

**MINUTES** of the meeting of the **AUDIT & GOVERNANCE COMMITTEE** held at 10.00 am on 26 September 2016 at Members Conference Room, County Hall, Kingston upon Thames, Surrey KT1 2DN.

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

**Elected Members:**

(\*Attended)

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

**48/16 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]**

There were none.

**49/16 MINUTES OF THE PREVIOUS MEETING [25 JULY 2016] [Item 2]**

Concerns were raised regarding the action recorded in relation to item 41/16 in the minutes. Members stated that actions should be recorded in such a way that enabled the Committee to monitor their progress and avoided any ambiguity regarding when they had been completed.

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

**50/16 DECLARATIONS OF INTEREST [Item 3]**

There were none.

**51/16 QUESTIONS AND PETITIONS [Item 4]**

There were none.

**52/16 RECOMMENDATIONS TRACKER AND INFORMATION BULLETIN [Item 5]**

**Declarations of interest:**

None

**Witnesses:**

Denise Le Gal, Cabinet Member for Business Services and Resident Experience

Kevin Kilburn, Deputy Chief Finance Officer

Sue Lewry-Jones, Head of Internal Audit

**Key points raised during the discussion:**

1. Discussions took place regarding A20/15 on the Recommendations Tracker and Members were reminded that they had been invited to the Social Care Services Board meeting on 26 October 2016. This was to contribute to the discussion arising from the item on Social Care Debt,

- specifically relating to the Adult Social Care Directorate's collection of long term outstanding balances from service users.
2. In relation to Action A45/15, Members were informed that arrangements were being made to provide the Committee with a private briefing on the outcomes of the review into the security of County Hall.
  3. Members inquired about the progress that had been made in compiling the Surrey Choices Business Plan, highlighted in the recommendations tracker as A1/16. The Committee asked whether the Business Plan had been submitted for consideration by the Shareholder Board. Members were informed that it was the role of the Council Overview Board (COB) to scrutinise Surrey Choices' Business Plan and that this would take place at the COB meeting scheduled for 14 December 2016. The Shareholder Board had, however, received an update on the Business Plan
  4. The Committee was advised that the previous Managing Director had departed Surrey Choices in July 2016 and that it had been necessary to appoint an interim Managing Director. It was highlighted that the interim Managing Director has had experience of creating and developing a ltd company and, as a result, there was an expectation that they would be able to deliver a strong Business Plan and take the Surrey Choices forward.

*Will Forster arrived at the meeting at 10.10am during the discussions on this item.*

*The Committee discussed recommendations A1/16 and A2/16 after item 12 on the agenda due to the availability of the relevant officer.*

**Action/Further information to note:**

None.

**RESOLVED:**

The committee noted the report.

**53/16 EXTERNAL AUDIT: ANNUAL AUDIT LETTER [Item 6]**

**Declarations of interest:**

None

**Witnesses:**

Geoffrey Banister, Grant Thornton  
Nikki O'Connor, Finance Manager (Assets & Accounting)

**Key points raised during the discussion:**

1. Geoffrey Banister introduced the report that was required to be brought to the Committee.
2. In response to a query as to why the report showed that Children's Services was inadequate Mr Banister reported that Grant Thornton have to show that Children's' Services are inadequate and continue to do so until there is a revised Ofsted opinion. Ofsted had been in but a report would not be expected until January 2017. Grant Thornton acknowledged that it had been a long journey for the council and recognised that improvements had been made.

3. In response to a member query it was stated that Audit & Governance Committee would see Surrey Choices audit accounts report in December after it had been to Surrey Choices Board.
4. The Chief Internal Auditor, in response to a query, explained that the council's internal audit team had right of access to the council's private companies and a number of audits had been undertaken around the governance in place for those businesses. Recommendations from internal audit had been taken on board.
5. With regards to the Highways Network Asset, Grant Thornton would look at arrangements to ensure sound valuations were done properly. The committee expressed concern that this may cause a few issues around what the council actually own and therefore make it difficult to know if the valuation was correct. Grant Thornton would be happy to share the client briefings with members with the caveat that they were primarily operational detail and may not be that valuable to committee members.
6. The Committee were informed that Grant Thornton could not give an audit opinion on whether the pension fund was well invested but did provide advice on whether the pension accounts were a true and fair value.
7. There was some discussion about council's forecasting their budget spend correctly which was endemic across local authorities. Overall SCC had underspend in 2015/16 but with social services there was always an overspend and a member queried whether there was a will to deliberately under-budget in certain cases. Control was provided through review of variances every year and relevant committees were informed if there was to be an over or under spend.

**Actions/ further information to be provided:**

None.

**Resolved:**

The committee noted the report.

**54/16 EXTERNAL AUDIT PERFORMANCE [Item 7]**

**Declarations of interest:**

None

**Witnesses:**

Geoffrey Banister, Grant Thornton  
Nikki O'Connor, Finance Manager (Assets & Accounting)

**Key points raised during the discussion:**

1. Geoffrey Banister introduced this report and stated that audit was a partnership and figures reflected joint performance of the council and Grant Thornton during the process.
2. It was reported that the number of requests and the performance in responding to requests rapidly had improved over the last few years.

**Actions/ further information to be provided:**

None.

**Resolved:**

The committee noted the report.

## **55/16 STATUTORY RESPONSIBILITIES NETWORK [Item 8]**

### **Declarations of interest:**

None

### **Witnesses:**

David McNulty, Chief Executive

### **Key points raised during the discussion:**

In response to member questions it was reported that:

1. There had been huge savings in adult social care despite increasing demand pressures. There had been a 7-8% increase in demand this year and there were other parts of the council where spending was also difficult to predict. There were a series of uncertainties in the budget and the S151 Officer had highlighted that the budget was unsustainable which seemed likely to remain the case in February 2017.
2. It is forecast that there will be a council overspend in 2016/17 – the first time in many years.
3. The Statutory Responsibilities Network did not strictly look at finance but more the implications of finance on the organisation.
4. Asylum seekers had put pressure on the Children's Services budget but the council were dealing well with it.
5. Whether the Improvement Board was to be permanent following the Ofsted report was a decision for the council.

### **Actions/ further information to be provided:**

The Ofsted report to be sent to all councillors once published.

### **Resolved:**

That the Audit & Governance Committee Chairman continues to meet with the Network chairman, the Chief Executive, in order to keep up-to-date with network activity.

## **56/16 HIGHWAYS NETWORK ASSET [Item 9]**

### **Declarations of interest:**

None

### **Witnesses:**

Jonathan Evans, Principal Accountant, and  
Amanda Richards, Network and Asset Management Group Manager

### **Key points raised during the discussion:**

1. The Principal Accountant introduced the Highways Network Asset (HNA) report who outlined the changes required as a result of the report introduction.
2. It was reported that no highway authority knows the value of its drainage and a set figure from Government was used to assess all drainage across the council areas.
3. The committee expressed concern around the practicalities of the introduction of HNA and whether there were sufficient resources within the highways team to ensure that HNA's can be input correctly.

4. It was explained that data inputting would be relatively straightforward. The IT system used would need a few tweaks but no new software of major changes would be needed. Toolkits were also provided by CIPFA to ensure the calculations were done correctly. HNA reporting had been on the cards for a while so resources had been allocated in advance and the project worked on over time. Grant Thornton felt that the council were ahead of the game and could be used as a pilot.
5. In response to a member query regarding differentiation of footways and footpaths it was reported that highways and environment teams were working closely together to share knowledge and expertise.

**Actions/ further information to be provided:**

None.

**Resolved:**

The Committee noted that Surrey County Council was on target to implement the Highways Network Asset valuation requirements for the financial year 2016/17 in line with the required timetable.

**57/16 LEADERSHIP RISK REGISTER [Item 10]**

**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 reported that there were no significant changes to the risk register. Devolution was being updated as discussions with Government progressed.
2. Information Governance has been flagged as an emerging risk and discussions were taking place on whether it should have its own entry on the Leadership risk register.
3. The Committee were uncomfortable with the wording of L4 – Devolution and also thought this should be a medium risk, rather than a high risk, as devolution was an opportunity as opposed to a threat.

**Actions/ further information to be provided:**

None.

**Resolved:**

1. The Director of Finance and Chief Internal Auditor to take back the committee's comments on L4 – Devolution to the next SRN meeting.
2. The committee noted the report.

**58/16 COMPLETED INTERNAL AUDIT REPORTS [Item 11]**

**Declarations of interest:**

None

**Witnesses:**

Sue Lewry-Jones, Chief Internal Auditor  
Charlotte Langridge, Business Intelligence Lead, Adult Social Services

**Key points raised during the discussion:**

1. A verbal update was provided on what adult social services had done following the audit report. The Business Intelligence Lead explained that the e-brokerage system went live in May and that there had been positive feedback from the market for the system on initial testing. Engaging providers with e-brokerage needed to be done in stages as the system was rolled out. There was no more development required as the software was created and managed externally. The e-brokerage system was necessary to provide savings and to deliver home based care efficiently. Staff and providers were being taught how to use the system. The management team were aware of the challenge of staff turnover and were ensuring that all were aware of how to use new systems. It was expected that the roll out would be completed by the end of the year. There would be a further follow up report from Audit when there were enough providers on board. At that point a discussion would take place as to what to bring back to committee.
2. The Chief Internal Auditor gave an overview of audit reports issued since the last meeting of the committee. Council Overview Board (COB) had discussed the Youth Centres audit report and were keen to see another report as soon as possible. There would be a follow-up audit in six months time.
3. Members expressed concern about monitoring of the Hillcrest contract to which it was reported that a Management Action Plan had been agreed and audit were looking to ensure that recommendations were addressed through progress updates which would, in turn, be reported to the committee.
4. The committee sought assurance that staff were not on zero hours contracts. The Chief Internal Auditor to provide a response on what assurances the council sought on provider staff management and employment conditions.
5. Members expressed concern about the appearance of an extended delay with Property Asset Management System (PAMS) income module and were told that it could take up to a year before PAMS was operational enough to be audited. The Council Overview Board had been given assurances that no income had been lost due to it not being operational but equally not realising the savings that were expected from the system. PAMS was being implemented in modules so some were operational and others not. Members queried if there was still a partnership with Hampshire County Council.
6. The committee asked if there was someone dedicated to overseeing PAMS and was told that this was the case but there had been an issue due to capacity constraints created by Orbis. Denise Le Gal undertook to provide an informal update to the committee.

**Actions/ further information to be provided:**

1. The Chief Internal Auditor to provide a response on what assurances the council sought on provider staff management and employment conditions and information regarding duplication of hospital discharge teams of the council and the NHS.
2. Adult social care IT follow up report to this committee early 2017.
3. The Chief Internal Auditor to provide a response on whether there was still a partnership with Hampshire CC.
4. Denise Le Gal to provide committee members with an informal update on the overseeing of PAMS.

**Resolved:**

The committee noted the report.

**59/16 ANNUAL COMPLAINTS PERFORMANCE REPORT [Item 12]****Declarations of interest:**

None

**Witnesses:**

Mark Irons, Head of Customer Services, and  
Sarah Bogunovic, Corporate Customer Relations Manager

**Key points raised during the discussion:**

1. The Head of Customer Services introduced the report and stated that good complaint management is very important for the Council's reputation. It was reported that complaints offer the opportunity to correct mistakes for complainants, as well as an opportunity to learn and improve service delivery.
2. Members were advised that the percentage of complaints escalating through the complaints procedure was a good indication of how complaints were being dealt with.
3. It was reported that monthly complaint reports were created and sent to service areas. Improvement actions undertaken as a result of complaints received were also recorded.
4. In response to a member comment regarding non-response by operational managers to some customer correspondence, it was agreed that customer complaints needed to be prioritised alongside operational duties. The Customer Relations Team would look into any specific examples received of non-response to customer correspondence. Customers who had used the corporate complaints procedure were also being surveyed to gather insight on their experience.
5. Members were advised that a high-level corporate customer service training package was being designed for managers which would include a section on complaints.
6. It was noted that a small proportion of customers were persistent complainants. It was reported that there was a policy in place for dealing with people whose behaviour was considered to have become unreasonable, impacting the ability of officers to deliver services or respond to other customers. Work was needed by the customer services team to increase awareness of this policy and the circumstances in which it should be applied.
7. It was said that it would be helpful for members to be informed about problems at an early stage as they may be able to play a part in helping to resolve and prevent escalation of customer complaints.

**Actions/ further information to be provided:**

The Head of Customer Services to look at informing members of problems at an early stage and using them to assist with helping resolve and prevent escalation of complaints where appropriate.

**Resolved:**

The Council's complaint handling performance in 2015/16 and how feedback from customers has been used to improve services was noted.

**60/16 DATE OF NEXT MEETING [Item 13]**

The date of the next meeting was noted.

Meeting ended at: 12.15 pm

---

**Chairman**