

MINUTES of the meeting of the **AUDIT & GOVERNANCE COMMITTEE** held at 10.00 am on 26 May 2016 at Members Conference Room, County Hall, Kingston Upon Thames, 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
Mr Saj Hussain

In Attendance:

Thomas Ball, Grant Thornton UK
Reem Burton, Lead Auditor
Tess Corlett, Senior HR Business Services Advisor
Abid Dar, Equality, Inclusion and Wellbeing Manager
Cath Edwards, Risk and Governance Manager
Julie Fisher, Deputy Chief Executive
Angela Guest, Regulatory Committee Manager
Kevin Kilburn, Deputy Chief Finance Officer
Sue Lewry-Jones, Chief Internal Auditor
David Hodge, Leader of the Council
Phil Osborne, Head of Early Years and Child Care Services
Dexter James, Surrey Choices

23/16 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

There were none.

24/16 MINUTES OF THE PREVIOUS MEETING [11 APRIL 2016] [Item 2]

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

25/16 DECLARATIONS OF INTEREST [Item 3]

There were none.

26/16 QUESTIONS AND PETITIONS [Item 4]

There were none.

27/16 RECOMMENDATIONS TRACKER [Item 5]

Declarations of interest:

None

Key points raised during the discussion:

1. **A18/15** (SEND Strategy) – This was to be reviewed at the Council Overview Board (COB) in June.

10.09am Saj Hussain and Will Foster arrived at the meeting.

2. **A20/15** and **A43/15** (Internal Audit reports) to be review at the next meeting.
3. **A45/15** (front desk security) – A response from the Chief Executive would be sought.
4. **A1/16** (Surrey Choices Business Plan) – A response had been received from the Chairman of COB who confirmed that COB would ensure good scrutiny and take on board issues raised by Audit & Governance Committee. The Deputy Chief Finance Officer reported that the Business Plan was not approved at a recent meeting of the Board and that he would speak with the Chairman of COB before their next meeting.
5. **A2/16** (Finance expertise on Council's trading companies) – Members were still concerned about how they assure themselves that the correct level of expertise and time was being provided to the trading companies. The Committee agreed that the Chairman speak further with the Director of Finance about concerns.

Action/Further information to note:

None.

RESOLVED:

That the committee noted the report and bulletin.

28/16 PENSION FUND EXTERNAL AUDIT PLAN 2015/16 [Item 6]

Declarations of interest:

None

Witnesses:

Thomas Ball, Grant Thornton UK

Key points raised during the discussion:

1. Thomas Ball introduced the report highlighting the challenges and opportunities set out in the plan and key developments in the sector. He also explained that the slide on Materiality was new and responded to Member questions regarding the different thresholds.
2. The Chairman requested that Grant Thornton refocus on pensioners and fund members in respect to LGPS pooling. This was agreed.

Resolved:

The Committee noted the Pension Fund External Audit Plan 2015/16.

29/16 COMPLETED INTERNAL AUDIT REPORTS [Item 7]

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 described the 13 completed internal audit reports since the last meeting.
2. Some Members raised concerns about the lack of proper governance procedures in certain areas of the health service, for example the lack of declarations of interest between GPs, CCGs and other health bodies. It was explained that public health was relatively new to local authorities and that as further audits are undertaken any other underlying weaknesses could be highlighted and standards improved. A further follow-up audit would also be undertaken of the public health payments to GPs and pharmacies in due course.
3. The Chief Internal Auditor reported that there was a protocol in place as part of the Better Care Fund which would give an opportunity to work more closely with internal auditors of those organisations and offered to set up a meeting to discuss issues raised by the Committee concerning assurances from key partners. The Chairman stated that this should be a matter for the Boards to ask questions of their own auditors.
4. Denis Fuller raised an issue regarding county members sitting on health boards without really understanding their role. He sat on several boards and had not been asked by anyone about what he had been doing. The Chairman agreed to raise this issue with the Chief Executive
5. A few members expressed surprise at the schools capital projects findings as this didn't relate to their own experience and asked how the schools had been chosen for auditing. The Chief Internal Auditor confirmed that the schools had been chosen as ones that had recent capital projects.
6. There was some discussion around the process of signing off on schools capital projects. The Chief Internal Auditor would check if there was a need for county to sign off on locally managed projects and feedback to members.

Action/further information to note:

1. The Chief Internal Auditor would check if there was a need for county to sign off on locally managed projects and feedback to members.
2. The Chairman would raise the issue regarding county members sitting on health boards without really understanding their role.
3. Members would raise school issues with Babcock at the meeting arranged for 19 October 2016.

Resolved:

The Committee noted the report.

30/16 INTERNAL AUDIT ANNUAL REPORT 2015/16 [Item 8]**Declarations of interest:**

None

Witnesses:

Sue Lewry-Jones, Chief Internal Auditor

Phil Osborne, Head of Early Years and Child Care Services

Key points raised during the discussion:

1. The Chief Internal Auditor introduced this report that summarised the work of Internal Audit for the period 1 April 2015 to 31 March 2016, identifying the main themes arising from the audit reviews and the implications for the County Council. She highlighted the concerns raised around the Children and Family Directorate which had influenced the Annual Governance Statement to be looked at by the committee later on the agenda.
2. One member questioned why there was a worrying trend of audits that were unsatisfactory or needing significant improvement that had doubled on the previous year. The Chief Internal Auditor responded that it was difficult to say but that some analysis was being undertaken. She also explained that the figures were in line with other authorities and suggested this might be a national trend. It was early days but it could be a signal that councils would have to accept more risks due to the changing environment. There was a general feeling amongst members that the system was under pressure and that this should be widely recognised and fed back to central government.
3. In response to a question on who the partners were with the HIV service the Chief Internal Auditor responded that she would find out and feedback to the Chairman.
4. The Head of Early Years and Child Care Services was asked to explain why the audit of nursery education had raised so many concerns. He reported that:
 - a. The service had been using a paper manual process and a previous audit had identified the need for an IT system. This was agreed 18 months ago and in that period, much time had been spent identifying and designing the programme as well as inputting data to the system. A pilot had been undertaken for providers to be able to do that themselves. Most of the providers liked the system and a few were finding it challenging. The IT system was rolled out across the county in the spring.
 - b. Since the rollout, staff had not been able to go out and audit nursery settings as there had been much work created by the new system which needed managing. Internal audit had expressed their unhappiness that alternative methods of doing the auditing had not been looked at. The service had agreed the recommendation from Audit.
 - c. More resources had been agreed to get the audits underway which would start in the autumn after training had been undertaken.
5. In response to questions from members wanting assurances around lack of engagement the Head of Early Years and Child Care Services reported that additional resources will be put in place to enable audit visits to take place during the autumn term. Other advisory staff from the service are visiting settings on a regular basis but are not undertaking financial checks, though they will be checks on other aspects, such as staff recruitment procedures and safeguarding concerns..
6. He also explained that the service could not use a ready-made IT system as there were none that provided end-to-end service and many were either not future-proofed, were inflexible and did not deal with two year olds.
7. There was some discussion about checking that the children were real (rather than 'ghost' children) and staffing checks. Processes were explained to the committee.

Action/further information to note:

The Chief Internal Auditor to feedback to the Chairman on who the partners are in the HIV service.

Resolved:

That the report was noted.

31/16 FULL YEAR SUMMARY OF INTERNAL AUDIT IRREGULARITY AND SPECIAL INVESTIGATIONS [Item 9]

Declarations of interest:

None

Witnesses:

Reem Burton, Lead Auditor

Key points raised during the discussion:

1. The Lead Auditor introduced the report and highlighted the rise in the number of cases and outcomes. The rise in cases was partly due to the rise in whistle blowing. There had been much work done to educate people about their responsibility to report. She also reported that a new fraud strategy would be presented to the committee in the autumn.
2. Member questions around business rate fraud and confidence in action being taken following reporting were responded to.

Action/further information to note:

None

Resolved:

1. That the report was noted
2. That the Fighting Fraud Plan 2016/17, attached at Annex B to the report, was noted.

32/16 WHISTLE BLOWING UPDATE [Item 10]

Declarations of interest:

None

Witnesses:

Abid Dar, Equality, Inclusion and Wellbeing Manager

Tess Corlett, Senior HR Business Services Advisor

Key points raised during the discussion:

1. The Equality, Inclusion and Wellbeing Manager introduced the report to committee and highlighted the increased awareness and increased number of calls as a positive step forward.
2. A member question regarding Blue Badge fraud was responded to in that reports from the public were investigated.

Action/further information to note:

None

Resolved:

1. That the progress outlined in the report was noted.

2. That the creation of an annual staff engagement plan be approved in order to maintain current awareness of the whistle blowing policy, and to promote confidence in the confidentiality of the service.

Change in the Order of Agenda

The Committee agreed to bring forward Item 13, 2015/16 Annual Governance Statement, in order that the Leader and Deputy Chief Executive could get away in a timely manner.

33/16 ANNUAL GOVERNANCE STATEMENT [Item 13]

Declarations of interest:

None

Witnesses:

David Hodge, Leader of the Council
Julie Fisher, Deputy Chief Executive

Key points raised during the discussion:

1. The Leader presented the Annual Governance Statement (AGS) to the committee.
2. A member asked if the AGS should contain something on public consultations and questioned whether Surrey CC does listen and gave examples of some consultations that he thought had not gone too well. The Leader responded to each of the examples given stating specific details for each one. He also stated that listening was very important and that if people were interested they should come forward to have their say. The Deputy Chief Executive pointed out that the Chief Internal Auditor was to add this area to the Audit Plan to review the effectiveness of consultations that Surrey undertakes.
3. A member referred to the engagement and collaboration section of the AGS stating that in partnership working with the NHS that Surrey CC should expect the same quality and standard of audit from the NHS that it expects from itself. The Leader responded that he had personally taken this issue up with the Secretary of State (SoS) and thought that the NHS should have an equivalent s151 officer. He also explained that the health service consortium was working with Surrey CC and he would speak with the Chief Executive on how to move forward.
4. One member spoke of Guildford BC having problems with its Local Plan in that certain aspects were not considered infrastructure and that more working together was needed between county and borough councils. The Leader responded that it was not appropriate for the County to comment on a borough's local plan as it was a local issue. He also reported that many emails had been received regarding Newlands Corner which was not just about traffic issues but about the trail. The Deputy Chief Executive reported that the Strategic Director Environment and Infrastructure was working with Guildford BC on the infrastructure.
5. The Chairman commented that comments regarding Children's Services and the improvement plan were rather bland and that they

were in separate parts of the AGS and asked that they be brought together.

6. In response to a few comments regarding the lack of mention of the council being under pressure the Leader said that he would ensure this comes out stronger in the AGS but also pointed out that no one had written in to say that things were bad due to reduced resources.

Action/further information to note:

None

Resolved:

1. That the Committee were satisfied that the governance arrangements were represented correctly in the Annual Governance Statement (Annex A); and
2. To **COMMEND** the draft Annual Governance Statement to the Cabinet, subject to additional amendments, for publication with the Council's Statement of Accounts.

34/16 ANNUAL RISK MANAGEMENT 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 noted that there was one change to the Leadership Risk Register since April 2016. That change was L8-senior leadership succession planning which had reduced risk levels at both inherent and residual level.
2. In response to a member query about whether the vacancy rate was looked at when considering risk, the Risk and Governance Manager explained that each service had its own risk register and that risks relating to vacancies, recruitment and retention would be included on those service registers as appropriate.

Action/further information to note:

The Risk and Governance Manager to ensure that the Bill Barker and Stuart Selleck receive a copy of the Highways service risk register when it has been updated.

Resolved:

1. That on consideration of the contents of the report was satisfied with the risk management arrangements.
2. To **COMMEND** the Risk Management Strategy to Council for inclusion in the Constitution.
3. That following consideration of the Leadership risk register, there were no matters that the committee wished to draw to the attention of the Chief Executive, Cabinet, Cabinet Member or Scrutiny Board.

**35/16 GOVERNANCE STRATEGY AND CODE OF CORPORATE GOVERNANCE
[Item 12]**

Declarations of interest:

None

Witnesses:

Cath Edwards, Risk and Governance Manager

Key points raised during the discussion:

The Risk and Governance Manager introduced the report.

The Committee accepted the report as read and had no further queries.

Action/further information to note:

None

Resolved:

To approve the updated Code of Corporate Governance and **COMMEND** it to the County Council for inclusion into the Constitution.

36/16 DATE OF NEXT MEETING [Item 14]

The date of the meeting was NOTED.

Meeting ended at: 12.19 pm

Chairman