

MINUTES of the meeting of the **AUDIT AND GOVERNANCE COMMITTEE** held at 10.30 am on 7 February 2019 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:

*= Present

- *Mr David Harmer (Chairman)
- *Mr Keith Witham (Vice-Chairman)
- *Mr Edward Hawkins
- *Dr Peter Szanto
- *Mr Will Forster
- *Mr Stephen Spence

1/19 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

No apologies for absence were received.

2/19 MINUTES OF THE PREVIOUS MEETING [10/12/18] [Item 2]

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

3/19 DECLARATIONS OF INTEREST [Item 3]

There were none.

4/19 QUESTIONS AND PETITIONS [Item 4]

There were none.

5/19 RECOMMENDATIONS TRACKER [Item 5]

Key points raised during the discussion:

1. The Chairman informed Members that, at its meeting in April, the Committee would be considering the Annual Risk Management Report and the Leadership Risk Register. Members agreed that they would find it helpful to receive specific training on this prior to considerations.

Action/Further information to note:

Members of the Audit and Governance Committee to receive training related to the Annual Risk Management Report and the Leadership Risk Register.

RESOLVED:

That the committee noted the report.

6/19 TREASURY MANAGEMENT STRATEGY 2019/20 [Item 6]

Witnesses:

Nikki O'Connor, Finance Manager

Key points raised during the discussion:

1. The Chairman introduced the item and highlighted that on 11 December 2018 County Council agreed that responsibility for approving the annual Treasury Management Strategy Statement (TMSS) would be delegated to the Audit and Governance Committee.
2. The Finance Manager provided a brief overview of the report and explained that the strategy under consideration was a continuation of the existing strategy which maximised internal borrowing and used short term borrowing to manage cash flow short falls. Officers would continue to assess the appropriateness of the strategy and, if required, there was some provision for long term borrowing. The strategy did not prevent the council from entering into long term borrowing. It was further noted that Members had previously attended training on the Treasury Management Strategy.
3. The Committee discussed a comment that was raised at the previous County Council meeting which compared the interest income of Tandridge District Council and Surrey County Council. Officers stated that the District Council may have been able to receive a higher income due to having higher cash balances and by utilising different investment options, such as property based investments, but that this strategy meant there was less security on the initial investment. Following further discussion, it was agreed to circulate benchmarking data from similar two-tier local authorities to compare their interest income.
4. Officers noted that there were inconsistencies in the report when referring to the average investment.
5. Members noted that the budget for debt interest paid in 2019/20 was £19 Million. Following discussion, it was noted that a considerable portion of this was from historic long term borrowing.
6. Officers informed Members that, if required, the Treasury Management Strategy allowed for long term borrowing to be undertaken. In the event of this, the council would be able to borrow from the Public Works Loan Board at short notice.
7. The Chairman highlighted that the Corporate Overview Select Committee (COSC) held scrutiny of the Treasury Management Strategy within its remit. The strategy was considered at the COSC meeting on 25 January 2019.
8. Officers informed Members that Private Finance Initiative (PFI) schemes were considered to be a form of borrowing and therefore there was a requirement to be included in the capital financing requirement. It was noted that a list of the PFI liabilities could be found in the council's statement of accounts.
9. Members noted that in the event of a "no deal Brexit", the council would have the ability to invest in UK based Money Market Funds and with the Debt Management Office. It was further noted that the Interim Executive Director for Finance was the Brexit preparation lead for the council.
10. When discussing the council's Investment & Debt Portfolio Position, Officers highlighted to Members that £390 million of the £644 million net debt was from long term borrowing from the Public Works Loan Board.

Actions/ further information to be provided:

A1/19 - To circulate benchmarking data from similar two-tier local authorities to compare interest income. – Finance Manager

Resolved:

The Audit and Governance Committee approved the Treasury Management Strategy for 2019/20.

7/19 INTERNAL AUDIT PROGRESS REPORT - QUARTER 3 (01/10/18 - 31/12/18) [Item 7]

Witnesses:

David John, Audit Manager

Russell Banks, Chief Audit Officer

Key points raised during the discussion:

1. The Audit Manager introduced the item and explained that the report included a summary of the work completed by Internal Audit between 1 October 2018 and 31 December 2018. Members noted that an agreed action plan was created for all final reports that would address any findings or issues. Internal Audit would track the progress of all High Priority recommendations as they fell due and the reports which received Partial or Minimal Assurance would usually be followed up in the following year.
2. Officers highlighted that the detail on page 49 provided Members with a summary of Internal Audit's work to support the transformation programme. It was explained that the work would be undertaken in five phases to review processes and make any recommendations considered appropriate. Work was currently ongoing in Phase 2 and would continue through early 2020. Members noted that the Committee would be informed as and when findings were identified.
3. Officers highlighted to Members that Internal Audit was ahead of schedule implementing the Audit Plan and thanked officers in Surrey County Council, East Sussex County Council and Brighton & Hove City Council for their work.
4. A Member of the Committee asked why an additional review of the Surrey Wildlife Trust had been added to the audit plan. It was explained that this was due to recent changes to the contract and concerns around the contract's arrangements.
5. The Committee asked whether services were given the opportunity to conduct any internal assessments prior to Audits being carried out. Officers explained that the role of Internal Audit was to support improvement within the services and that many services did not have the resource to conduct regular self-assessments. It was noted that services were given ownership of any actions agreed.
6. Members noted that the Children and Education Select Committee would be discussing the outcomes of the Children's Families & Learning Care Assessments audit at its next meeting in March 2019. Officers explained that a summary of the audit would be provided at the next meeting and any further issues would be reported to the Audit and Governance Committee as they arose. The Committee requested

to receive an update on the findings of the audit and progress on actions agreed at the Committee meeting in September 2019.

7. Members highlighted the importance of identifying a responsible officer for each agreed action. Officers further stated that the action tracking process reduced the risk of actions being lost and uncompleted due to the turnover of staff.
8. The Committee raised concerns relating to the recent audit titled 'Modified Fire Pensions Scheme 2006 for Retained Firefighters 2018/19' and asked that it be highlighted for discussion at a meeting of the Surrey Local Firefighters' Pension Board.
9. The Committee noted that the review of CFL Payment Card had only received partial assurance due to its findings. Members felt that it was important to implement actions quickly to prevent any potential misuse of the cards.

Actions/ further information to be provided:

A2/19 - The Committee to receive an update on the findings and the progress on agreed actions for the Children's Families & Learning Care Assessments audit at the Committee meeting in September 2019.

A3/19 - To ensure the 'Modified Fire Pensions Scheme 2006 for Retained Firefighters 2018/19' audit is brought to the Surrey Local Firefighters' Pension Board's attention.

Resolved:

The Audit and Governance Committee noted the report.

8/19 DATE OF NEXT MEETING [Item 8]

The date of the meeting was noted to be held on 8 April 2019.

Meeting ended at: 11.45 am

Chairman