

Audit & Governance Committee

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Welcome...

Welcome to the Audit & Governance Committee Bulletin.

The purpose of this bulletin is to keep Members and officers up to date with local and national issues relevant to the Audit & Governance Committee.

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Update from previous Audit & Governance Committee meetings

Council Tax and Business Rates Collection	On 2 December 2013, the Chairman agreed to write to the Leader of the Council about concerns over the sharing of data on Council Tax and Business Rates collection. An initial response has been received and was circulated to the Committee on 9 January 2014. The Leader is to raise the issue with the Surrey Leaders' Group.
Transport for Education	<p>On 2 December 2013, the Chairman agreed to write about the Committee's concerns with regard to the Transport for Education Management Action Plan (MAP) to the Chairman and Vice-Chairman of the Children and Education Select Committee, asking them to monitor progress. An initial response has been received and was circulated to the Committee on 9 January 2014.</p> <p>The Chairman of the Children and Education Select Committee has interviewed relevant officers about the Transport for Education audit, and will be attending the next meeting of the Audit & Governance Committee when officers will report back on progress.</p>

Anti-Fraud Measures	<p>On 2 December 2013, officers were asked to review Babcock 4S' guidance to schools, particularly with regard to fraud, to ensure references to the police are sufficiently robust.</p> <p>The Audit Performance Manager has reviewed the Schools Finance Manual, the Surrey Scheme for Financing Schools, and the Babcock 4S online manuals and procedure notes. He has stated that he could find very little in the way of specific references to the Police, or how liaison with the Police should work at a school-level, in any of these sources. The only clear reference to the Police comes from the model Whistleblowing Policy, where it confirms that it is for the Governing Body and the Headteacher (as appropriate) to consider involving the Police as one of a possible number of different local agencies in the investigation of any whistleblowing received.</p> <p>Other references to the Police do exist, but in a non-financial context (e.g. safeguarding and/or drug and alcohol policies, for example).</p>
Social Care Debt Audit	<p>On 2 December 2013, the Chairman agreed to write to the Cabinet Member for Adult Social Care about the Social Care Debt audit. A response has been received and was circulated to the Committee on 21 January 2014. The response explains that Adult Social Care Select Committee will receive an update on progress against the Management Action Plan at its March meeting. The Cabinet Member will also use this report for assurance on progress.</p>
Council Risk and Resilience Forum	<p>On 2 December 2013, the Risk and Governance Manager agreed to circulate the attendance figures for the Council Risk and Resilience Forum to the Committee.</p> <p>The attendance table is attached:</p>
Tree Stump Policy	<p>On 2 December 2013, the Chairman agreed to write to the Cabinet Member for Transport, Highways and the Environment to query the Council's policy on tree stumps. A response has been received and was circulated to the Committee on 9 January 2014. It was confirmed that there was no policy or maintenance approach in place in order to deliberately prevent parking on verges. However, as stump removal requires specialist equipment, it is carried out as a separate maintenance programme.</p>
Children in Care – Health and Dental Checks	<p>On 2 December 2013, the Chairman agreed to write to the Cabinet Member for Children and Families about the Committee's concerns over the audit of Children in Care – Health and Dental Checks. A response has been received and was circulated to the Committee on 14 January 2014. The response outlined the challenges that had led to the problems with Health and Dental Checks over the past couple of years and the actions that had been taken to improve the situation. A progress report scheduled to be taken to the Corporate Parenting Board would be forwarded to the Committee.</p> <p>The Chairman has reviewed the papers and attended the Corporate Parenting Board. He reports that good progress is being made although the March deadline is challenging.</p>
Treasury Management Consultation – follow-up	<p>On 20 January 2014, Audit & Governance Committee held an informal consultation meeting on the Treasury Management Strategy with the Strategic Manager for Pensions and Treasury. Council Overview and Scrutiny Committee was also invited to attend. At the meeting, there were a number of actions for officers.</p> <ul style="list-style-type: none"> • To consider and report back on the inclusion of any spend on investment activity so that the the Strategy is comprehensive. <p>Officer response - to be included as an extra two paragraphs in the strategy:</p>

On 23 July 2013, Cabinet approved a portfolio of investments, covering investment in property and assets and in new models for service delivery. This supports the Council’s stated intentions of enhancing financial resilience in the longer term. These arrangements will allow for investment in schemes that will support economic growth in Surrey provided that these schemes are consistent with the Investment Strategy outlined in the Cabinet report of 23 July 2013.

The strategic approach to investment is based upon the following:

- prioritising use of the Council’s cash reserves and balances to support income generating investment through a Revolving Investment and Infrastructure Fund (the Investment Fund) to meet the initial revenue costs of funding initiatives that will deliver savings and enhance income in the longer term (some of which may be used to replenish the Investment Fund);
 - using the Investment Fund to support investments in order to generate additional income for the council that can be used to provide additional financial support for the delivery of functions and services
 - investing in a diversified and balanced portfolio to manage risk and secure an annual overall rate of return to the Council;
 - investing in schemes that have the potential to support economic growth in the county;
 - retaining assets where appropriate and undertaking effective property and asset management, and if necessary associated investment, to enhance income generation.
- To review and report back on why the 2017/18 figures showing the ratio of financing costs to net revenue stream (Table B2.6 in Appendix B2) drops significantly from 2016/17.

Phil Triggs response below -

The ratio of financing costs to net revenue stream jumps from 4.63% to 5.19%, between 2014/15 and 2015/16, mainly due to the assumption that our net revenue stream (council tax + central government funding) drops by £8.3m between these two years as a result of the decrease in grant for the Business Rate retention Scheme. So the ratio increases as a result of the drop in income.

The incremental impact on council tax increases when the planned capital expenditure funded by borrowing (internal & external) cumulative since 2013/14 increases. Therefore, this indicator jumps from £15.37 to £28.23 between 2014/15 and 2015/16 because cumulative borrowing for capital expenditure is increased by £127m in 2014/15. There is not such a marked increased the following years because there is a much lower level of borrowing for capital expenditure between 2015/16 and 2018/19.

- To schedule a report for Audit & Governance Committee on property investments.

This information will be included within the Treasury Management Annual report when it is brought to Audit & Governance Committee.

Internal Audit update

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Current Audits	<p>The following audits are currently in progress:</p> <ul style="list-style-type: none"> • Free School Meals • Procurement in Schools • ASC Serious Case Review - recommendation tracking • ASC Safeguarding Assurance Process • Domiciliary Care - External Providers • Waste Data System • Community Improvement Fund • UNICORN • Payroll • General Ledger
Internal Audit Staffing	<p>George Atkin retired on 31 December 2013. George worked on the Corporate and Environment team and was an extremely experienced auditor with particular knowledge of auditing highways processes and procedures.</p> <p>Diane Mackay has announced her intention to retire on 30 April after 23 years in Internal Audit in Surrey County Council. As an Audit Performance Manager, Diane not only managed the work of the Corporate and Environment team, but took the lead on Fraud Prevention including coordinating our response to the National Fraud Initiative. She will be hugely missed.</p> <p>Efforts are currently underway to recruit to both these positions.</p>
2013/14 Review of the Effectiveness of Internal Audit	<p>This year's review of the Effectiveness of the System of Internal Audit is currently underway. The review will focus on:</p> <ul style="list-style-type: none"> · Follow-up of action taken in response to the recommendations arising from the 2012/13 review · Completion of the Checklist for Assessing Conformance with the Public Sector Internal Audit Standards as set out in the Local Government Application Note · Review of the level of Select Committee scrutiny of audits which have been attracted an "Unsatisfactory" or "Major Improvement Needed" opinion and/or include high priority recommendations · Review of Management Action Plan (MAP) progress as reported to Audit and Governance Committee for evidence of appropriate senior officer/Cabinet member focus on red/amber rated actions <p>The findings from this review will be reported to the Audit and Governance Committee in March 2014.</p>

<p>Single Person Discount Data Matching Exercise</p>	<p>Internal Audit are coordinating a data matching exercise with all 11 Surrey District and Borough councils designed to detect individuals who are incorrectly claiming single person discount.</p> <p>As a result of this exercise so far 2,822 people have owned up to no longer being entitled to SPD. This would equate to about £825k extra revenue for SCC for a full year based on the 2013/14 council tax rate and £840k for a full year based on the 2014/15 planned rate. Please note, this is only an indication as entitlement to SPD can change from one year to the next depending on circumstances .</p> <p>Some residents have still not responded to the letters sent out as part of this process. Where no response, despite reminder letters, is received the SDP will be automatically cancelled and invoices sent out to recoup the discount - leading to still more funds being due to the council. A more complete picture of the additional revenue raised as a result of this exercise should be available by April 2014.</p>
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Social Care Debt update

The Adult Social Care Select Committee will receive a social care debt update at its meeting on 6 March 2014. This will be reported to the Audit & Governance Committee in its next bulletin.

Further information

<p>Sheila Little interview</p> <p>17 October 2013</p>	<p>Sheila Little was interviewed by Room 151, an online news service for Section 151 officers, about balancing Section 151 and Local Government Pension Scheme roles.</p>
<p>Business Rates: Using Data from the VfM Profiles</p> <p>October 2013</p>	<p>This briefing from the Audit Commission finds that in 2012/13, councils collected £21.9 billion in business rates out of £22.4 billion due. The amount collected by each council ranged from £1.3 million to £1.6 billion. Councils collect most business rates in the year they fall due, but business rates arrears are substantial and currently stand at £1.2 billion, and in 2012/13, the uncollected in-year amount was £513 million. As this local tax remains to be collected, it cannot currently be used to support the delivery of services. The Commission suggests that councils can maximize business rates by preventing and tackling fraudulent claims for discretionary relief and improving collection rates.</p>
<p>Protecting the Public Purse: Fighting fraud against local government</p> <p>November 2013</p>	<p>The Audit Commission's annual report highlights that £178 million of fraud was detected by local government in the last year. Just over three quarters of that total was detected by one quarter of councils. This is the first year the Commission have required local authorities to separately identify detected frauds against schools in the annual survey, and councils have subsequently reported 191 cases of fraud in schools with a total worth of £2.3 million. The report warns local authorities not to cut funds for fighting fraud as part of austerity measures.</p>
<p>Tough Times</p> <p>November 2013</p>	<p>This report from the Audit Commission suggests that England's councils have demonstrated a high degree of financial resilience over the last three years, despite a 20 per cent reduction in funding from government and a number of other financial challenges. However, the Commission says that councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people. The Commission's research found that the three strategies most widely adopted by councils in response to their financial challenges since 2010/11 were: reducing overall staff numbers; delivering some services more efficiently; and reducing or restructuring the senior management team.</p>

<p>Whistleblowing Commission Report Published</p> <p>November 2013</p>	<p>In February 2013, Public Concern at Work launched the Whistleblowing Commission to review the effectiveness of whistleblowing in UK workplaces to make recommendations for change. The Commission, which is an independent body made up of industry and academic experts, has made 25 recommendations for improving whistleblowing across UK workplaces.</p> <p>The primary recommendation of the Commission is for the Secretary of State to adopt a Code of Practice that could be taken into account in whistleblowing cases before courts and tribunals. The Commission has published a draft Code which sets out clear standards for organisations across all sectors to enable them to have clear whistleblowing arrangements. The Code of Practice is designed to help regulators to assess and inspect whistleblowing arrangements. The Code of Practice can now be picked up by organisations that are looking to achieve the highest standards in ensuring that workers are encouraged to speak up and when they do, that they are listened to.</p>
<p>Funding for Corporate Fraud Investigators announced</p> <p>5 December 2013</p>	<p>In a letter to Local Authority leaders Eric Pickles has said: 'Alongside the roll out of the Single Fraud Investigation Service, DCLG and DWP are investing in local government's capacity to tackle non-welfare fraud. This package of support will include extra funding over 2014-15 and 2015-16 which will be able to support new fraud investigator posts in councils focused on tackling corporate fraud.'</p>
<p>Audit Committees: Practical Guidance for Local Authorities and Police (2013 Edition)</p> <p>December 2013</p>	<p>Audit committees are a key component of corporate governance. They provide a high-level focus on assurance and the organisation's arrangements for governance, managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance.</p> <p>This new edition of the CIPFA Guidance updates the core functions of the audit committee in relation to governance, risk management, internal control and audit to reflect the changes since the original edition. These include new legislation affecting audit committees in Wales and the police. The introduction of the Public Sector Internal Audit Standards, annual governance statements and associated guidance are also considered for their impact on the audit committee.</p> <p>Audit committee roles in relation to value for money, counter-fraud, and partnerships, amongst others, have also been included for the first time in detail. This reflects the real development that has taken place in many audit committees over the last few years. The guidance also includes a greater focus on the factors that support improvement. These include the knowledge and skills that audit committee members require and a focus on where the audit committee adds value. The publication will provide practical support to those wishing to evaluate their existing committee and plan improvements.</p>
<p>Local Audit and Accountability Bill receives Royal Assent</p> <p>30 January 2014</p>	<p>A Local Audit and Accountability Act that aims to lead to £1.2 billion worth of savings has received Royal Assent. The Act will bring about the final closure of the Audit Commission and in its place create a new framework for local audit. The Government suggests that the new system will maintain existing standards of audit but local bodies will take responsibility for choosing their own auditors. The National Audit Office will set the standards for public audit and the Financial Reporting Council will oversee quality. The Act also provides for new transparency measures, so citizens and the press now have the right to film and tweet from any local government body meeting.</p>

<p>Council recovers from Iceland to top £1 billion following the sale of Landsbanki claims</p> <p>4 February 2014</p>	<p>The majority of councils which had their money invested with the failed Icelandic bank Landsbanki have now recouped the majority of their deposits by selling their claims. The sale of most councils remaining claims against LBI (formerly Landsbanki Islands hf) in the winding up proceedings was organised through a competitive auction to ensure the highest possible price was achieved. Selling the claims now eliminates the risk of any further loss of value, for example, through the depreciation of the Icelandic krona against the sterling.</p>
<p>Third of council chief executives fear for their council's ability to deliver legal duties</p> <p>6 February 2014</p>	<p>A survey carried out by the MJ and Local Government Information Unit (LGIU) has found that more than a third of council Chief Executives believe there is a danger their authority will not have enough funding to deliver legal duties. The findings will heighten calls for reform of the local government finance system, which nine out of ten respondents (89%) said was not fit for purpose, with 85 percent also saying they wanted the ability to vary business rates and with 50 per cent of respondents asking for the localisation of various finance streams.</p>

Updates from other Committees

Listed below are a number of committee reports that may be of interest to the Committee, as they cross into the Committee's remit or they relate to matters recently discussed at Audit & Governance Committee, or that the Committee have shown an interest in:

<p>Cabinet</p>	<p>At its meeting on 26 November 2013, the Cabinet considered the following reports:</p> <ul style="list-style-type: none"> • Regulation of Investigatory Powers Act 2000 – Updated Corporate Policy & Protocol • Budget Monitoring Report for October 2013 <p>At its meeting on 17 December 2013, the Cabinet considered the following reports:</p> <ul style="list-style-type: none"> • Budget Monitoring Report for November 2013 • Adult Social Care Local Authority Trading Company Business Case <p>At its meeting on 4 February 2014, the Cabinet considered the following reports:</p> <ul style="list-style-type: none"> • Corporate Strategy 2014 – 2019 • Revenue and Capital Budget 2014/15 to 2018/19 • Monthly Budget Monitoring Report
<p>Council Overview & Scrutiny Committee</p>	<p>At its meeting on 7 November 2013, the Committee considered the following reports:</p> <ul style="list-style-type: none"> • Budget Monitoring September 2013 <p>At its meeting on 4 December 2013, the Committee considered the following report:</p> <ul style="list-style-type: none"> • Budget Monitoring & Quarterly Business Report <p>At its meeting on 30 January 2014, the Committee considered the following report:</p> <ul style="list-style-type: none"> • Corporate Strategy & Budget Report 2014-2019 • Budget Monitoring – Quarter 3 • Review of the Investment Panel
<p>Adult Social Care Select Committee</p>	<p>At its meeting on 16 January 2014, the Committee considered the following reports:</p> <ul style="list-style-type: none"> • Adult Social Care Local Authority Trading Company Business Case

Children & Education Select Committee	At its meeting on 27 January 2014, the Committee considered the following reports: <ul style="list-style-type: none"> • Internal Audit Report – Review of Health & Dental Checks – Children in Care 2013/14 • Children’s Services Annual Complaints Report 2012/13
Environment & Transport Select Committee	At its meeting on 12 December 2013, the Committee considered the following reports: <ul style="list-style-type: none"> • Surrey Highways Customer Service & Resident Satisfaction • Gully Cleaning Update <p>At its meeting on 10 January 2014, the Committee considered the following report:</p> <ul style="list-style-type: none"> • Surrey Highways – New Carriageway Investment Plan
Surrey Pension Fund Board	At its meeting on 15 November 2013 , the Board considered the following reports: <ul style="list-style-type: none"> • Pension Fund Administration Strategy • Key Performance Indicators • Pension Fund Risk Register • Revised Statement of Investment Principles • LGPS: Call for Evidence on the Future Structure of the Local Government Pension Scheme • Ill Health Retirement Insurance • Manager Issues and Investment Performance

Upcoming

The next meeting of the Audit & Governance Committee is on 24 March 2014. The following items are on the agenda:

- External Audit – Audit Plan
- External Audit – Certification of Claims and Returns
- National Financial Resilience Report
- Internal Audit Plan
- Effectiveness Review of the System of Internal Audit
- Leadership Risk Register
- Completed Internal Audit Reports
- Transport for Education: Management Action Plan
- Simplifying the Financial Statements
- Whistle blowing Update

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