

MINUTES of the meeting of the **AUDIT AND GOVERNANCE COMMITTEE** held at 10.30 am on 26 November 2020 at Teams.

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

Elected Members:

David Harmer (Chairman)
Keith Witham (Vice-Chairman)
Dr Peter Szanto
Stephen Cooksey
Victoria Young
Ernest Mallett MBEMr Stephen Spence

50/20 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Stephen Spence. Ernest Mallett acted as a substitute.

51/20 MINUTES OF THE PREVIOUS MEETINGS [Item 2]

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

52/20 DECLARATIONS OF INTEREST [Item 3]

There were none.

53/20 QUESTIONS AND PETITIONS [Item 4]

There were none.

54/20 RECOMMENDATIONS TRACKER [Item 5]

Declarations of interest:

None

Witnesses:

Joss Butler, Committee Manager

Key points raised during the discussion:

1. In regard to action A2/18, the Committee Manager informed Members that an external audit with bsi would be undertaken mid-2021. Along with this, if possible, a complete debrief would be undertaken on the business continuity aspects of COVID-19. A report outlining details could then be considered by the Committee. Members agreed to include an item on the Committee's forward work programme.

Action/Further information to note:

None.

RESOLVED:

The Committee noted the report.

55/20 TREASURY MANAGEMENT MID YEAR REPORT 2020/21 [Item 6]

Declarations of interest:

None

Witnesses:

Mark Hak-Sanders, Strategic Finance Business Partner

Paul Forrester, Strategic Finance Business Partner

Key points raised during the discussion:

1. The Strategic Finance Business Partner introduced the report and provided a brief summary. Members noted that the report summarised the council's treasury management activity during the first half of 2020/21, as required to ensure compliance with CIPFA's Code of Practice for Treasury Management. Members further noted details related to an overview of the economic context and compliance with treasury management indicators.
2. Members highlighted that the Committee had recently attended a briefing session on the report's subject.
3. The Committee asked for clarification on the value of assets with the impact of COVID19. Officers confirmed that the council worked closely with property management companies to discuss any issues related to deferment of rent payment due to the impacts of COVID-19. Members further noted that rent-free periods were allocated only when negotiations ended with an advantage to the council. In regards to impacts to the value of assets, the Committee noted that valuations, carried out by a third party, looked at the long term rental position and therefore a significant drop to the Estimated Recovery Value had already been taken into account.
4. The Committee asked whether the council had considered a risk related to leaving the EU without a deal. Officers confirmed that regular meetings were scheduled with Arlingclose, the council's treasury advisors, to consider and review the situation.

Action/Further information to note:

None.

RESOLVED:

The Audit & Governance Committee noted the contents of the Treasury Management Mid Year Report for 2020/21.

56/20 INTERNAL AUDIT PROGRESS REPORT – QUARTER 2 (01/07/20 – 30/09/20) [Item 7]

Declarations of interest:

None

Witnesses:

David John, Audit Manager

Russell Banks, Chief Internal Auditor

Key points raised during the discussion:

1. The Audit Manager introduced the report and informed Members the purpose was to inform members of the work completed by Internal Audit between 1 July 2020 and 30 September 2020. Members attention was drawn to there being one 'partial assurance' within the period, as detailed on page 35 of the agenda, and that the report included details of a follow up audit on education safeguarding.
2. A Member highlighted that audit reports often found that there were administrative communication issues within the service being reviewed. Officers agreed and highlighted there may be issues due to the current remote working environment. Managers were notified when an issues was found and an improvement plan was agreed. Another Member of the Committee suggested that communications issues may also be attributed to the handing over of job roles.
3. In regards to page 33 of the agenda, a Members highlighted that one area of concern was that officers could procure cloud-based systems without going through IT& Digital or Procurement. This was due to a lack of technical controls in place to prevent systems being procured using a purchasing card. Officers stated that this was being corrected by raising awareness and improving behaviours within the council. A compliance based audit would also be conducted in the following year. The option to introduce software to prevent procurement was explored however it was deemed to not be cost-effective.

Action/Further information to note:

None.

RESOLVED:

The Committee noted the report.

57/20 INTERNAL AUDIT REVISED ANNUAL AUDIT PLAN 2020/21 [Item 8]

Declarations of interest:

None

Witnesses:

David John, Audit Manager

Russell Banks, Chief Internal Auditor

Key points raised during the discussion:

1. The Chief Internal Auditor introduced the report and provided a brief summary. Members noted that the purpose of the report was to present the revised Internal Audit and Corporate Fraud Plan for 2020/21 to the Committee. The Plan had been revised for the 7 month period September 2020 to March 2021 in the wake of the Covid-19 pandemic which had caused the suspension of the original annual Audit plan to enable the Internal Audit service to be deployed in other supporting ways.
2. A Member of the Committee sought detail on page 39 of the agenda where it stated that the intention was to continue carrying out cross authority working arrangements. Officer stated that they were one of the few authorities that record working time as 'Audit Days' and therefore the service knew how many day would be delivered in the beginning of the year. It was noted that part of the Chief Internal Auditor's role was to monitor the number of days used in each authority.
3. Members noted that it was unlikely the review of the parking review process would be conducted.

Action/Further information to note:

None.

RESOLVED:

Members considered the contents of the report and annexes, and approved the Revised Internal Audit and Corporate Fraud Plan.

58/20 ORBIS INTERNAL AUDIT & COUNTER FRAUD STAFFING AND RESOURCES [Item 9]

Declarations of interest:

None

Witnesses:

Russell Banks, Chief Internal Auditor

Key points raised during the discussion:

1. The Chief Internal Auditor provided Members with a brief summary of the report.

Action/Further information to note:

None.

RESOLVED:

Members noted the report and in particular the latest position with regard to resourcing the Internal Audit service, including the professional qualifications held by the council's staff.

59/20 ANNUAL GOVERNANCE STATEMENT HALF YEAR UPDATE [Item 10]

Declarations of interest:

None

Witnesses:

Paul Evans, Director – Law and Governance

Key points raised during the discussion:

1. The Director – Law and Governance introduced the report and provided a brief summary. Members received an update on progress on the improvement areas identified in the 2019/20 Annual Governance Statement.

Action/Further information to note:

None.

RESOLVED:

The Committee confirmed it was satisfied with the progress made so far.

60/20 RISK MANAGEMENT UPDATE [Item 11]

The Chairman agreed to consider this item 11 following Item 12

Declarations of interest:

None

Witnesses:

Mary Buxton, EY
Emma Price, EY

Key points raised during the discussion:

1. Representatives from EY introduced the item and provided Members with a presentation. The information presented can be found from page 71 of the agenda.
2. In regards to holding sessions with officers to better understand risk, a Member of the Committee expressed that he felt some of most effective changes had happened when front line managers were consulted initially instead of top level officers. The representatives from EY stated that it was good practice to conduct a top-down approach when holding consultations due to higher-level officers having a better understanding of the organisation.
3. The Committee felt it would be appropriate to have a route which allowed other Members of the council to submit concerns related to the council's risk management. Officers said that one of the challenges was to identify the governance structure when conducting this work and that Members' comments on the matter would be taken into consideration.

Action/Further information to note:

None.

RESOLVED:

The Committee considered the contents of the report and confirmed they are satisfied with the progress made so far.

61/20 2019/20 AUDIT FINDINGS REPORT AND ANNUAL STATEMENT OF ACCOUNTS FOR HENDECA GROUP LTD, SURREY CHOICES LTD AND HALSEY GARTON GROUP LTD [Item 12]

Declarations of interest:

None

Witnesses:

Paul Forrester, Strategic Finance Business Partner

Tom Sharp, UHY

Key points raised during the discussion:

1. Officers introduced the report and provided a summary of the details outlined with the audit reports. Members noted that the directors of the companies approved the 2019/20 financial statements as presenting a true and fair view of the company's financial position as at the 31 March 2020. The Audit Findings reports summarised the findings of the 2019/20 audit undertaken by Hacker Young. The reports set out a summary of the work carried out and the conclusions reached. Members noted that the reports were considered 'clean' and no major concerns were identified.
2. In regards to renewing the contract with Heathrow Airport, it was noted that negotiations were ongoing. The contract was previously in a position to be signed when the pandemic started and now the majority of contacts officers were dealing with were furloughed.
3. In regards to Surrey Choices, Members asked for an update on how the subsidiary had performed since it was reinvigorated. Officers stated that an item on this would be more appropriate at a scrutiny committee. It was further noted that Surrey Choices had improved significantly over recent years and much work had been done to improve its finances and complete a business plan.

Action/Further information to note:

None.

RESOLVED:

The Audit and Governance Committee considered the contents of the 2019/20 Audit Findings Reports for Hendeca Group Ltd (formerly S. E. Business Services Ltd), Surrey Choices Ltd, and Halsey Garton Property Ltd.

62/20 REPORT OF THE GOVERNANCE REVIEW TASK GROUP [Item 13]

Declarations of interest:

None

Witnesses:

None.

Key points raised during the discussion:

1. The Chairman introduced the report and provided a brief summary. Members noted that the Chairman and Vice-Chairman of the council's select committees had been consulted on the Task Group's recommendations.
2. In regards to resource to select committees, Members noted that officer resource had increased from around 3 FTE (Full Time Equivalent) to 6 FTE.
3. In regards to a scrutiny update at each County Council meeting, Members noted that an item would be included going forward and that an update to the constitution was not necessary.

Action/Further information to note:

None.

RESOLVED:

The Committee agreed the Task Group recommendations from pages 211 of the agenda.

63/20 REPORT OF THE MEMBER CODE OF CONDUCT WORKING GROUP [Item 14]

Declarations of interest:

None

Witnesses:

Paul Evans, Director – Law and Governance

Key points raised during the discussion:

1. The Director – Law and Governance introduced the report and asked Members to consider the recommendations of the Member Code of Conduct Working Group on the appointment of two Independent Persons; the Arrangements for Dealing with Allegations of Breaches of the Member Code of Conduct; the timeline for approving a revised Member Code of Conduct; and the response to a letter by the Committee for Standards in Public Life.
2. Officers clarified that a complaint would be sent to only one independent person at a time for consideration and the selection of the independent person would likely be on a rota basis.
3. The Committee highlighted that the report outlined that a Complaint Panel would be held within three months of receipt of the complaint and asked whether three months was too long. Officers said that an

investigation could sometimes last some time and that three months may be necessary in some cases. Members agreed with this response.

4. The Committee had a discussion about an outdated processes of using a Standards Committee upon the receipt of a councillor complaint. It was noted that the Government stopped the use of that type of committee in 2011.

Action/Further information to note:

None.

RESOLVED:

That the Committee:

1. Approved the appointment of two Independent Persons.
2. Approved the Arrangements for Dealing with Allegations of Breaches of the Member Code of Conduct.
3. Noted that the revised Member Code of Conduct would be finalised by the working group after the Local Government Association published its Member Code of Conduct on 3 December 2020, after which it would be submitted to the Audit and Governance Committee on 29 January 2021 for approval and recommendation to Full Council on 9 February 2021.
4. Noted the reply to a letter sent to the Chief Executive by the Committee for Standards in Public Life (CfSPL), which had requested details of how Surrey County Council would implement the CfSPL local government ethical standards 15 best practice recommendations. (Appendix C)

64/20 DATE OF NEXT MEETING [Item 15]

The date of the meeting was noted as 29 January 2021.

Meeting ended at: 12.14 pm

Chairman