

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

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| Environment & Transport Select Committee: Countryside Management Member Reference Group | <p>On 24 March 2014, the Audit & Governance Committee asked to see the terms of reference of the Countryside Management Member Reference Group when informed that the Group would be considering the smallholdings (rural estate) audit report as part of its work. The terms of reference are attached below.</p> <p>The Scrutiny Officer has confirmed that the smallholdings (rural estate) will be covered under the objective 'advising on how the rest of the property portfolio should be managed'. He has also confirmed that the audit report has been circulated and considered as part of the methodology of the project.</p> |
| Alternative Delivery Models | <p>On 24 March 2014, the Committee requested sight of the Grant Thornton report on alternative delivery models in local government. This is attached below.</p> |

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| <p>The waiving of Procurement Standing Orders</p> | <p>On 31 March 2014, the Committee received a presentation on data analytics. During the session, Members requested information on procedures for waiving Procurement Standing Orders. Gary Kandinsky, Lead Auditor has sent the following response:</p> <p>“Please find attached, an extract from the Procurement Standing Orders (PSOs) that relates to the procedural need for waivers, their routing; and the limitations on those requests.</p> <p>Waivers and emergencies</p> <p>These Orders are mandatory and must be adhered to at all times, so Waivers are only granted in exceptional circumstances and cannot be given if they would contravene the Public Contracts Regulations 2006 or any other applicable legislation.</p> <p>In any remaining exceptional circumstances you must obtain approval in writing prior to progressing with your purchase, as follows:</p> <p>Where the aggregate purchase value is for less than £100,000 a Procurement Category Manager or above may grant a waiver to these Orders. This will be very much the exception; opportunities must normally be advertised to the market via the Buying Solutions Team in Shared Services.</p> <p>Where the aggregate value of the purchase is for £100,000 or more the Procurement Review Group (PRG) must ratify the waiver. In certain circumstances the PRG may refer the waiver request to the Cabinet for further approval. No waiver is granted retrospectively; this is viewed as non-compliance with these Orders and is reported to PRG.</p> <p>It is important to note that a waiver can only be made with respect to these Orders. A waiver cannot be made with respect to the council’s obligations under the Public Contracts Regulations 2006 or any other legislation.</p> <p>Procurement maintains a log of all waivers approved by Procurement and by PRG”.</p> |
| <p>Useful resources</p> | <p>At the session on data analytics, Lyle Lumsden, IMT Auditor, mentioned some relevant resources which the committee may wish to access.</p> <p>Report to the Nations on Occupational Fraud and Abuse by the Association of Certified Fraud Examiners is an American publication.</p> <p>The National Fraud Authority's Annual Fraud Indicator Report 2013 is a UK publication which details public sector fraud exposure.</p> |

Internal Audit update

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| Current Audits | <p>The following audits are currently in progress:</p> <ul style="list-style-type: none"> • Accounts Payable • Revenue Budget Control • Capital Expenditure Monitoring • Finance Dashboard • Risk Management • Short Stay Schools • Social Care Debt • Operation Horizon • AIS assessment process |
| Staffing | <p>Elaine Hughes joined the team on 7th April as an Auditor on the Corporate and Environment team. Elaine is an experienced auditor and had previously worked on the Internal Audit team as an agency member of staff.</p> <p>Diane Mackay, Audit Performance Manager retired on 30 April after 23 years in Internal Audit in Surrey County Council. Following a successful recruitment process it is anticipated that Diane's successor will be in place from 9th June.</p> |

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Social Care Debt update

The Adult Social Care Select Committee received a social care debt update at its meeting on 6 March 2014.

Current Debt Summary:

5. The below table sets out the current debt position as at 31 January 2014, comparing it with that at the start of the financial year and in July (previous report to this Committee).

| Note: | | Debt > 1 month, £m: | | | |
|-------|--|---|-------------|-------------|-------------|
| | | Apr-13 | Jul-13 | Jan-14 | |
| 1 | Secured | 7.3 | 6.87 | 6.68 | |
| 2* | Unsecured (no specific reason identified) | 3.06 | 2.81 | 2.23 | |
| a | 2a | Under query | 1.24 | 0.71 | 0.46 |
| b | 2b | Query resolved, requiring adjustment | 0.01 | 0.11 | 0.03 |
| c | 2c | Probate* | | 0.33 | 0.29 |
| d | 2d | Instalments | 0.36 | 0.44 | 0.33 |
| e | 2e | Deferred payment applications | 0.35 | 0.22 | 0.31 |
| | | Charging orders | | 0.23 | |
| | 2f_1 | External CoP / Deputyship* | | | 0.34 |
| g | 2g* | Total unsecured debt subject to a recovery 'block' | 1.96 | 2.04 | 1.75 |
| 3 | | Legal | 1.87 | 1.98 | 1.91 |

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|---------------------|-----|---|--------------|--------------|--------------|
| | 4* | ASC Deputyship | 0.7 | 0.90 | 1.45 |
| | | Unsecured debt outstanding | 7.59 | 7.73 | 7.34 |
| | | Total | 14.89 | 14.60 | 14.02 |
| Charges posted | 5 | Charges posted in month - not yet due | 2.72 | 2.66 | 2.90 |
| Total debt | 6 | Total debt including charges posted in month | 17.61 | 17.26 | 16.92 |
| | | Gross debt accounting credit balances | 18.22 | 17.86 | 17.42 |
| | 6a | Total live credit balances | -0.53 | -0.53 | -0.43 |
| | | Total deceased credit balances | -0.08 | -0.07 | -0.07 |
| % collected | 7 | % received of amount billed (12 mth avg) | 96% | 96% | 100% |
| DD collections | 8 | % payments collected by DD | 64% | 63% | 63% |
| Legal Referrals | 9 | Number of cases referred - in month | 1 | 2 | 2 |
| | | Total Number - to date | 185 | 193 | 207 |
| | 10 | Value of debt at date referred - in month | 0.16 | 0.15 | 0.04 |
| | | Total Value - to date | 5.1 | 5.42 | 5.6 |
| Current Legal Cases | 11 | Number of 'open' cases | 56 | 59 | 65 |
| | 12 | Current value of 'open' cases | 1.96 | 1.98 | 1.96 |
| Legal Recovery | 13a | Number of cases resulting in recovery | 86 | 89 | 95 |
| | 13b | Value of debt collected | 2.48 | 2.54 | 2.83 |
| | 13c | Value of debt secured by charging order | 0.16 | 0.16 | 0.18 |
| | 13d | Value of debt due by instalments | 0.04 | 0.05 | 0.02 |
| | 13e | Value of debt no longer in dispute | 0.44 | 0.39 | 0.44 |
| | 13f | Overall value of legal recovery action | 3.12 | 3.15 | 3.47 |
| | 13g | Legal costs / expenses (external) | -0.16 | -0.19 | -0.19 |
| | 13h | Net recovery - Legal cases | 2.96 | 2.96 | 3.28 |
| Write-Offs | 14 | Number of cases | | 25 | 41 |
| | 15 | Value of debt | | 0.03 | 0.1 |
| | * | Unsecured debt not subject to Legal action | | | |
| | 2* | Unsecured (no specific reason identified) | 3.06 | 2.81 | 2.23 |
| | 2g* | Total unsecured debt subject to a recovery 'block' | 1.96 | 2.04 | 1.75 |
| | 4* | ASC Deputyship | 0.7 | 0.90 | 1.45 |
| | | Total Unsecured debt not subject to Legal action | 5.72 | 5.75 | 5.43 |

* N/A for April

Explanatory Notes:

- 1 Secured Debt: current value of debt secured against property and payable upon a future event
 Secured debt: section 55 Deferred Payment Agreement / Legal Charge - payable 56 days after death
 Secured debt: section 22 Imposed Legal Charge for failure to pay charges - payable on disposal of property
- 2* Unsecured debt: value of outstanding debt that is not secured against property
- 2a Unsecured debt: a query / complaint has been raised by the debtor
- 2b Unsecured debt: a query / complaint has been resolved and account requires adjustment
- 2c Unsecured debt: deceased case awaiting grant of probate to resolve
- 2d Unsecured debt: payment of arrears by instalments has been agreed
- 2e Unsecured debt: debtor has applied for a deferred payment agreement
- 2f Unsecured debt: a charging order has been applied to property following litigation
- 2g* Unsecured debt: Total: where a reason for non-payment is recorded and dunning suspended
- 3 Current value of cases referred to Legal Services for formal recovery action
 Current value of cases referred to the Deputyship Team to investigate and where possible put appropriate arrangements in place to manage the finances of persons who lack mental capacity
- 4* Total value of care charges raised in the last month. These charges become due after 30 days
- 6 Total value of debt owed to Surrey County Council.
 Debt paid as a proportion of charges raised (NB proportion will be lower than 100% as charges include secured debt)
- 8 Proportion of charges collected by direct debit
- 9 Number of cases referred to Legal Services for recovery - IM: in month; YTD: year to date; TTD: total to date
- 10 Value of cases referred to Legal Services for recovery - IM: in month; YTD: year to date; TTD: total to date
- 11 Number of current and 'open' legal cases being pursued
- 12 Value of current and 'open' legal cases being pursued
- 13a Number of Legal cases where debt has been recovered - IM: in month; YTD: year to date; TTD: total to date
- 13b Value of debt recovered from Legal cases - IM: in month; YTD: year to date; TTD: total to date
- 13c Value of debt secured by charging order / legal charge (Legal cases) - TTD: total to date
- 13d Value of debt agreed to be paid by instalments from (Legal cases) - TTD: total to date
- 13e Value of debt no longer 'in dispute' and payment awaiting specific event - e.g probate / sale of property - TTD: total to date
- 13f Gross value of legal recovery action taken - TTD: total to date
- 13g Legal costs / expenses incurred in Legal recovery action (NB net figure - ie it takes account of costs recovered) - TTD: total to date
- 13h Net value of Legal recovery action
- 14 Number of cases approved for write-off in month
- 15 Aggregate value of write-offs approved in month
- 15a Value of write-offs: debtor bankrupt / insolvent / no means to pay
- 15b Value of write-offs: debtor deceased and insufficient funds in the estate to meet the debt
- 15c Value of write-offs: debtor absconded and cannot be traced
- 15d Value of write-offs: uneconomical to pursue the debt further
- 15e Value of write-offs: evidence is inconclusive and legal recommends write-off
- 15f Value of write-offs: compromise settlement reached; balance to write-off

The full report can be found with the papers for [Adult Social Care Select Committee on 6 March 2014](#).

Further information

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| <p>Final local government finance settlement 2014 – 2015</p> <p>5 February 2014</p> | <p>Local government Minister Brandon Lewis has announced the final local government finance settlement for 2014 to 2015 in a written ministerial statement to the House. The Local Government Finance Report (England) 2014 to 2015 and the Referendums Relating to Council Tax Increases (Principles) (England) Report 2014 to 2015 set out the individual settlement funding assessments, tariffs and top ups, and the basis of their distribution and the council tax referendum principles for 2014 to 2015.</p> |
| <p>The IFS Green Budget 2014</p> <p>February 2014</p> | <p>The Institute for Fiscal Studies (IFS) and Oxford Economics suggest that the UK may be able to reduce austerity measures shortly after the election in 2015 'if the most optimistic forecasters prove correct'. The report warns that the NHS faces an 'unprecedented squeeze' over the next five years given the likely demand arising from an ageing population. Finally the report says that the complex business rates system is unfair, lacks transparency and is in urgent need of an overhaul. It believes that the 'temporary tinkering' of business rates by the Government is storing up more problems and creating uncertainty for companies.</p> |
| <p>Councils' centrally managed spending</p> <p>February 2014</p> | <p>New research by the Audit Commission has found central management costs in councils have risen by 10 per cent over the past decade, with some failing to properly scrutinise their spending. The research highlighted that while spending on corporate and democratic management reduced by 13 per cent from 2003/04 to 2012/13, central support services such as HR and finance increased by 10 per cent in the same period. The Audit Commission showed there are 'gaps and inconsistencies' in how councils record their spending, which is hindering attempts to identify savings.</p> <p>LGA response - Cllr Peter Fleming, Chair of the Local Government Association's Improvement Board, said "Councils have been innovative in keeping these costs down and different approaches have led to local variations in the way these costs are categorised and reported. This simplistic attempt to compare one authority with another has resulted in a misleading picture from which little can be learned."</p> |
| <p>Local government pension scheme regulations</p> <p>11 March 2014</p> | <p>Local Government Minister Brandon Lewis has published new Local Government Pension Scheme (LGPS) regulations in which new rules from next month will see councillors excluded from the LGPS. The regulations on the transition to the new scheme will introduce a new defined benefit based on career average salary rather than final pay, and higher retirement age. The changes are being implemented by the Public Service Pensions Act following negotiations between the government and trade unions.</p> <p>LGA response – LGA chair Sir Merrick Cockell has said, "It is perplexing that ministers who have been busy adding to the workload of councillors by transferring functions from central to local government are now arguing that those same councillors – and the Mayor of London – should be classed as volunteers. Fair remuneration is important so that people from all walks of life can afford to stand for office".</p> |
| <p>Local Government Procurement</p> <p>13 March 2014</p> | <p>The Communities and Local Government Committee's report has said councils needed to collaborate more to save cash; that some were 'over-zealous' in applying EU regulations; and that contract management needed to improve. The committee said local government spends around £45 billion – a quarter of its total annual expenditure - on procuring goods and services, and £1.8 billion could be saved if collaboration was the 'default option'. The report has called on the LGA to develop best practice guidance on collaboration to help support councils to pool spend in areas such as IT, energy and construction and to disseminate guidance on how local authorities should use procurement to deliver social, economic and environmental best value.</p> |

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| <p>Dying to improve: The demise of the Audit Commission and other improvement agencies</p> <p>March 2014</p> | <p>This report by the Institute for Government (IFG) claims that the government's 'insanely ambitious' timescale to wind up the Audit Commission will spread many of its functions across Whitehall. The IFG has warned the closure of the commission, which will be completed by the end of March 2015, removes the important principle of independent appointment of auditors to local government. The abolition of the commission mirrors the fate of other improvement agencies including the National Police Improvement Agency and the NHS Modernisation Agency.</p> |
| <p>2014 Budget</p> <p>19 March 2014</p> | <p>On 19 March 2014, the Chancellor, George Osborne, delivered his fifth budget. The budget focused on reforming savings and pensions and trying to stimulate growth. It included the following key announcements for local government:</p> <ul style="list-style-type: none"> • £140m will be made available for repairs and maintenance to damaged flood defences; • A new £200m fund will be made available specifically for filling potholes; • Most public sector pay rises will be limited to 1%; • An extra £150m has been given to support people with a new Right to Build their own homes and the 'Help-to-buy' scheme has been extended until 2020. <p>A full budget briefing by the Corporate Policy and Performance Service can be seen here:</p> |
| <p>New local audit steps move £1.2bn savings closer</p> <p>21 March 2014</p> | <p>The Local Government Association (LGA) is to take over the statutory functions of the Audit Commission after the Commission is abolished in April 2015. The LGA will set up a new company to deliver the Audit Commission's contracts until 2017 when a local framework of auditing will be introduced. CIPFA (Chartered Institute of Public Finance and Accountancy) is to take over the Audit Commission's counter-fraud work. The government claims the decision to close the Audit Commission has already led to savings of over £400 million.</p> |
| <p>Local government bonds agency could save £1.5bn</p> <p>21 March 2014</p> | <p>A new municipal bond agency would save £1.5bn in borrowing costs, according to the LGA's latest analysis. Councils currently borrow from the Public Loans Board, but eighteen councils have signed up to the proposed new scheme. To prove that they are credit worthy councils could be required to set out spending plans four years in advance. The Treasury maintains that the Public Loans Board remains the cheapest source of finance for local government.</p> |
| <p>Local audit fees cut following new contract awards</p> <p>28 March 2014</p> | <p>The Audit Commission has announced that new outsourced audit contracts could save local authorities as much as £80m by the end of the decade as a result of lower fees. Based on the latest figures a total of 30m will be saved through lower costs over the period to 2017, and this could rise to 80m if an option to extend the agreements to 2020 is picked up. London boroughs can expect to save £1.4m to 2020 as a result, county councils will see fees fall by £1m, district will benefit by £400,000 and NHS trusts by £300,000.</p> |
| <p>Get in on the Act: The Local Audit & Accountability Act 2014</p> <p>March 2014</p> | <p>The LGA has published a summary of the key features of the Local Audit & Accountability Act for local government, the impact of the provisions and the work the LGA undertook to influence the legislation.</p> |

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| <p>Government seeks views on administration of business rates system</p> <p>10 April 2014</p> | <p>The government has launched a discussion paper on the administration of the business rates system and is seeking views from businesses and local authorities. The review will aim to consider how the business rates system in England is administered by the Valuation Office Agency and local authorities. Announced at the Autumn Statement 2013, the review will focus on five elements of the system:</p> <ul style="list-style-type: none"> • How property is valued • How often property is valued • How business rates are set • How business rates are collected • and how information about ratepayers and business rates is used. |
| <p>Council Tax bills waived until flood victims return home</p> <p>11 April 2014</p> | <p>Local Government Minister Brandon Lewis has announced that the government will extend the Council Tax discount to all flood victims for as long as they are unable to return to their homes. In February the government said it would fund a three month Council Tax discount for every affected household, and with this new announcement support will be extended for as long as people require. This is expected to amount to £6 million of support, which is £2 million more than was originally set aside.</p> |
| <p>More complaints please!</p> <p>14 April 2014</p> | <p>This report by the Public Administration Select Committee says that complaints should be welcomed as a way of improving services and increasing citizens' trust in public services. It warns against a reluctance of citizens to make complaints and defensiveness of public services faced with complaints. Key recommendations are that the Government should create a single point of contact for citizens to make complaints and create a consistent approach to complaints across government.</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:

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| <p>Cabinet</p> | <p>At its meeting on 25 February 2014, the Cabinet considered the following reports:</p> <ul style="list-style-type: none"> • Monthly Budget Monitoring Report • Icelandic Bank Deposit <p>At its meeting on 25 March 2014, the Cabinet considered the following reports:</p> <ul style="list-style-type: none"> • Medium Term Financial Plan 2014-2019 • Monthly Budget Monitoring Report • Surrey Better Care Fund <p>At its meeting on 22 April 2014, the Cabinet considered the following report:</p> <ul style="list-style-type: none"> • Flash Outturn Report for 2013/14 and Proposed Carry Forward Requests for 2014/15 |
| <p>Council Overview & Scrutiny Committee</p> | <p>At its meeting on 5 March 2014, Council Overview & Scrutiny Committee considered the following reports:</p> <ul style="list-style-type: none"> • Budget Monitoring Report and Quarterly Business Report • New Models of Delivery Programme/Local Authority Trading Company Update <p>At its meeting on 2 April 2014, Council Overview & Scrutiny Committee considered the following report:</p> <ul style="list-style-type: none"> • Budget Monitoring Report |

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| Adult Social Care Select Committee | <p>At its meeting on 6 March 2014, Adult Social Care Select Committee considered the following reports:</p> <ul style="list-style-type: none"> • Progress of Recommendations Arising from the Serious Case Review – Gloria Foster • Internal Audit Review of Social Care Debt – Credit Balances • Income/Debt Update Report • Budget Update |
| Communities Select Committee | <p>At its meeting on 20 March 2014, Communities Select Committee considered the following reports:</p> <ul style="list-style-type: none"> • Audit Report – Adult & Community Learning 2013/14 |
| Environment & Transport Select Committee | <p>At its meeting on 23 January 2014, Environment & Transport Select Committee considered the following reports:</p> <ul style="list-style-type: none"> • Proposals for the Development of a Longer-Term Approach to the Management of Highways - Briefing <p>At its meeting on 13 March 2014, Environment & Transport Select Committee considered the following reports:</p> <ul style="list-style-type: none"> • A Longer-Term Approach to the Management of Highways |
| Surrey Pension Fund Board | <p>At its meeting on 14 February 2014, Surrey Pension Fund Board considered the following reports:</p> <ul style="list-style-type: none"> • Manager Issues and Investment Performance • Actuarial Valuation 2013: Outcome • Pension Fund Risk Register • Pension Fund Business Plan 2014/15 • Revised Statement of Investment Principles • Key Performance Indicators • Review of Pension Abatement Policy • Pension Fund Administration Strategy • Investment Strategy Review |

Upcoming

The next meeting of the Audit & Governance Committee is on 29 May 2014. The following items are on the agenda:

- Code of Corporate Governance
- Annual Governance Statement
- Annual Risk Management Report
- Annual Internal Audit Report
- Full Year Summary of Internal Audit Irregularity and Special Investigations
- Completed Internal Audit Reports
- Self-assessment on Issues Raised in ‘Financial Sustainability of Local Authorities’
- Social Care Debt
- PAMS Final Update
- Self Assessment of Audit & Governance Committee

Committee Contacts

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