

MINUTES of the meeting of the **AUDIT & GOVERNANCE COMMITTEE** held at 10.00 am on 20 February 2017 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:

(*Present)

- *Mr Stuart Selleck (Chairman)
- *Mr Denis Fuller (Vice-Chairman)
- Mr Bill Barker
- *Mr Will Forster
- *Mr Tim Hall
- *Mr Saj Hussain

1/17 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

An apology was received from Mr Bill Barker.

2/17 MINUTES OF THE PREVIOUS MEETING [5 DECEMBER 2016] [Item 2]

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

3/17 DECLARATIONS OF INTEREST [Item 3]

There were none.

4/17 QUESTIONS AND PETITIONS [Item 4]

There were none.

5/17 RECOMMENDATIONS TRACKER AND BULLETIN [Item 5]

Declarations of interest:

None

Witnesses:

None

Key points raised during the discussion:

1. Tracker A11/16 – A response from the cabinet member for business services and resident experience had been received by the Chairman and emailed to all members of the committee. The council's position with Babcock 4s was still unclear. It was agreed to invite the cabinet member to the next meeting of the committee.
2. Tracker A13/16 – The project Horizon report was on track to come to the next meeting of this committee.
3. Tracker A14/16 – A response from the Chief Executive had been received regarding parking end of year statement deadlines.
4. Tracker A3/16 – Completed and therefore can be deleted from the tracker.

5. Tracker A18/15 – SEND – to keep this on the tracker to inform new members.
6. The committee gave thanks to Sue Lewry-Jones, Chief Internal Auditor, who was leaving the Council. The committee valued her support and professionalism in presenting reports and carrying out any actions.

Action/Further information to note:

1. To invite the cabinet member for business services and resident experience to the next meeting to discuss and clarify further the future with Babcock 4s - Tracker A11/16
2. To request that the Audit Performance Manager chase whether or note the financial position had been sorted out with Reigate - Tracker A14/16
3. Delete Tracker A3/16.
4. Send a copy of the notes from the first SEND Multi Board meeting to members of the committee – Tracker A18/15.

Resolved:

That the committee noted the tracker and information bulletin.

6/17 STATUTORY RESPONSIBILITIES NETWORK [Item 7]

Declarations of interest:

None

Witnesses:

David McNulty, Chief Executive

Key points raised during the discussion:

1. In response to a question about how the committee should be assisting with savings and structure of budgets the Chief Executive explained that the committee regularly review the risk register in terms of sustainability, specific strategic responses and that services were being delivered as they should. It was thought that the Statutory Responsibilities Network (SRN) consisted of the right people.
2. The SRN focus was now on further savings needed following council's budget decision and ensuring requirements were met with regards to consultation and mitigating any consequences.
3. In response to a query regarding lessons learned from the implementation of the Multi-Agency Safeguarding Hub (MASH) the Chief Executive explained that the project planning was done according to Prince 2 and nothing was to be learned from this as it went as it should. However, there were lessons to be learned from the impact of MASH and other services in the system. There was ongoing work with partners ensuring that referrals to the MASH were appropriate. The SRN had not signed off the Project Implementation Document (PID) yet as there was still work needed to ensure the project was working as it should be. A report was expected by SRN within the next few weeks. It was stated that children were safer now the MASH was in place.

Actions/ further information to be provided:

None.

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.

7/17 ETHICAL STANDARDS - ANNUAL REVIEW [Item 6]**Declarations of interest:**

None

Witnesses:

Ann Charlton, Monitoring Officer and Director of Legal & Democratic Services

Key points raised during the discussion:

1. The Monitoring Officer introduced the report and stated that the highest number of complaints were regarding lack of timely response to the public. Whilst this was not an ethical standards issue it may be a performance issue and group leaders were notified. It was advised that if Members did not want to respond to any particular communication they should politely explain this in order to close it down. She also reported that officers keep any code of conduct complaints confidential unless proven.
2. One member queried whether there should be specific training for councillors on social media and how to behave around it. The Monitoring officer replied that if the council were promoting members to use social media then they should be given advice on its use.
3. The Monitoring Officer explained that it was proving difficult to get all members to update their Register of Interests (RoI) forms and one member stated that they were unable to print from an ipad which was becoming a more general problem for members and paperwork.
4. Some members suggested that examples be given on the RoI form and maybe list potential organisations that may need to be considered. The Committee were informed that organisation needed to be listed where members had a managerial or a role of influence in that organisation. Whilst it was agreed that a list of organisations may not be helpful, in case some were missed, it was requested that a list of types of organisations would be useful to members.

Actions/ further information to be provided:

None

Resolved:

1. That the Monitoring Officer provides training and guidance to new and returning members as outlined in paragraph 17 of the report.
2. The Monitoring Officer's report on recent activity in relation to the Code of Conduct and complaints made in relation to member conduct was noted.

8/17 2016/17 EXTERNAL AUDIT PLAN AND KEY PERFORMANCE INDICATORS [Item 8]

Declarations of interest:

None

Witnesses:

Thomas Ball, Grant Thornton
Geoffrey Banister, Grant Thornton

Key points raised during the discussion:

1. Grant Thornton (GT) introduced the audit plan for 2016/17 and highlighted the two focus areas for the Value for Money conclusion: an update on the Ofsted opinion in relation to Children's Services and the Council's financial position. The report had been written before the Council's decision not to increase Council Tax by 15%, but the need to review the Council's financial position remained.
2. In response to a question about why GT needs to review the pension liability calculation when it is carried out by a specialist actuary, GT said that it needed specific review due to its size and that small changes in the calculation or assumptions used could have a large effect on the accounts. GT also responded that fees for this work were set by the regulator but that GT decided what work to do in that financial envelope. Pensions were complex and if something was missed the committee would have cause to complain about the work of GT.
3. GT explained how they met with the leadership team and the Leader on an annual basis and regularly met with audit officers to look at key issues. There were also regular meetings with the S151 officer and key finance officers. The committee discussed the deferring of the changes in the valuation of highways. CIPFA have deferred this for a year. GT stated that the valuation size and scale would require additional audit work and they were awaiting a decision from CIPFA about whether this implementation would be deferred further.
4. The Finance Manager assured the committee that a report would come to committee before the implementation of these changes, when more clarity was reached.

Actions/ further information to be provided:

None.

Resolved:

The Audit Plan and proposed Key Performance Indicators for 2016/17 as attached to the report were approved.

9/17 2015/16 AUDIT FINDINGS REPORT FOR SURREY CHOICES LTD [Item 9]

Declarations of interest:

None

Witnesses:

Geoffrey Banister, Grant Thornton
David John, Audit Performance Manager

Kevin Kilburn, Deputy Chief Finance Officer

Key points raised during the discussion:

1. Grant Thornton introduced the report and explained that whilst it was an improvement on the previous year, it was a very difficult audit and that process had been put in place to make this easier in the future.
2. The Audit Performance Manager explained that audit work had been undertaken with Surrey Choices and it would be looked at again this year.
3. There had been a part 2 report discussed at the Council Overview Board (COB) at which a member of the Shareholder Board had attended. The Committee wished for that report and a member of the Board to attend the next meeting of the Audit & Governance Committee to discuss governance issues. The Deputy Chief Finance Officer reiterated that the committee needed to be sure they were not duplicating the work of COB.
4. Clarification was requested in relation to the description of page 15 of the financial statements which the Deputy Chief Finance Officer would take up with the company.

Actions/ further information to be provided:

1. Committee Manager to send copy of the part 2 report and minutes of Council Overview Board.
2. The Deputy Chief Finance Officer to raise the description on page 15 of the financial statements document.

Resolved:

To invite the Chairman of the Shareholder Board to the next meeting of the committee to discuss governance issues.

10/17 MINIMUM REVENUE PROVISION CALCULATION [Item 10]

Declarations of interest:

None

Witnesses:

Nicola O'Connor, Finance Manager Assets and Accounting

Key points raised during the discussion:

1. The Finance Manager introduced the report and in response to a query, confirmed that the external auditors had been presented with a technical paper regarding these changes and the Finance Manager was not expecting any issues during the audit in relation to these changes.

Actions/ further information to be provided:

None

Resolved:

The report was noted.

11/17 COMPLETED INTERNAL AUDIT REPORTS [Item 11]

Declarations of interest:

None

Witnesses:

David John, Audit Performance Manager

Key points raised during the discussion:

1. The Audit Performance Manager introduced the report which set out seven audit reports that had been completed since the last meeting of the committee.
2. Three of these reports had an audit opinion of significant improvement needed. All of these were programmed for follow up. They were each discussed in detail by the committee.
3. In response to a question it was reported that there was not consistency in understanding the difference between accident and incident and whether or not it should be reported. Steps were being taken to improve the logging of what should be logged.
4. There was some discussion around agency staff and in particular those that were here for some time and whether or not they received health and safety training. Even those that worked for Surrey CC for very short periods should have the basics covered. The Audit Performance Manager stated that assurances were coming from managers but this was not evidence based.
5. There was much discussion about the highways contract with regards to problems of standards, management not holding to account or taking the issues seriously enough. It was recognised that the contract was small to the contractor and some members spoke of the wish that it come back in-house.
6. The Audit Performance Manager reported that the new manager, Andrew Milne, was addressing the issues and ensuring that the top level had a grasp of the problems.
7. It was reported that the Economic, Prosperity, Environment and Highways Board was due to review the highways contract.
8. Members asked why the contract had been renewed when 25% of gulleys checked had not been cleaned and that local highways teams were effectively doing the work that should be done by Kier as contract manager.
9. The Audit Performance Manager reported that a follow up audit would be undertaken as soon as practicable after the agreed date for implementing recommendations.

Actions/ further information to be provided:

1. To include the following issues on the tracker:
 - Feedback to committee from meeting with officers in March to discuss cyber security (Tracker A2/17)
 - Update to the March committee meeting on improvements in Health & Safety (Tracker A3/17)
2. Chairman to write to the Chairman of People, Performance and Development Committee raising the concerns of this committee regarding health and safety. (Tracker A3/17)

3. Chairman to write to the Cabinet Member, copy to the Leader, regarding the committee's concerns on the renewal of the highways contract. (Tracker A4/17)

Resolved:

The Committee noted the report.

12/17 2016/17 REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT [Item 12]

Declarations of interest:

None

Witnesses:

David John, Audit Performance Manager

Key points raised during the discussion:

1. The Audit Performance Manager went through each section of annex 1 to the report and reported that the Charter had been approved by the Strategic Responsibilities Network and that new KPI's will be part of the Orbis-IA agreed governance arrangements.
2. He also reported that the reports would look different in future. The opinion may use the word 'assurance' but the phrase 'significant improvement' could still be used within the management summaries and conclusions.
3. and would be exceptional reports rather than narrative.
4. There was further discussion regarding the proposed changes to the reports which the committee felt uneasy about. The committee all agreed that they would prefer to keep the word 'improvement' as to change this would mean a dilution of importance and it was understood by the public. The Audit Performance Manager explained that the stakeholder could ask for a review.

Actions/ further information to be provided:

None.

Resolved:

1. The report was noted.
2. The committee requested that the term 'significant improvement' not be replaced by 'assurance' in future audit reports.

13/17 ANNUAL REPORT OF THE AUDIT & GOVERNANCE COMMITTEE [Item 13]

Declarations of interest:

None

Witnesses:

None

Key points raised during the discussion:

1. Saj Hussain pointed out that he was not a Member of the Resident Experience Board.
2. It was requested that in future there was more detail around the work of the committee and skills of committee members be included in the report.

Actions/ further information to be provided:

To correct the report and publish.

Resolved:

The report was noted.

14/17 TREASURY MANAGEMENT STRATEGY [Item 14]

Declarations of interest:

None

Witnesses:

Phil Triggs, Strategic Manager Pensions & Treasury

Key points raised during the discussion:

1. The Strategic Manager Pension Fund & Treasury introduced the report stating that full Council had already approved the treasury management strategy. He went through table 2.1: current and projected portfolio position and table 2.2: prospects for interest rates within the report.
2. There was discussion around the levels of cash before borrowing took place as the previous minimum cash limit was £47m but this requirement had not been kept in the new strategy. The Strategic Manager Pension Fund & Treasury explained the current financial advantages of short term borrowing, which would be beneficial on a temporary basis. Temporary was defined as over the next one to three years and if economic conditions changed, the strategy would be adapted accordingly after taking advice from the council's treasury consultant.

Actions/ further information to be provided:

None

Resolved:

The content of the Treasury Management Strategy for 2017/18 was approved.

15/17 DATE OF NEXT MEETING [Item 16]

The date of the meeting was NOTED.

Meeting ended at: 12.32 pm

Chairman