they are not informed about local issues. The Think Resident Think Member initiative was intended to improve communications. The Leader informed the committee that People Performance and Development Committee was driving forward a repeat of the Think Resident Think Member programme. The Chairman suggested that the 81 county councillors were a useful communications tool for the council.
5. There was concern that budget cuts could begin to damage the council's services. The Leader assured the committee that conversations were being held with key people to develop an understanding about the costs of running services. The Chief Executive reminded the committee that in February the Council had recognised the need to revisit the Medium Term Financial Plan in summer once uncertainties such as the general election and the budget statement were out of the way. A Cabinet Away Day as been arranged to look at implications and give direction to officers. A plan will also be developed to apprise all Members of the implications.
6. Members queried the additional wording concerning performance in Children's Services. The Chief Executive explained that a pilot Ofsted inspection had taken place in Autumn 2014. The council had volunteered for this due to complex changes to Children's Services, volume pressures and other constraints. There was a desire to understand how this had affected performance. Oral feedback led the leadership to believe that an Improvement Board would help the situation.
7. In response to concerns raised about the Highways Services, the Leader of the Council accepted that highways engineers were not renowned for customer service skills. However, in the past year the service had met a national standard for customer service.

Actions/Further information to note:

None.

RESOLVED:

- i. That the Committee is satisfied that the governance arrangements are represented correctly in the AGS; and
- ii. That the Committee COMMENDS the draft AGS to the Cabinet, subject to additional amendments, for publication with the council's Statement of Accounts and Annual Report (**Recommendation tracker ref: A26/15**).

Committee next steps:

None.

46/15 CODE OF CORPORATE GOVERNANCE [Item 12]

Declarations of interest:

None

Witnesses:

Cath Edwards, Risk and Governance Manager

Key points raised during the discussion:

1. The Risk and Governance Manager introduced the report and confirmed that amendments were minor.

Actions/Further information to note:

None.

RESOLVED:

The Committee APPROVED the updated Code of Corporate Governance and RECOMMENDED it to the County Council for inclusion into the Constitution **(Recommendations tracker ref: A27/15)**.

Committee next steps:

None.

47/15 WHISTLE BLOWING UPDATE [Item 6]

Declarations of interest:

None

Witnesses:

Abid Dar, Senior Equality, Inclusion and Wellbeing Manager

Key points raised during the discussion:

1. The Senior Equality, Inclusion and Wellbeing Manager introduced the report, highlighting that the total number of calls had decreased but that the number of investigations in proportion to the number of calls had increased.

Tim Hall left the meeting at 12.03pm.

2. The Senior Equality, Inclusion and Wellbeing Manager confirmed that he had investigated whistleblowing personally in other organisations and that he has undertaken exploratory investigations within teams at the council on wider issues.

Tim Hall returned at 12.05pm.

3. In response to questions about whistle blowing in schools, officers informed the committee that Babcock was becoming more involved and was responsible for circulating information about whistle blowing procedures. However, culture change was difficult and every school has its own policies.
4. It was confirmed that the Whistle blowing policy (formerly known as Speaking Out) stresses confidentiality and anonymity. These provisions are reinforced to managers.
5. It was explained that there were three receiving officers within the council dependent on the types of case. They were the first point of contact for Expolink and would distribute allegations as appropriate. For example, if the whistle blowing was about an irregularity, the Chief Internal Auditor would be forwarded the allegation for investigation as appropriate.

Denis Fuller left the meeting at 12.13pm.

Actions/Further information to note:

None.

RESOLVED:

- i. That the committee NOTED the progress outlined in the report;
- ii. That the committee APPROVED the promotional activities and preventative measures; and
- iii. That the committee APPROVED reporting on whistle blowing to Audit & Governance Committee each April on an annual basis.

Committee next steps:

None.

48/15 OVERVIEW OF IMT PROJECTS [Item 7]

Declarations of interest:

None

Witnesses:

Lorraine Juniper, Programmes Manager, Information Management and Technology Service

Key points raised during the discussion:

1. The Programmes Manager introduced the report.

Denis Fuller returned to the meeting at 12.15pm.

2. It was confirmed that for six weeks following implementation of a system, issues are reviewed with the service and the technical team is available to address them.
3. In response to a query about the Device replacement project, it was explained that there had been a variety of technical and user issues arising during the trial. These were being addressed.
4. Members felt that the SEND transport project was a priority. IMT was working with the Children, Schools and Families directorate to understand the requirements of a software system.
5. It was explained that users of technology within the organisation ranged from 19 year old tech-savvy employees to those with no knowledge or interest in technology. When BlackBerries were being rolled out, IMT sat with a variety of users and developed a series of user guides aimed at different groups of people. Training needs to be personalised but there were resource implications.
6. The Chairman queried what controls there are against projects missing their deadlines. The Programmes Manager explained that the Programme Board meets monthly and discusses scope creep. There is also an overarching budget within which projects must remain. Further to this, larger projects have weekly project meetings.
7. The Deputy Chief Finance Officer explained that each service has its own risk register, which is regularly monitored. Each project manager has a budget and if it is likely that this will be exceeded there is a hierarchy of what they should do dependant on the seriousness of the project.

Actions/Further information to note:

None.

RESOLVED:

The committee was satisfied with the adequacy of the control systems and governance arrangements for large IMT projects.

Committee next steps:

None.

49/15 DATE OF NEXT MEETING [Item 14]

The date of the next meeting was noted.

Meeting ended at: 12.35 pm

Chairman