

MINUTES of the meeting of the **AUDIT AND GOVERNANCE COMMITTEE** held at 10.00 am on 18 January 2023 at Surrey County Council, Woodhatch Place, 11 Cockshot Hill, Reigate, Surrey, RH2 8EF.

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

Elected Members:

(present*)

- *Victor Lewanski (Chairman)
- *Stephen Cooksey
- *Richard Tear (Vice-Chairman)
- *Mark Sugden
- *Saj Hussain
- *Terry Price (Independent Member)
- Joanne Sexton

Members in Attendance

David Lewis, Cabinet Member for Finance and Resources

1/23 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

An apology for absence was received from Joanne Sexton. An apology for lateness received from Richard Tear who arrived at 11am at the beginning of discussion on the Statement of Accounts item.

2/23 MINUTES OF THE PREVIOUS MEETING - 28 NOVEMBER 2022 [Item 2]

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

3/23 DECLARATIONS OF INTEREST [Item 3]

There were none.

4/23 QUESTIONS AND PETITIONS [Item 4]

There were none.

5/23 RECOMMENDATIONS TRACKER AND WORK PLAN [Item 5]

RESOLVED:

That the action tracker and workplan be noted.

6/23 INTERNAL AUDIT - INDEPENDENT EXTERNAL ASSESSMENT REPORT [Item 6]

Speakers:

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

Key points raised during the discussion:

1. The Chief Internal Auditor introduced the final report from the Chartered Institute of Internal Auditors (IIA) following its independent

external assessment of Orbis Internal Audit (Orbis IA) against Public Sector Internal Audit Standards (PSIAS). Orbis IA had been assessed as achieving the highest level of conformance available against professional standards with no areas of non-compliance identified, and therefore no formal recommendations for improvement had arisen. However, the assessors did take the opportunity to highlight some areas which could support the future development of the service.

2. A Member requested that an update on areas for improvement be included in the annual report which the Chief Internal Auditor agreed to do.
3. A Member requested that the report be made widely available to those outside of the Committee Members.

Action/Further information to note:

None.

RESOLVED:

The Committee noted the findings from the report, including those areas identified where opportunities for further improvement may exist for the future.

7/23 HOME TO SCHOOL TRANSPORT - AUDIT UPDATE [Item 7]

Speakers:

Michael Smith, Strategic Finance Business Partner
Gerry Hughes, Head of Business Support

Key points raised during the discussion:

1. The Strategic Finance Business Partner gave a precis of the agenda slides that had been produced to provide an update to the Committee on improvement work and progress across the system of Home to School Transport since the Internal Audit of May 2022. There were 14 recommendations given to the service and 21 actions. To date, 13 actions had been completed and others were underway.
2. In response to Member questions it was reported that:-
 - A follow up audit assessment would be scheduled with Audit and the service.
 - That this was a significant improvement programme and expect most actions and recommendations to be completed by the end of March.
 - Update reports would go to the Board who scrutinise on a monthly basis and then onto the Corporate Leadership Team.
 - It was stated that parents would see differences in service immediately and a survey would be undertaken to gauge the outcome of improvements.

Action/Further information to note:

None.

RESOLVED:

That the report be noted and to expect an update to the Committee in September 2023.

8/23 TREASURY MANAGEMENT STRATEGY STATEMENT 2023/24 [Item 8]

Speakers:

Nikki O'Connor, Strategic Finance Business Partner

Anna D'Alessandro, Director – Corporate Finance and Commercial

Paul Evans, Director, Law and Governance

Key points raised during the discussion:

1. The Strategic Finance Business Partner gave a detailed precis of the submitted report including the capital borrowing, capital investment and treasury management strategy and referenced the training that Members had been given on this topic prior to the meeting.
2. A Member queried the large fluctuation in capital funding across the 5-year period, with spend looking to reduce in later years. The Strategic Finance Business Partner explained that capital spending was front-loaded into the early years and as projections get further into the future they are inherently less robust. The Council also has a Pipeline capital programme to ensure that plans that not yet fully explored and remain dependent on the production of a business case are still included in capital strategy forecasts.
3. A Member asked if cash held by the Pension Fund and subsidiaries were counted in this strategy. Officers explained that the Pension Fund had its own treasury management strategy and that subsidiaries were their own entities and had their own arrangements for surplus cash. Further to this response the Member questioned whether there were governance issues around subsidiaries. The Director for Law and Governance explained that subsidiaries were subject to finance regulations and to the Shareholder Board but would look into this and provide further details around assurance outside of the meeting.
4. In response to Member questions the Strategic Business Partner explained that:
 - Capital borrowing was from a variety of sources, short term borrowing was from other local authorities and the majority of the Council's long-term borrowing was via the Public Works Loan Board.
 - That regular reviews were undertaken with Arlingclose on value for money, the cost of carry for borrowing and interest rates, with meetings scheduled monthly immediately after the meeting of the Bank of England's Monetary Policy Committee.

Action/Further information to note:

None.

RESOLVED:

That the Treasury Management Strategy Statement (TMSS) – Part 4 of the Capital, Investment and Treasury Strategy - for 2023/24 including the Prudential Indicators be approved.

9/23 STATEMENT OF ACCOUNTS 2021/22 [Item 9]

Speakers:

Barry Stratfull – Chief Accountant

Ciaran McLaughlin – Grant Thornton

Ade Oyerinde – Grant Thornton

Key points raised during the discussion:

1. The Chief Accountant introduced the draft Statement of Accounts report and explained that there were several areas, that Grant Thornton would detail, that were not complete and therefore not signed off.
2. Grant Thornton gave detailed highlights and explained where the gaps in information were and reasons for delay. A Member raised concerns about the amount of unfinished work and how much was going to change during the completion of the report and questioned if the work would be finished, as expected, by the end of January and whether there was sufficient resourcing at Grant Thornton. Grant Thornton confirmed that the Committee were being asked to approve the recommendation on the basis that there were no material changes to date, and none were expected. Grant Thornton also confirmed that they had sufficient resources to complete the work.
3. Grant Thornton acknowledged that there were improvements they could make on the speed of some of the work and would be reflecting on lessons learned once the audit was complete. The Strategic Business Partner also confirmed that there was to be a training session for staff on consistency and quality of audit paper requirements.
4. The Committee expressed concern that they were unable to accept the recommendations of the report due to the unfinished nature of the work. It was therefore agreed that the Accounts and finalised Audit Finding Report would be brought back to a future Committee meeting for approval.

Action/Further information to note:

None.

RESOLVED:

1. That the contents of the Audit Findings report be noted.
2. That recommendations 2 to 5 could not be agreed due to an incomplete audit report.

Richard Tear arrived at 11am at the beginning of debate on this item.

10/23 REPORT OF CENTRE FOR GOVERNANCE AND SCRUTINY - BEHAVIOURAL AND CULTURAL GOVERNANCE REVIEW [Item 10]

Speakers:

Paul Evans, Director of Law and Governance and Chair of the Governance Panel

Key points raised during the discussion:

1. The Director of Law and Governance introduced a report that detailed the findings of the Centre for Governance and Scrutiny (CfGS) review of Council governance using their Governance Risk and Resilience Framework. Surrey County Council was an early adopter of this approach to establish, with the help of CfGS, where development and improvement could assist the Council's future understanding and management of risk related to governance.
2. The CfGS concluded that Surrey's systems, processes, and behaviours around governance were robust. But it was still necessary

for the Council to prepare to strengthen and refine systems which were currently resilient. This continuous improvement in governance was important.

Action/Further information to note:

That an update report on actions going forward would be brought to the Committee in July.

RESOLVED:

1. That the feedback and findings of the Centre For Governance And Scrutiny were noted.
2. That the draft action plan be agreed.
3. That an update report on the implementation of the plan be requested for the July meeting of the Committee.

11/23 2021/22 AUDIT REPORTS AND ANNUAL STATEMENT OF ACCOUNTS FOR HENDECA GROUP LTD, SURREY CHOICES LTD, HALSEY GARTON RESIDENTIAL LTD, AND HALSEY GARTON GROUP LTD [Item 11]

Speakers:

Joe Stockwell, Senior Finance Business Partner
Anna D'Alessandro, Director – Corporate Finance and Commercial
Paul Evans, Director, Law and Governance

Key points raised during the discussion:

1. The Senior Finance Business Partner presented highlights of the submitted report that detailed the outcome and findings of the external audits of the 2021/22 financial statements of Hendeca Group Ltd, Surrey Choices Ltd, Halsey Garton Residential Ltd, and Halsey Garton Property Ltd.
2. In response to a Member question, it was confirmed that the accounts had been considered by the relevant Boards and filed with Companies House. The Director, Law and Governance also stated that they had been reported to the Council's Shareholder Investment Board.
3. In response to a Member question about the unrealised loss of £36m the Senior Finance Business Partner explained that the revaluation of assets in Halsey Garton Property and downward trend was due to a number of trading positions and effects from Covid. The Director – Corporate Finance and Commercial reminded the Committee that these were retrospective accounts, and the next set were expected to be improved.

Action/Further information to note:

None.

RESOLVED:

That the 2021/22 Audit Reports for of Hendeca Group Ltd, Surrey Choices Ltd, Halsey Garton Residential Ltd, and Halsey Garton Property Ltd be noted.

12/23 EXTERNAL AUDIT: ANNUAL AUDIT REPORT 2021/22 [Item 12]

Speakers:

Nikki O'Connor, Strategic Finance Business Partner
Ciaran McLaughlin – Grant Thornton

Anna D'Alessandro, Director – Corporate Finance and Commercial
David Mody, Head of Strategic Risk

Key points raised during the discussion:

1. Grant Thornton gave a precis of a report that detailed the findings and recommendations of the annual audit. Under National Audit Office (NAO) Code of Practice regulations, external auditors were required to make a Value for Money assessment to consider that local authorities have put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. They had provided commentary under the three headings: Financial sustainability, Governance and Improving economy, efficiency and effectiveness. The report would remain interim until the annual accounts were completed. There were no significant issues raised and no statutory recommendations made. It was a positive report and recommendations made in the report were based on considerations to be given.
2. In response to a Member question regarding feedback on improvement recommendations Grant Thornton pointed out that it was the custom to report back on previous recommendations and the Director – Corporate Finance and Commercial, reported that there would be a six-month update to the Committee.
3. In response to a Member query regarding risk management the Head of Strategic Risk confirmed that there would be a report on risk management to the March meeting of the Committee.

Action/Further information to note:

That a six-month update be brought to the Committee.

RESOLVED:

Note the report and consider the improvement recommendations outlined in Grant Thornton's Annual Report on Surrey County Council for 2021/22.

13/23 DATE OF NEXT MEETING [Item 13]

The next meeting of Audit & Governance Committee will be on 8 March 2023.

Meeting ended at: 11.33 am

Chairman