

MINUTES of the meeting of the **AUDIT & GOVERNANCE COMMITTEE** held at 10.00 am on 13 June 2017 at Committee Room A, County Hall.

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

Elected Members:

(Present)

Mr David Harmer (Chairman)
Mr Keith Witham (Vice-Chairman)
Mr Edward Hawkins
Dr Peter Szanto
Mrs Fiona White

27/17 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

An apology for absence was received from Mr Ernest Mallett.

28/17 MINUTES OF THE PREVIOUS MEETING [27 MARCH 2017] [Item 2]

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

29/17 DECLARATIONS OF INTEREST [Item 3]

There were none.

30/17 QUESTIONS AND PETITIONS [Item 4]

There were none.

31/17 RECOMMENDATIONS TRACKER AND BULLETIN [Item 5]

Declarations of interest:

None

Witnesses:

David John, Audit Performance Manager

Key points raised during the discussion:

1. The Committee reviewed the tracker items left over from the previous committee and agreed that A4/17 and A11/16 be noted and to remove them from the tracker.
2. The Committee were informed that the new Managing Director of Surrey Choices was Penelope Fell but it was too early to say if she would be invited to a select committee. Therefore tracker item A1 would remain on the tracker.
3. The Committee agreed to retain tracker items A8/16 (social care charging) and A18/15 (SEND Strategy) until they had seen the follow up audits currently taking place.

4. A Member pointed out that Paul Deach, a new member was an expert in social media and that the Audit team may wish to contact him when writing their audit report for social media.
5. The Chairman raised an issue he had with the Investment Strategy Review that was considered by Cabinet in March 2017. The Audit Performance Manager stated that he would keep a watching brief and that if the Committee thought the Strategy not robust enough it could be reviewed. The Chairman said he would raise his concerns with the Cabinet Member.

Action/Further information to note:

None.

RESOLVED:

1. That tracker items A4/17 (highways) and A11/16 (Babcock 4s) were completed and to be removed from the tracker .
2. The information bulletin was noted.

32/17 COMPLETED INTERNAL AUDIT REPORTS [Item 6]

Declarations of interest:

None

Witnesses:

David John, Audit Performance Manager
 Russell Banks, Chief Internal Auditor

Key points raised during the discussion:

1. The Committee were informed that Pension Administration and Youth Services would be reviewed in terms of progress and that if it was felt that they were not sufficiently improved a report would be brought to the September meeting of this committee.
2. It was confirmed that the Pension Fund Committee was receiving reports on the Pension Administration audit.
3. It was agreed that there were cultural issues in the Youth Service and that cultural changes normally took longer to put in place.
4. There was some discussion around the new terminology to be used in audit opinions which would show in the audit reports for 2017/18 to this committee. 'Agreed Actions' would also replace the Management Action Plans. The new opinion terms, and their meaning, were given as:

Substantial assurance	Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Reasonable assurance	A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.

Partial assurance	Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
Minimum assurance	Controls evaluated are not adequate, appropriate, or effective to provide reasonable assurance that risks are being managed and objectives should be met.

5. There was some discussion around the highways commissioning and delivery model audit and concern raised about the frequent use of 'management should consider'. The Audit Performance Manager explained the audit process and stated that if the team were not assured within the given deadline then a further report would come back to Audit Committee. The Chief Internal Auditor explained that Orbis would be looking at follow-up audits and how these were done with a view to having a system of action tracking where management respond to each action or a re-audit.

Actions/ further information to be provided:

That Audit provide copies of audit reports to local committee chairmen.

Resolved:

The Committee noted the report.

Reason for decision:

To fulfil its role in monitoring the work of the Audit Team and ensure the adequacy of management responses.

33/17 ANNUAL INTERNAL AUDIT REPORT [Item 7]

Declarations of interest:

None

Witnesses:

David John, Audit Performance Manager
Russell Banks, Chief Internal Auditor

Key points raised during the discussion:

1. The Audit Performance Manager introduced this report and gave highlights from it. He pointed out that on page 10 of Annex B – Carers – an audit assessment rating was missing and that this should read as 'Green'.
2. In response to a question regarding the civil parking enforcement review the Audit Performance Manager responded that all boroughs and districts had been told to follow and improve their practices. Members asked for the audit report to be re-circulated to them.
3. When asked if the Audit Team needed anything to help them in their work, aside from staff and resources, the Audit Performance Manager explained how Orbis had created new opportunities to develop

specialisms within the audit team and had been expensive to buy in. He also explained that his was one of the smallest audit teams for the size of council and that they were all very dedicated.

Actions/ further information to be provided:

That the Civil Parking Enforcement Audit Report be circulated to all members of Audit & Governance Committee.

Resolved:

The Committee noted the work undertaken and performance of Internal Audit in 2016/17 and the resultant annual audit opinion.

Reason for decision:

To fulfil its role in monitoring the work of the Audit Team and ensure the adequacy of management responses.

34/17 FULL YEAR SUMMARY OF INTERNAL AUDIT IRREGULARITY AND SPECIAL INVESTIGATIONS [Item 8]

Declarations of interest:

None

Witnesses:

Reem Burton, Lead Auditor
David John, Audit Performance Manager
Russell Banks, Chief Internal Auditor

Key points raised during the discussion:

1. The Lead Auditor introduced the report and gave a brief explanation of the service. She highlighted certain areas of note within the report and explained that one third of cases were brought forward under the whistle blowing procedure.
2. The Committee discussed the need for publicity of the results both in terms of the service doing well and acting as a deterrent. The Lead Auditor explained that some years ago there was not an appetite for publicity, both amongst senior officers and members. The Chief Internal Auditor explained that the partnership would be exploring publicity and were looking to develop a counter fraud specialism.
3. Members discussed the Fighting Fraud Plan 2017/18 and particularly picked up on mobile phone usage and whether limits could be set on each phone. The Lead Auditor explained that the Plan was flexible and relied on available resources. With regards to setting limits on phones she explained that this was a procurement discussion and that talks were happening with the provider EE. Members were of the opinion that if staff know that calls were logged and could be looked at by managers that this would stop a lot of bad practice.

Actions/ further information to be provided:

1. That the Lead Auditor speak with the Communication Team regarding publicity.

2. That in future reports the Lead Auditor includes a pie-chart breakdown of the 'proven' cases.
3. That the Lead Auditor arrange for a Fraud Seminar for members.

Resolved:

1. To note the report and appendices.
2. To request that options for publicity of outcomes to be investigated.

Reason for decision:

To ensure that members of the Audit and Governance Committee are informed about irregularity investigations and proactive counter fraud work undertaken by Internal Audit.

35/17 ANNUAL RISK MANAGEMENT REPORT [Item 9]

Declarations of interest:

None

Witnesses:

Rawdon Philips, Risk Manager
David McNulty, Chief Executive

Key points raised during the discussion:

1. The Risk Manager introduced the report and explained how there were now closer links between Audit and Risk management.
2. In response to a query regarding L7 – Organisational resilience – the Risk Manager explained that previous discussions had been had regarding splitting this risk but that the proposal was not taken forward. He also explained how other strategic risk registers worked at different levels of the organisation and that the risk of flood would be contained within those as a separate item.
3. The Chairman wanted officers to consider splitting L7 into three separate parts; cyber risk, flood risk and loss of buildings e.g. County Hall and to make a committee recommendation to this effect. The Chief Executive explained that the only reason to change a descriptor was if the mitigation was different, or changed, and that business continuity did not depend on buildings.

Actions/ further information to be provided:

None.

Resolved:

1. That the risk management arrangements were satisfactory.
2. To commend the Risk Management Strategy to Council for inclusion in the Constitution (Annex A).

3. To request that the Chief Executive reconsider risk L7 and to split this into separate risks of cyber risk and flood risk.

Reason for decisions:

To meet its responsibilities for monitoring the development and operation of the council's risk management arrangements.

With agreement from the Committee, the Chairman re-ordered the rest of the agenda in order to take the Chief Executive's item next.

36/17 ANNUAL GOVERNANCE STATEMENT [Item 11]

Declarations of interest:

None

Witnesses:

David McNulty, Chief Executive

Key points raised during the discussion:

1. Investment Strategy:- The Chief Executive explained that there was a gateway process, set out in the Investment Strategy, that described its route prior to it reaching the Investment Board. The Board would then take a view and send a formal paper to Cabinet for consideration. The Chairman stated that he had concerns about the new criteria arrangements described in the report that went to Cabinet in March 2017. The Chief Executive explained that the Council invests under different powers which include internal investment as well as investments of social or community value. The Council has a legal responsibility to support economic prosperity in its localities.
2. Staff Survey:- In response to a query about whether Members received details of the staff survey the Chief Executive explained that the survey was undertaken each year and provided key information about where things could be done differently or better. Following each survey an action plan was drawn up to ensure continual improvement in services. The main theme to come out of the latest survey was that of uncertainty both from within the Council and in the wider world. The survey was a worthwhile resource and provided much information on a wide range of questions.
3. Multi Agency Safeguarding Hub -MASH:- In response to a request for a sentence to be added regarding the ongoing work to bed down the working of the MASH, the Chief Executive explained why there had been the initial teething problems in setting up the MASH. He also explained that even with the initial problems, Children were safer and better served than prior to establishing this MASH. He also clarified that the Annual Governance Statement was focused on Governance and that this aspect appeared under engagement and collaboration and was not about the operation of the MASH. He agreed to include a sentence regarding the MASH Board, consisting of leaders from the partner organisations, which oversees the operation of the MASH.

4. In response to other queries the Chief Executive explained:-
 - that it was important for people to know that webcasts were there to view at their convenience;
 - that whilst Orbis was expected to continue to expand there were no other collaborative partnerships in the pipeline. The next step was to work towards better integration of health and social care.
 - there were many ways in which the Council communicated with Government and MPs to ensure they understood the issues the Council was facing.

Actions/ further information to be provided:

1. To request information regarding the effectiveness of registering/declaring significant personal interests and whether these were ever declared in meetings.
2. To request information regarding webcasting usage and whether the number of meetings webcast was up or down.
3. That the Chief Executive include a sentence, in the AGS, regarding the MASH Board, consisting of leaders from the partner organisations, which oversees the operation of the MASH.

Resolved:

To commend the draft Annual Governance Statement to the Cabinet for publication with the Council's Statement of Accounts.

Reason for decision:

The council is required to annually review the effectiveness of its governance arrangements and produce an Annual Governance Statement.

37/17 GOVERNANCE STRATEGY AND CODE OF CORPORATE GOVERNANCE [Item 10]

Declarations of interest:

None

Witnesses:

Nikki O'Connor, Finance Manager

Key points raised during the discussion:

1. The Finance Manager introduced the report and explained that this was an annual report and that very little had changed since the previous year's review.

Actions/ further information to be provided:

That the Finance Manager draft a paragraph for the Chairman in preparation for him presenting the Code to County Council regarding changes to the Strategy and Code.

Resolved:

The updated Code of Corporate Governance (Annex B) was approved and commended to County Council for inclusion into the Constitution.

Reasons for decision:

1. An annual review of the Code of Corporate Governance has been undertaken to ensure that it is fit for purpose and reflects the authority's approach and commitment to good governance.
2. The Local Government Act 2000 places a reliance on local authorities to review their governance arrangements and operate through a local governance framework, which brings together requirements, governance principles and processes.

38/17 COMMITTEE WORKPLAN [Item 12]

The workplan was noted.

39/17 DATE OF NEXT MEETING [Item 13]

The date of the next meeting was noted.

Meeting ended at: 1.12 pm

Chairman