

MINUTES of the meeting of the **AUDIT & GOVERNANCE COMMITTEE** held at 10.30 am on 4 December 2017 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 David Harmer (Chairman)*
Mr Keith Witham (Vice-Chairman)*
Mr Edward Hawkins*
Mr Ernest Mallett MBE*
Dr Peter Szanto*
Mrs Fiona White*

Present = *

63/17 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

There were none.

64/17 MINUTES OF THE PREVIOUS MEETING - 25 SEPTEMBER 2017 [Item 2]

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

65/17 DECLARATIONS OF INTEREST [Item 3]

There were none.

66/17 QUESTIONS AND PETITIONS [Item 4]

There were none.

67/17 RECOMMENDATIONS TRACKER AND BULLETIN [Item 5]

Declarations of interest:

None

Key points raised during the discussion:

1. With reference to Recommendation A11/17, the Committee were informed that HR had agreed to include an additional column in the whistleblowing report to detail outcomes.
2. With reference to Recommendation A5/17, it was noted that the Communications Team had agreed to develop a campaign to discourage fraud within the County Council. Officers highlighted this was scheduled for the New Year.
3. Members noted the formatting corrections needed in Recommendation A6/17.

4. The Committee noted the Audit and Governance Committee Bulletin.

Action/Further information to note:

None.

RESOLVED:

That the Audit and Governance Committee noted the report.

68/17 2016/17 AUDIT FINDINGS REPORT FOR S. E. BUSINESS SERVICES LTD, SURREY CHOICES LTD & HALSEY GARTON LTD [Item 6]

Declarations of interest:

None

Witnesses:

Ciaran McLaughlin, Grant Thornton
Thomas Slaughter, Grant Thornton
Susan Smyth, Head of Strategic Finance, Surrey County Council

Key points raised during the discussion:

S. E. Business Service LTD.

1. Representatives from Grant Thornton confirmed that there had been no significant issues found during the Audit. There was one adjustment to the group tax relief claim. The draft accounts had reflected the draft tax position so this had been updated in the final accounts to reflect the final tax position for the year.
2. The Committee asked for clarification on who directed the outlined companies where it was confirmed that it was senior officers of the County Council. It was noted that the day-to-day operation of each company was the responsibility of the Directors (of each company) and the Shareholder Board was responsible for taking decisions on behalf of the Council that were more strategic in nature.
3. It was confirmed that S. E. Business Services LTD was 100% owned by Surrey County Council (SCC) therefore all profits went to the Council.

Surrey Choices

4. Representatives from Grant Thornton stated that they had previously raised concern over some of the company's processes but following the recent audit had confirmed they were now satisfied. One audit adjustment had been identified which was regarding the deferred tax charge for the period which affected the reported financial position; discussions were currently being had with management around what adjustment was required. It was noted that this would continue to be monitored and would be followed up on in the New Year.
5. Members raised concern over the write-off of debt by Surrey Choices that was outlined in the report. Following further discussion it was

agreed for the Chairman to meet with the Chairman of the Overview and Budget Scrutiny Committee in order to pass on the concerns of the Committee.

6. Members queried the reasoning behind setting up the Local Authority Trading Company (LATC) as it meant the Council would be taxed. Officers stated that one of the reasons was to allow for greater use of personal budgets.
7. On page 83 of the report, Members queried the figure which stated that the average life expectancy assumptions used by the actuaries for males was 67.5 years and 69.6 years for women. It was noted that there had been an error in the disclosure note but that the calculation was correct.

Halsey Garton LTD

8. A section of the report was discussed which stated that the company was free to determine when to sell a property asset, therefore it was unlikely that there would be a realised loss since assets would generally only be sold when it was beneficial to do so. When referring to this some Members saw it as unwise to state that it would be unlikely to lead to a loss as it was believed this should not be assumed. Following further discussion officers reaffirmed that it would be very unlikely.

Actions/ further information to be provided:

A1/17 - For the Chairman to speak informally to the Chairman of the Overview and Budget Scrutiny Committee to raise concerns over the debt of Surrey Choices.

Resolved:

The Audit & Governance Committee considered the contents of the 2016/17 Audit Findings Report for S. E. Business Services Ltd, Surrey Choices Ltd & Halsey Garton Ltd.

69/17 EXTERNAL AUDIT UPDATE REPORT [Item 7]

Declarations of interest:

None

Witnesses:

Thomas Slaughter, Grant Thornton

Key points raised during the discussion:

1. A representative from Grant Thornton stated that an audit plan would be issued in the New Year for 2017/18.
2. The Committee noted the report.

Actions/ further information to be provided:

None.

Resolved:

The Audit and Governance committee noted the external auditor's progress report.

70/17 TREASURY MANAGEMENT HALF YEAR REPORT 2017/18 [Item 8]

Declarations of interest:

None

Witnesses:

Nicola O'Connor, Finance Manager

Key points raised during the discussion:

1. Officers introduced the report which summarised the Council's treasury management activity during the first half of 2017/18. It was highlighted that Members had recently attended a training session on Treasury Management at the Council.

Actions/ further information to be provided:

None.

Resolved:

The Audit and Governance Committee noted the content of the Treasury Management Half Year Report for 2017/18.

71/17 INTERNAL AUDIT HALF YEARLY REPORT 2017/18 [Item 9]

Declarations of interest:

None

Witnesses:

David John, Audit Performance Manager

Key points raised during the discussion:

1. Officers introduced the report which summarised the work of Internal Audit during the first six months of 2017/18. Annex D was highlighted as it was asking the Committee to support the proposal to use South West Audit Partnership (SWAP) to complete an external assessment of Orbis Internal Audit, which was in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS).
2. Members referred to page 209, Annex B of the report and asked for clarification on where is stated 'Members'. Officers confirmed that this was members of the pension scheme and not specifically Members of the Council.

3. In regards to the Review of Pension Administration Audit actions (Annex B), Officers highlighted that Complaints Management would no longer sit outside the service and would continue to be monitored.

Actions/ further information to be provided:

None.

Resolved:

The Audit and Governance Committee agreed to:

- a. Note the revised Orbis-Internal Audit Key Performance Indicators
- b. Support the proposal to use the South West Audit Partnership (SWAP) to complete an external assessment of Orbis Internal Audit in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS)
- c. Approve the draft Reporting and Escalation Policy

There were no matters to be referred to Cabinet and/or the County Council

The Committee did not identify any new or emerging risks for inclusion in the Internal Audit Plan

72/17 HALF-YEAR IRREGULARITIES REPORT [Item 10]

Declarations of interest:

None

Witnesses:

David John, Audit Performance Manager

Key points raised during the discussion:

1. Officers introduced the report which outlined irregularity investigations and proactive counter fraud work undertaken by internal audit in the first half of this financial year. Officers referred to paragraph 11 of the report which outlined investigated irregularities by directorate and showed the 39% had originated from the Deputy Chief Executives Office. It was noted that this was because a large number of common fraud areas were located in this directorate, such as the Blue Badge fraud.
2. Members of the Committee thanked Reem Burton, Lead Auditor, for her contribution to the Direct Payments case which was outlined in the report.
3. Members raised concern with Paragraph 5.1 of the Anti-Money Laundering Policy (Annex B, Appendix C) as there could be some risk with accepting any currency when accepting cash payments. Officers agreed to remove the wording 'in any currency' from the policy.

Actions/ further information to be provided:

A13/17 - For Officers to remove the wording 'In any Currency' from paragraph 5.1 of the Anti-Money Laundering Policy.

Resolved:

The Audit and Governance committee agreed to:

- a. Note the contents of this report; and
- b. Approve the updated Counter Fraud Strategy and Framework, attached at Annex B of the report.

73/17 COMPLETED INTERNAL AUDIT REPORTS [Item 11]

Declarations of interest:

None

Witnesses:

David John, Audit Performance Manager

Key points raised during the discussion:

1. Officers introduced the report which outlined the internal audit reports that had been completed since September 2017.
2. Members sought clarification on the purpose of the Buying Solutions Team which was mentioned on page 260 of the report. Officers confirmed that its purpose was to facilitate the procurement of services within the Council.
3. Members discussed the Unaccompanied Asylum Seeking Children (UASC) audit report and drew attention to the fact that 14 of 15 tested UASC records had not met the 20 day health assessment timescale deadline. Members raised concern with this and stated that the service needs to set sensible and achievable timescales.

Actions/ further information to be provided:

None.

Resolved:

The Audit and Governance Committee noted the report.

74/17 HALF YEAR RISK MANAGEMENT REPORT [Item 12]

Declarations of interest:

None

Witnesses:

Nicola O'Connor, Finance Manager

Key points raised during the discussion:

1. Officers introduced the report where it was noted that the half year risk management report enabled the Committee to meet its responsibilities for monitoring the development and operation of the Council's risk management arrangements.
2. On page 274 of the report, it was agreed to add the word 'property' within point 6, under 'Process in place', in annex B the report. Therefore stating 'Information management in CSF, health and social care integration and *property* assets'.
3. Concern was raised over the lack of optimisation of vacant properties within the County. Officers confirmed that an audit report relating to this was underway and would be available in the New Year. Upon further discussion it was agreed to request a briefing from Property Services in order to outline further details.
4. Members discussed the tests carried out on business continuity plans within the Council and queried their extensively. Upon further discussion, it was recommended that a report be brought to the Committee, to update Members of business continuity plans at the Council and their robustness following practical testing.

Actions/ further information to be provided:

A14/17 - For a briefing to be circulated to the Audit and Governance Committee outlining the optimisation of vacant properties within the county.

A15/17 - For the Audit and Governance Committee to receive a report outlining the testing of Business Continuity plans.

Resolved:

The Audit and Governance Committee:

- a. Considered the contents of the report and confirmed it was satisfied with the risk management arrangements.
- b. Reviewed the Leadership Risk Register and determined whether there were any matters that it wishes to draw to the attention of the Chief Executive, Cabinet, Cabinet Member or appropriate Select Committee.

75/17 GOVERNANCE UPDATE REPORT [Item 13]

Declarations of interest:

None

Witnesses:

Nicola O'Connor, Finance Manager

Key points raised during the discussion:

1. Officers introduced the report which purpose was to provide an update on the Council's governance arrangements during the first six months of 2017/18.

2. Members noted that the Council's reported overspend for December would be available for consideration at the Audit and Governance Committee meeting in January 2018.

Actions/ further information to be provided:

None.

Resolved:

The Audit and Governance Committee:

- a. Confirmed it was satisfied with the ongoing governance work
- b. Did not agree for any concerns to be referred to the Cabinet or to the relevant Cabinet Member.

76/17 DATE OF NEXT MEETING [Item 14]

The date of the meeting was noted as 22 January 2018.

Meeting ended at: 12.15 pm

Chairman