

MINUTES of the meeting of the **AUDIT & GOVERNANCE COMMITTEE** held at 10.00 am on 28 September 2015 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 Stuart Selleck (Chairman)
Mr Denis Fuller (Vice-Chairman)
Mr W D Barker OBE
Mr Tim Hall
Mr Saj Hussain

Apologies:

Mr Will Forster

In Attendance

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

61/15 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Will Forster. Denise Le Gal, the Cabinet Member for Business Services and Resident Experience also gave notice that she would not be observing the meeting.

62/15 MINUTES OF THE PREVIOUS MEETING: 27 JULY 2015 [Item 2]

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

63/15 DECLARATIONS OF INTEREST [Item 3]

There were none.

64/15 QUESTIONS AND PETITIONS [Item 4]

There were none.

65/15 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 A28/14 (Code of Conduct training), Members noted that training was to be provided by the end of 2015.
2. In relation to A14/15 (Babcock 4S), the committee noted that a number of Members had given their apologies for the informal meeting with Babcock 4S.
3. In relation to A18/15 (SEND Strategy), the Vice-Chairman agreed to report back on the outcome of the Education and Skills Board meeting of 21 October 2015.
4. In relation to A20/15 (record keeping in Adult Social Care), the Chairman informed the committee that he had met with the Cabinet Member for Adult Social Care, Wellbeing and Independence and discussed how the issue could be resolved. He would be meeting with the Head of Resources in Adult Social Care and report back to the next meeting.
5. In relation to A22/15 (Kier discounts), the Chief Internal Auditor said she had been informed that Kier would be making an interim payment of £1m by the end of the current week. However, the final account for 2014/15 has not been agreed and the process to ensure discounts are collected in a timely manner has not yet been implemented.

Members highlighted the high number of vacancies in the Highways and Transport service and suggested that this could be contributing to the delays.

The Chairman of the committee suggested inviting officers from Highways to attend the next meeting to discuss the reasons for the delays in implementing an automated solution to recover discounts from Kier MG. Members queried why the issue had not been picked up by the relevant Scrutiny Board and suggested that the Chairman of the Board also be invited to attend to discuss how the Board had addressed Internal Audit's findings.

6. In relation to A28/15 (collection fund deadlines), the Deputy Chief Finance Officer informed the committee that the letters had been sent. Finance was following this up with supporting borough and district councils as they work towards the new earlier statutory deadlines for closing the accounts. Members stated that they had discussed the issue with senior colleagues in the borough and district councils where it had not been recognised that they had not met deadlines.
7. In relation to A49/14 (Teachers' Pensions Agency), the Chairman and the Deputy Chief Finance Officer explained that it had been agreed to stop pursuing this issue. The Teachers' Pensions Agency had been informed and the external auditors had accepted the proposed resolution.
8. In relation to A12/15 (governance of new companies), the Deputy Chief Finance Officer clarified that the same Finance officer attends each meeting of the Shareholder Board.
9. In relation to A21/15 (foster carers), the Chief Internal Auditor confirmed that the audit was almost complete and would be reported back to the next meeting of the committee. She agreed to find out the number of foster carers and report this back to committee. The audit was not just focusing on financial issues but face to face meetings with foster carers were not part of the methodology. The Chief Internal Auditor agreed to check the process whereby the service liaises with foster carers and report this back to committee.

Action/Further information to note:

None.

RESOLVED:

That the committee NOTES the report.

Committee next steps:

None.

66/15 2014/15 ANNUAL AUDIT LETTER [Item 6]

Declarations of interest:

None

Witnesses:

Thomas Ball, Manager (Grant Thornton)
Andy Mack, Engagement Lead (Grant Thornton)

Kevin Kilburn, Deputy Chief Finance Officer
Jonathan Evans, Principal Accountant – Financial Accounting

Key points raised during the discussion:

1. The Grant Thornton Manager introduced the report and informed the committee that the Whole of Government Accounts was nearly complete.
2. The Grant Thornton Manager informed the committee that the Surrey Pension Fund Annual Report was still outstanding. The Deputy Chief Finance Officer pointed out that the statutory deadline was December 2015 but stated that officers would be working on bringing the timeline in line with the Council accounts.
3. With regard to the recommendation to obtain legal advice to ensure that the approach taken to the de-recognition of schools and the use of the statutory override is appropriate, Cipfa had recently issued some useful guidance. Grant Thornton may alter or remove the recommendation on the basis of this guidance but was currently waiting on the Council's interpretation of the guidance. The Deputy Chief Finance Officer informed the committee that Legal Services was reviewing the guidance as part of its development of legal advice on this issue. The Chairman stressed that he wanted to ensure that there is no caveat in next year's accounts.

Action/Further information to note:

None.

RESOLVED:

That the committee NOTES the report.

Committee next steps:

None.

67/15 2014/15 EXTERNAL AUDIT PERFORMANCE REPORT [Item 7]

Declarations of interest:

None

Witnesses:

Thomas Ball, Manager (Grant Thornton)

Andy Mack, Engagement Lead (Grant Thornton)

Kevin Kilburn, Deputy Chief Finance Officer

Key points raised during the discussion:

1. The Grant Thornton Engagement Lead introduced the report.
2. The Deputy Chief Finance Officer informed the committee that the professional relationship between Finance and Grant Thornton was good. Grant Thornton had supported early closing and their recommendations had been helpful. Looking forward, it would be helpful for Finance and Grant Thornton to meet early on to discuss the risk assessment and other key issues eg school accounting. Therefore, more regular meetings would be scheduled and discussions about the current year's accounts would begin in October.

Action/Further information to note:

None.

RESOLVED:

That the committee NOTES the report.

Committee next steps:

None.

68/15 ANNUAL COMPLAINTS PERFORMANCE REPORT [Item 8]**Declarations of interest:**

None

Witnesses:

Mark Irons, Head of Customer Services and Head of Customer and Communities Directorate Support

Jo Diggins, Customer Relations Manager

Key points raised during the discussion:

1. The Customer Relations Manager introduced the report.
2. In response to a query about the high number of complaints in Environment & Infrastructure, the Customer Relations Manager explained that the service affects many people within Surrey and complaints are often topical eg where there is flooding or road closures. There had been a reduction in the proportion of complaints escalating to higher stages, reflecting the work Surrey Highways had undertaken to improve initial complaints handling.
3. The Chairman queried whether an 80% within 10 working days response target was realistic for Schools & Learning and Children's Social Care or if they should be more ambitious and work towards 90%. The Customer Relations Manager highlighted the complexity of complaints in the Children, Schools and Families department and their priority of giving a good response as early as possible. The average response time is 14 days. The target is focussed on resolution and not simple acknowledgement.
4. The committee discussed the difficulty in resolving complaints regarding third parties. The Customer Relations Manager explained how the Streetworks Team works with utilities companies to check compliance with agreed procedures. A mapping system had been launched providing more information to residents on utilities work. The Head of Customer Services highlighted the contracts and Service Level Agreements with third parties which provide leverage to the Council. The Chief Internal Auditor informed the committee that an audit of the permit scheme had recently been completed and this had given an Effective audit opinion to the Streetworks Team. The team is doing as much as it can do. However, this does not necessarily affect what utilities companies do. The Customer Relations Manager accepted that the public does not recognise relationships with third parties but all the Council can do in some instances is provide information.

5. Members stated that communications from Highways had slightly improved, with the Streetworks Team circulating a weekly email on utility works coming up. However, otherwise communications remained poor with Members not being told who is who in the new Highways structure. The Customer Relations Manager highlighted that the new structure was still settling but that workshops were being arranged to look at communications. The Customer Relations Team had been asked to get involved.
6. The Customer Relations Manager clarified that the Local Member would not be informed about individual complaints unless the complainant had involved them for support.
7. The Chief Internal Auditor informed the committee that Internal Audit did not generally look at individual complaints but used high-level information to inform specific audits.

Action/Further information to note:

None.

RESOLVED:

That the committee NOTES the report.

Committee next steps:

To receive a further report in one year.

69/15 ABSENCE MANAGEMENT [Item 9]

Declarations of interest:

None

Witnesses:

Sue Lewry-Jones, Chief Internal Auditor

Abid Dar, Senior Equality, Inclusion and Wellbeing Manager

Rakhi Saigal, Head of HR Operations

Key points raised during the discussion:

1. The Chief Internal Auditor introduced the report and explained that the committee had expressed an interest in absence management following the completion of an audit report. Internal Audit had carried out a follow-up audit which found that positive action had been taken to address previous audit recommendations. The Head of HR Operations and the Senior Equality, Inclusion and Wellbeing Manager outlined work ongoing in HR to manage absence and encourage healthier lifestyles.
2. Members expressed concern that some officers are not properly recording absence.
3. It was queried how the Council could reduce the proportion of people absent due to problems with joints. The Head of HR Operations explained that the service with the highest proportion of absence due to problems with joints was Surrey Fire & Rescue. They are unable to return to work until any problems with joints are fully addressed. The Senior Equality, Inclusion and Wellbeing Manager informed the committee that the service had gone out to tender for physiotherapy services which will include online preventative advice and self-assessment tools. A Member informed the committee that in July a

chair he had been sitting on collapsed in the Ashcombe, resulting in his having a series of physiotherapy appointments. Other Members agreed that chairs in County Hall committee rooms could have a detrimental effect on backs. The Senior Equality, Inclusion and Wellbeing Manager stated that there appeared to be a degree of perceived flexibility for meeting rooms. He agreed to pass on the committee's comments to Facilities and the Director of People and Development (**Recommendation Tracker ref: A30/15**).

4. With regard to stress, HR was seeking to build up managers' confidence to have discussions about stress and mental health with their staff. At present, absence categories only include stress and not depression. HR is trying to split this so that clearer data can be gathered on the prevalence of depression.
5. Members queried whether vital staff were encouraged to have flu injections. The Senior Equality, Inclusion and Wellbeing Manager stated that flu jabs had been looked at but it was costly to bring this on site. People are able to get flu jabs from a chemist and claim back at work. HR is planning an information campaign on this.
6. Members asked how flexible the Council was for planned leave. The Head of HR Operations stated that the leave policy is quite flexible and would encourage honesty with managers. She agreed to find out the number of single days of sickness taken and circulate this (**Recommendation Tracker ref: A31/15**). She highlighted that the auditor had found the accuracy of short-term sickness leave was not as good as long-term sickness leave. HR was looking at ways to improve this.

Action/Further information to note:

- i. The Senior Equality, Inclusion and Wellbeing Manager agreed to pass on the committee's comments about chairs in meeting rooms to Facilities and the Director of People and Development.
- ii. The Head of HR Operations to find out the number of single days of sickness taken and circulate this.

RESOLVED:

That the committee NOTES the report.

Committee next steps:

None.

70/15 PROPERTY ASSET MANAGEMENT SYSTEM UPDATE [Item 10]

Declarations of interest:

None

Witnesses:

Nigel Jones, Performance Manager, Property Services

Key points raised during the discussion:

1. The Chairman noted that the appendices had been withdrawn.
2. The Performance Manager introduced the report.

3. In response to a query about how far back information is integrated, the Performance Manager stated that the Property Asset Management Asset System (PAMS) has information from April 2013 onwards. As properties are disposed of, they are being input into the system. Other earlier information is still available in previous databases.
4. Partners in Surrey such as health agencies and borough/district councils are listed on the framework so they can use the same system as Surrey County Council, either separately or the Council can provide a service to them.
5. The Performance Manager clarified that underuse is not recorded on the system at the moment.
6. The Performance Manager offered to look into whether the portal could give Members access to high level information about properties and projects in their division (**Recommendations tracker ref: A32/15**).
7. The Chairman asked what assurance the Council can have of safeguards in relation to security of data and IT support. The Performance Manager informed the committee that the system is hosted in the cloud. The system had passed security tests by both Surrey County Council and Hampshire County Council. The Service Level Agreement states that the system must be up and running within 24 hours if there is an outage. The supplier rents space from Rackspace and can move data to another facility if there is a problem. This is all within the service's tolerances.
8. In response to a question about human error or staff not inputting data, the Performance Manager confirmed that all staff have to take responsibility to maintain information. This is a challenge but as the information goes in, people can see the benefit from the information which can be extracted.

Action/Further information to note:

- i. The Performance Manager, Property Services to look into whether the PAMS portal could give Members access to high level information about properties and projects in their division.
- ii. A further update to be provided in a year (**Recommendations tracker ref: A33/15**).

RESOLVED:

That the committee:

- a) NOTES the conclusion of the joint implementation project with Hampshire County Council;
- b) NOTES progress made and recognises the achievements of the joint project with Hampshire County Council;
- c) RECOGNISES any further development of PAMS as part of Property Services' "business as usual" service delivery.

Committee next steps:

None.

71/15 COMPLETED INTERNAL AUDIT REPORTS [Item 11]

Declarations of interest:

None

Witnesses:

Sue Lewry-Jones, Chief Internal Auditor

Key points raised during the discussion:

1. The Chief Internal Auditor explained that there was a high number of Internal Audit reports included because the committee had not considered Completed Internal Audit Reports since May 2015, focussing on the accounts at the July meeting.
2. A Member suggested that the proportion of areas where the audit opinion is 'significant improvement needed' or 'unsatisfactory' was high compared to previously and queried whether Internal Audit was being particularly diligent, whether the results suggested a stressed workforce, or was this just a particularly tricky batch of audits. The Chief Internal Auditor felt that the answer would probably be mixed. However, she stressed that the audit plan was risk-based and so Internal Audit was focussed on areas where there might be more challenges to address. She would keep a watching brief on the result of audits and report back at the end of the year.
3. In response to a question about the recent Ofsted report on Children's Services, the Chief Internal Auditor explained the three lines of defence being: front-line workers; management checks; inspections by Internal Audit and external inspectors such as Ofsted. She highlighted the Internal Audit report on the Children's Safeguarding Quality Assurance Process which found that significant improvement was needed. The Chief Internal Auditor now sat on the Quality Assurance workstream of the Improvement Plan, which was having regular meetings with the Quality Assurance Manager.
4. Members discussed the impact of a confidentiality or silo culture within Children, Schools and Families and suggested that this did not help relationships internally or with partners. There was concern expressed that the appropriate Select Committee, now Scrutiny Board, had not been given the information required or requested.
5. **Henrietta Parker Trust:** Members felt that, given the size of the Henrietta Parker Trust and the pressures on Legal Services and Finance, it would be appropriate to find an organisation from the voluntary and community sector to manage it. Rotary Clubs and Parish Councils were suggested as examples of suitable organisations. It was agreed to pass on these conclusions to the Chairman of Council Overview Board as that Board would be considering the issue of Trusts in more detail (**Recommendations tracker ref: A34/15**).
6. **Fuel Cards:** Members were concerned that managers were being given more responsibilities and it was suggested that a more supportive approach could be considered eg a reminder could be circulated on a regular basis asking managers to monitor fuel card transactions. A similar approach could be taken for other processes where managers are required to monitor or take action on a regular basis. The Chief Internal Auditor agreed to pass these suggestions back to the service (**Recommendations tracker ref: A35/15**).
7. **Managed Print Service:** It was suggested that a follow-up audit of implementation and savings be carried out (**Recommendations tracker ref: A36/15**).
8. **Risk Management:** The Risk and Governance Manager confirmed that guidance had been produced for managing risk in partnerships.

9. **AIS Care Assessments:** The Chief Internal Auditor clarified that AIS was being replaced with Liquid Logic and that a member of her team was helping to advise and support the implementation. It was suggested that a follow-up audit be undertaken (**Recommendations tracker ref: A37/15**).
10. **Agency Staffing:** Members discussed the potential liabilities of long-standing locums being deemed as employees. The Deputy Chief Finance Officer stated that he would be looking at the level of risk and amount of money involved.
11. **Planning School Places:** A Member highlighted that 600 in year admissions were in the system at the start of September and that this was a growing problem year on year.
12. **Fire Transformation Grant:** The Chief Internal Auditor informed the committee that part of this grant was being used to support a current trial whereby firefighters will attend certain 999 calls on behalf of the ambulance service, when they are able to attend an incident more quickly.
13. **Trust Funds:** The Chairman stressed that the comments to the Chairman of Council Overview Board should suggest that Trusts are looked at in the round.
14. **Surrey Choices:** The Chief Internal Auditor confirmed that a follow-up audit was scheduled in six months.

Action/Further information to note:

- i. That the committee's conclusions on Trusts be passed to the Chairman of the Council Overview Board.
- ii. The Chief Internal Auditor to pass suggestions about a supportive approach to managers' responsibilities, such as circulating reminders on a regular basis.
- iii. The Chief Internal Auditor to schedule a follow-up audit of the Managed Print Service project's implementation and savings.
- iv. The Chief Internal Auditor to schedule a follow-up audit of the software used to manage adult social care.

RESOLVED:

That the committee NOTES the report.

Committee next steps:

None.

72/15 STATUTORY RESPONSIBILITIES NETWORK [Item 13]

The agenda was reordered to take Item 13 next as the Chief Executive had arrived.

Declarations of interest:

None

Witnesses:

David McNulty, Chief Executive
Sue Lewry-Jones, Chief Internal Auditor

Key points raised during the discussion:

1. In response to a question about attendance at the fortnightly Network meetings, The Chief Executive informed the committee that there were no substitutes allowed and people attend unless they have good reason not to. There had been good attendance so far. The Network had developed from an original core group of the Chief Executive, Director of Finance, Director of Legal and Democratic Services and Chief Internal Auditor. It would be unusual for that original core group not to attend.
2. A Member queried how, with the governance and risk arrangements, the council had missed the issues in Children's Services identified by Ofsted. The Chief Executive highlighted the complexity of the services that the council has responsibility for. There had been concerns about aspects of performance in Children's Services and Ofsted had been invited in to assess whether those concerns were correct. It was important to note that some risks would remain red even after proper mitigations have been put in place.
3. A Member queried whether confidentiality can be a bar to getting good information from Children's Services. The Chief Executive stressed that some information held by Children's Services was confidential eg information that could be used to disrupt the activity of predators. Questions that Members could ask include: has the service got disruptive interventions; has the service got sufficient resources to disrupt predators; and is the service working effectively with the police?
4. The Chief Executive explained procedures for dealing with a child who has gone missing overnight from a Residential Home. He went on to highlight the good Ofsted reports of Children's Homes in Surrey.
5. Given the Network have some expectation of the results of an Ofsted inspection, the Chairman queried whether the Network was discussing any issues at present which may result in a similar situation. The Chief Executive stressed that the two priority areas for the Network were Children's Service and Adult Social Care because of the nature of the work they do. However, at different times attention is drawn to different issues, eg the number of fire incidents involving older people. An example over the past few weeks was an attempt to defraud the council using sophisticated techniques. Nothing had been lost but the attempt had appeared very credible. The council would learn from this and share information with partners.
6. The Chief Executive said that he had met with the Chairman of the committee to discuss the work of the Network and would continue to do this.

Action/Further information to note:

None

RESOLVED:

That the committee NOTES the report and the Chairman continue to have regular meetings with the Chief Executive to go through Minutes and keep up-to-date with network activity.

Committee next steps:

None.

73/15 LOCAL FIREFIGHTERS' PENSION BOARD [Item 14]

It was agreed to take the urgent item next as the officers had arrived.

Declarations of interest:

None

Witnesses:

Neil Mason, Senior Advisor (Pension Fund)
Andy Spragg, Scrutiny Officer

Key points raised during the discussion:

1. The Senior Advisor (Pension Fund) introduced the report and informed the committee that the Chairman of the Local Pension Board had suggested some minor changes which officers would go away and address. He had also raised a question about the quorum which would be discussed with Legal Services.

Action/Further information to note:

None

RESOLVED:

That the committee APPROVES amendments to the terms of reference of the Local Firefighters' Pension Board.

Committee next steps:

None.

74/15 LEADERSHIP RISK REGISTER [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 informed the committee that there had been no significant changes since the previous meeting but that there would be a number of changes at the next meeting. New risks were being drafted by the Statutory Responsibilities Network in relation to partnership working and new controls being added to the Safeguarding – Children's Services risk. The Risk and Governance Manager and Director of Finance and would shortly be meeting with the senior management of the Children, Schools and Families directorate to facilitate a discussion on risk and governance.
2. The Chairman asked if fraud should be included in the Leadership Risk Register given increasingly sophisticated techniques. The Risk and Governance Manager informed the committee that fraud is a risk area that is considered by services for possible inclusion in risk registers. The Strategic Risk Forum could consider if this needs to be given a higher risk rating (**Recommendation tracker ref: A38/15**).

Action/Further information to note:

The Risk and Governance Manager to discuss the risk level of fraud with the Strategic Risk Forum.

RESOLVED:

That the committee NOTES the report.

Committee next steps:

None.

75/15 DATE OF NEXT MEETING [Item 15]

The date was noted.

Meeting ended at: 1.10 pm

Chairman