

MINUTES of the meeting of the **AUDIT AND GOVERNANCE COMMITTEE** held at 10.30 am on 26 September 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 Stephen Spence
*Mr Stephen Cooksey
Mr Edward Hawkins
Dr Peter Szanto

Substitute Members:

*Mrs Bernie Muir

37/19 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies have been received from Edward Hawkins and Peter Szanto.

Bernie Muir to act as substitute for Edward Hawkins.

38/19 MINUTES OF THE PREVIOUS MEETING - 29 JULY 2019 [Item 2]

A Member who previously made the comment at the previous meeting stated that the minute item **34/19** should be amended to read: 'the Council should question the Local Government Association advice that pension auto-enrolment should not apply to Members (councillors) as they were not "workers"'. Subsequent to that meeting, Surrey County Council were taking the LGA's view and the Member was certain that the Council should seek its own legal advice on the matter.

Subsequent to the amendments above, the minutes were approved as an accurate record of the previous meeting.

39/19 DECLARATIONS OF INTEREST [Item 3]

There were none.

40/19 QUESTIONS AND PETITIONS [Item 4]

There were none.

41/19 RECOMMENDATIONS TRACKER AND BULLETIN [Item 5]

Witnesses:

Russell Banks, Orbis Chief Internal Auditor
Amelia Christopher, Committee Manager

David John, Audit Manager
Cath Edwards, Service Improvement and Risk Manager

Key points raised during the discussion:

1. Members considered the value of the bulletin as the Orbis Chief Internal Auditor explained that from an Internal Audit perspective anything in the bulletin would be reported to the Committee. In response, Members agreed to keep the bulletin as it was a simplified format with key pieces of information highlighted for Members and proved useful for Committee substitutes. Democratic Services will circulate this more widely to all Members.
2. Action A2/19 - The Audit Manager agreed that the follow-up will be provided at the next meeting as the report was in its early stages.
3. Action A6/19 - To be provided in due course with the target of December.
4. Action A8/19 - In response to the Chairman's query, the Audit Manager and Orbis Chief Internal Auditor will circulate high priority items of minimal/partial assurance to the Vice-Chairmen of the Select Committees.

Action/Further information to note:

None.

RESOLVED:

That the Committee monitored the progress on the implementation of recommendations from previous meetings and noted the bulletin.

42/19 ANNUAL COMPLAINTS PERFORMANCE REPORT [Item 6]

Witnesses:

Sarah Bogunovic, Customer Relations and Service Improvement Manager

Key points raised during the discussion:

1. The Customer Relations and Service Improvement Manager introduced the report and informed the Committee that Surrey County Council operated three complaints procedures: one for Adult Social Care and one for Children's Services, which were statutory procedures, as well as one covering all other Council services – the Pensions Service was also included for the first year.
2. It was important that the Council was a learning organisation responsive to feedback and the measurement of its performance should be based on escalation rates - resolving complaints early - and uphold rates - where fault was found - rather than the volume of complaints received. 1,408 complaints were received in 2018/19 (6% increase from previous year). This was compared to 1,980 compliments received in that year. There were also 1,396 wider customer enquiries of which 16% escalated to the complaints procedure.

In response to Member queries the Customer Relations and Service Improvement Manager explained that:

3. She would look into how many Members used the Councillor's email service which logged and coordinated responses to residents' enquiries, as Members noted it as useful. A Member stated that responses were prompt but mixed depending on the issue.
4. That the Council's online self-service complaints form for residents was different to sending them by email directly to the contact centre because it was automated and the form went directly into the electronic complaints system - reducing the bureaucratic process and allowing greater oversight as to the distribution of, and responses to, complaints.
5. To ensure timely and full responses would be provided to Ombudsman enquiries, a new complaints case management system was in place and workshops were being planned for service managers. Proactive reminders of deadlines were also being sent.
6. Roll-out of the new complaints case management system was underway, with Corporate and Children's Services already live and plans in place to roll the system out next to Adult Social Care, Pensions and Member / MP enquiries. It was anticipated that this would be completed by April 2020, pending user testing and refinement.
7. She recognised the genuine fear that complaining could hinder the service a person received from the Council. Individuals who complained could choose to remain anonymous, but the difficulty in that was that they would not receive a response. It was important to ensure that residents felt confident to complain and that the process was transparent.
8. She would review how to make it easier for staff members to make complaints on behalf of residents.
9. Members were informed that complaints reporting needed to be refined and that real-time dashboards open to service managers and Members to see complaints and feedback - possibly by Division - were being developed and suggested that it would be good to get Members involved in testing.
10. She noted the Chairman's comment of the past initiative called 'Rapid Improvement Events' where potential areas of concern were highlighted and areas of risk were investigated by a group of staff who had the knowledge within that service.
11. That it was difficult to align the number of complaints with the total number of enquiries that the Council received, as not all enquiries were centrally received. However, it was noted that there were approximately 250,000 calls through the contact centre and 5.3 million web hits last year.
12. That there was an employee's recognition system within each department with localised awards, as well as a centralised way to recognise good customer service with the TOWER awards - which was in the process of being rebranded.
13. That a Member comment on an application which would randomly select positive comments made about staff to their managers was useful, as was mention of a flagging system allowing trend analysis of common areas of complaint dealt directly with the service area.

Actions/ further information to be provided:

A10/19 - The Customer Relations and Service Improvement Manager would look into how many Members used the email service which would send and log residents' enquiries to the relevant contact centre.

RESOLVED:

That the Audit and Governance Committee noted the report.

43/19 RISK MANAGEMENT REPORT [Item 7]

Witnesses:

Cath Edwards, Service Improvement and Risk Manager
Russell Banks, Orbis Chief Internal Auditor

Key points raised during the discussion:

1. The Service Improvement and Risk Manager introduced the report and informed the Committee that the independent review of strategic risk management would be led by Gallagher Bassett insurers.
2. The level of risk maturity will be assessed through a series of interviews with a number of stakeholders from across the organisation and reported to the Corporate Leadership Team (CLT). Findings will be collated at the end of November with the aim of reporting back to the Committee's December meeting.

In response to Member queries:

3. The Service Improvement and Risk Manager stated that the risk of Brexit (reference S3) was an umbrella risk underpinning many of the risks in the strategic risk register and directorates within the Council. European employees were being supported and an effective commissioning strategy concerning the Provider Market (reference S8), would contain both in- house and privately contracted services.
4. With regards to SEND (Special Educational Needs and Disability) (reference S9), the Orbis Chief Internal Auditor informed Members that cost potentials of changes to future transport provision were not audited. The Chairman in agreement with Members noted that this was a risk and the Committee would look to include this as part of their governance review in the changes to scrutiny arrangements.
5. There was no life-time evaluation of SEND transport users as Internal Audit looked at compliance with policies in the system, rather than the type of policy created externally by the service.

Actions/ further information to be provided:

1. A11/19 - Findings on the levels of risk maturity assessed through a series of interviews with stakeholders across the organisation, would be collated at the end of November with the aim of reporting back to the Committee's December meeting.

2. A12/19 - The Chairman in agreement with Members noted that this was a risk and the Committee would look to include this as part of their governance review in the changes to scrutiny arrangements.

Resolved:

That the Committee:

1. Considered the contents of the report and confirmed they were satisfied with the risk management arrangements;
2. Reviewed the strategic risk register and determined no matters to be drawn to the attention of the Chief Executive, Cabinet, Cabinet Member or relevant Scrutiny Committee.
3. Noted the upcoming independent review of the strategic risk management arrangements.

44/19 EXTERNAL AUDIT PERFORMANCE REPORT 2018/19 [Item 8]

Witnesses:

Kevin Kilburn, Strategic Finance Manager - Corporate

Key points raised during the discussion:

1. The Strategic Finance Manager - Corporate introduced the report and commented that there were a number of pressures across Local Government including: a more in-depth scrutiny over audits, the statutory deadline of the statements of accounts' was brought forward to the 31 July and the McCloud judgement over pensions. Out of 486 local authorities 210 did not have their accounts signed off by the deadline. Surrey County Council met that deadline, which was especially pleasing as this was the first year of the centre of excellence sharing resources to deliver the financial statements jointly with East Sussex County Council and Brighton & Hove City Council. Therefore achieving a clean audit by the deadline was a very good performance, representing good working between the finance and audit teams.
2. One area of the 2018/19 Performance Management Framework was not met, which was the client satisfaction score rated at 7, with its target at 9/10. In response to the Chairman's query, the Strategic Finance Manager - Corporate remarked that the audit of the valuation of schools took longer than expected as Grant Thornton had to seek specialist advice from external valuers for the valuation of land and buildings. This was driven by an increased valuation which adjusted the erroneous interpretation of valuer guidance five years ago. The External Audit engagement lead also explained that additional work had been required in relation to the valuation of assets at the Eco Park.

Actions/ further information to be provided:

None.

RESOLVED:

That the Audit and Governance Committee considered the contents of the report.

45/19 EXTERNAL AUDIT: ANNUAL AUDIT LETTER [Item 9]

Witnesses:

Tom Beake, Grant Thornton
Ciaran McLaughlin, Grant Thornton
Kevin Kilburn, Strategic Finance Manager - Corporate

Key points raised during the discussion:

1. The representatives from Grant Thornton introduced the report and stated that it was a less technical and more accessible report than the 2018/19 Audit Findings Report. It was published on the Council's website as a requirement of national audit practice.
2. In response to a Member query on the implications of Brexit and possible property devaluation, the Strategic Finance Manager - Corporate explained that any change in valuations would be reflected in the Comprehensive Income and Expenditure Statement, but would have no adverse effect on the General Fund or the council tax.

Actions/ further information to be provided:

None.

RESOLVED:

That the Audit and Governance Committee noted the contents of the Annual Audit Letter.

46/19 INTERNAL AUDIT PROGRESS REPORT - QUARTER 1 (01/04/19 - 30/06/19) [Item 10]

Witnesses:

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

Key points raised during the discussion:

1. The Audit Manager introduced the report and provided a summary:
 - Of the 13 formal audits in quarter 1, 2 received minimal assurance which were: Schools Safeguarding Arrangements and the Surrey Pension Fund Administration.
 - More specifically, minimal assurance was given to the School Safeguarding Team due to significant control weaknesses within the way the team previously operated, exacerbated by large-scale staffing changes as a result of the directorate restructure.

- Surrey Pensions Fund Administration received that level of assurance due to long-term weaknesses in process and control, and inefficiencies in team working practices. To address this, there was a new interim Pensions Manager appointed and a Governance Board was set up between Finance, Audit and Pensions Teams which continues to track recommendations. Deadlines for agreed actions would not be met due to resourcing and complexity, with the follow up audit now scheduled in quarter 3.
- 2. Members were concerned that only 1 out of 13 audit reports in quarter 1 received substantive assurance and asked how these compared to last year and how they were being addressed. In response, the Audit Manager commented that it was partly positive as it showed audit resource was focussed on the highest risk areas, which was indicative of a good relationship between senior management and Internal Audit. The Orbis Chief Internal Auditor noted that this pattern of assurance mirrored that of his 2018/19 Annual Audit Opinion for the Council, overall which was Partial Assurance.
- 3. The Audit Manager notified the Committee that a verbal update relating to the follow-up audit for Surrey Pension Fund Administration could be reported to the Committee in December.
- 4. In response to the Orbis Chief Internal Auditor proposing that someone from the service concerning the Schools Safeguarding Arrangements would report to the Committee, Members agreed that the Chairman would write to the Chairman of the Children, Families, Life-long Learning and Culture Select Committee drawing attention to the report.
- 5. The Audit Manager responded to a Member query by stating that there were no historical records prior to 2017 concerning Schools Safeguarding Arrangements due to bad practice. The majority of records were kept on email and those records were lost when staff left the team as there was no central repository. It was hoped that the new IT platform would resolve that issue once it was approved.
- 6. In response to a Member query, the Orbis Chief Internal Auditor and the Audit Manager informed the Committee that the problem of self-assessment questionnaires not being submitted by the school safeguarding team was being addressed. A new online tool was purchased to allow self-evaluation of safeguarding arrangements which logged records centrally.

Actions/ further information to be provided:

1. A13/19 - The Audit Manager notified the Committee that a verbal update relating to the follow-up audit for Surrey Pension Fund Administration could be reported to the Committee in December.
2. A14/19 - The Chairman would write to the Chairman of the Children, Families, Life-long Learning and Culture Select Committee drawing attention to the report on the Schools Safeguarding Arrangements.

RESOLVED:

That the Committee noted the report and considered that no further action was required in response to issues raised.

47/19 GOVERNANCE REVIEW: CHANGES TO SCRUTINY [Item 11]

Witnesses:

Vicky Hibbert, Governance Lead Manager - Legal and Democratic Services
Ross Pike, Committees Business Manager

Key points raised during the discussion:

1. The Governance Lead Manager explained that in agreement with the Corporate Leadership Team (CLT) and the Chief Executive of the Council, as part of its governance role the Committee was charged with the responsibility to undertake a review of the changes to the Council's scrutiny arrangements decided in May 2019.
2. In response to the Chairman's question on the discussions within the Select Committee Chairmen and Vice-Chairmen's Group on the changes to the scrutiny arrangements, Members were told that the review should be independent so should come from the Audit and Governance Committee.
3. Overview was encompassed with scrutiny and the review would be a Member led exercise, with support from Democratic Services.
4. The Committee was tasked to agree the membership within the Terms of Reference of the proposed Audit and Governance Task Group, Members were recommended that it would be composed of three or four Members of the Committee.
5. Members discussed that a Task Group of four would not be beneficial as the Committee was only composed of six Members and each had a different knowledge of Select Committees.
6. In response to Member questions it was explained that in addition to the Local Government Act 2000, when exercising its functions local authorities 'must have due regard' to the statutory guidance from the Ministry of Housing, Communities and Local Government. In accordance with best practice standards, local authorities also 'may have regard' to other material such as the Centre for Public Scrutiny's 'Scrutiny Evaluation Framework' to assist their overview and scrutiny function.
7. Members discussed whether they should attend the four Select Committee meetings as part of their governance review. A Member had reservations due to their borough and district commitments and external employment. He reiterated that Members were volunteers not 'workers'/paid professionals.
8. In response to Members queries, the Committees Business Manager stated that the two supporting reports on this item were written to be accessible to Members, they did not need specialist knowledge to undertake the governance review.
9. The Governance Lead Manager reminded Members that the Select Committees were webcast for those who could not attend them in person and the Committees Business Manager stressed that an objective governance review was based on the Select Committees' compliance with good scrutiny practice as outlined in the two supporting reports, not by obtaining the 'feeling' of the meeting.
10. In response to Member queries, the Governance Lead Manager informed the Committee that the rationale behind changing the Council's Select Committee structure was not a resourcing issue. It

was as a result of the Centre for Public Scrutiny's 'Northamptonshire: Scrutiny Improvements' report which advocated fewer committees and a simpler structure. At Members' request, a recommendation to ensure the structure of Select Committees would not change in May 2020 would be included in the Task Groups' updated Terms of Reference.

11. In order to allow the new scrutiny arrangements to embed, Members were advised by the Governance Lead Manager and the Committees Business Manager that the report from the Task Group should go to the Audit and Governance Committee in May 2020 - it would be a Task and Finish Group. Updates to the Committee before that should be documented as written reports rather than as verbal discussion items.

Action/further information to be provided:

1. When possible, Members to attend and/or watch the webcast of the four Select Committee meetings as part of their governance review over scrutiny.
2. A recommendation to ensure the structure of Select Committee will not change in May 2020, will be included in the Task and Finish Group's updated Terms of Reference.

RESOLVED:

1. Members agreed that the governance review of the changes to the scrutiny arrangements did fall within the Committee's governance responsibility.
2. That it was to be a Task and Finish Group with whole Committee membership and a report to the full Audit and Governance Committee in May 2020 – making allowances for Members with considerable district and borough commitments and external employment.

48/19 DATE OF NEXT MEETING [Item 12]

The date of the meeting was noted as 12 December 2019.

Meeting ended at: 1.19 pm

Chairman

