

# Audit & Governance Committee

5

## 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.

	<b>Contents</b>	<b>Page No.</b>
1.	Update from previous Audit & Governance Committee meetings	1
2.	<a href="#">Internal Audit update</a>	2
3.	<a href="#">Social Care Debt update</a>	2
4.	<a href="#">Further information</a>	2
5.	<a href="#">Updates from other committees</a>	6
6.	<a href="#">Upcoming</a>	7
7.	<a href="#">Committee Contact Details</a>	7

## Update from previous Audit & Governance Committee meetings

Audit & Governance Committee: Effectiveness Review	<p>At its meeting on 29 May 2014, the Audit &amp; Governance Committee agreed to establish a task group to undertake an effectiveness review for the committee. The task group consists of Nick Harrison, Bill Barker and Tim Hall.</p> <p>The task group has undertaken a number of witness sessions to gather feedback as well as having produced a survey of senior officers and Members. It will use the evidence received to assess the committee according to CIPFA Guidance and will report back in September 2014. As part of this work, the whole committee has also been requested to complete a Knowledge and Skills Survey to enable an effective training programme to be developed.</p>
GR/IR balance	<p>On 29 May 2014, the Finance Manager – Assets &amp; Accounting agreed to prepare a briefing on the GR/IR balance for the Committee bulletin, attached below:</p>

## Internal Audit update

5

Current Audits	<p>The following audits are currently in progress:</p> <ul style="list-style-type: none"> <li>Apprenticeship Scheme</li> <li>Absence Management</li> <li>Management of CITRIX systems</li> <li>ASC Provider Portal</li> <li>Supply of ASC Equipment</li> <li>Corporate Parenting Board</li> <li>Looked After Children - Personal Monies</li> <li>Bus Operating Contracts</li> <li>Property Asset Management</li> <li>LA Trading Company Governance Arrangements</li> </ul>
Staffing	<p>Simon White joined the team on 9 June as the Audit Performance Manager for the Corporate and Environment Team. Simon is CIPFA qualified and joins SCC from LB Richmond where he worked as an Internal Audit Manager. Simon started his career as a CIPFA trainee for SCC and had previously worked on the SCC Internal Audit team as a Lead Auditor.</p> <p>Pascal Barras, a Compliance Auditor on the Internal Audit team, is on a 6 month secondment to Surrey Fire &amp; Rescue Service where he is working on embedding risk management arrangements.</p>
Joint meeting: Audit & Governance Committee and Internal Audit	<p>On 17 June 2014, the Audit &amp; Governance Committee held a meeting with Internal Audit to discuss current work within the team and to engage with officers on how the committee can continue to improve its own effectiveness. The session was very useful for the ongoing Effectiveness Review for the committee. A key action from the session was for the task group to consider whether increased frequency of committee meetings would be the best/preferred option for improving the timeliness of receiving audit reports and for more effective agenda management. It was also suggested that the Chief Internal Auditor consider the need for training of Cabinet Members and Select Committee Chairmen on Internal Audit.</p>

## Social Care Debt update

Audit & Governance Committee will receive an update on social care debt, including the findings of the recent audit, at its meeting in July.

## Further information

<p><a href="#">New updated Treasury Management scrutiny tool</a></p> <p><b>7 April 2014</b></p>	<p>CIPFA has updated the self-assessment tool to support those undertaking the scrutiny of treasury management.</p>
<p><a href="#">Contract Management: three questions to ask yourself</a></p> <p><b>16 April 2014</b></p>	<p>There is a growing divergence between increased outsourcing of public services and the capability and capacity of the customer to manage outsourced contracts. The evidence is that the quality of client side contract management has not kept pace with increased outsourcing. Just as those responsible for contract management should increase their commercial and wider capabilities, so too must internal audit functions.</p> <p>There is a new article on contract management and internal audit functions on the CIPFA website by Jay Hussain of Moore Stephens.</p>

<p><a href="#">What does it mean to be a crisis-ready organisation?</a></p> <p><b>23 April 2014</b></p>	<p>Most of the work done in the name of crisis management is in fact crisis preparedness. This article looks at how an organization can become 'crisis ready'.</p>
<p><a href="#">Surrey Choices: the new Local Authority Trading Company update</a></p> <p><b>29 April 2014</b></p>	<p>Surrey Choices has now been incorporated as a limited company at Companies House with Simon Laker appointed as the Managing Director. This follows last year's Cabinet agreement to transfer certain Day Care Services from the Adult Social Care Directorate into a Local Authority Trading Company (LATC).</p> <p>The new business will go live in August this year and will involve the transfer across to the new company of c. 310 staff. A small project team is working as part of Surrey Choices to support the transition and set up all the components of the new business.</p> <p>There are three key elements of the project underway:</p> <p><b>1. Business Establishment</b> - led by Jon Savage This includes establishing Surrey Choices as the receiver of services transferring, setting up systems and operational processes, reporting, contracts, and negotiations on things such as buildings and assets minibuses, IT, office equipment.</p> <p><b>2. Support Services</b> - led by Brian Smith (Shared Services) This includes all support functions currently being provided to the Services affected at present within Surrey County Council. The team supporting Brian include;</p> <ul style="list-style-type: none"> <li>• <b>Property;</b> Sarah Walker</li> <li>• <b>Procurement;</b> Keith Coleman</li> <li>• <b>Legal;</b> David Cogdell &amp; Sarah Baker</li> <li>• <b>Shared Services;</b> Sadie Lynch &amp; Vicky Starkings</li> <li>• <b>IMT;</b> Bron Robinson &amp; Steph MacDonald</li> <li>• <b>Finance;</b> Susan Smyth &amp; Mel Evans</li> <li>• <b>HR;</b> Anita Bhabuta &amp; Pauline Russell</li> </ul> <p><b>3. Transferring Services Readiness</b> - led by Katharine Macann (Adult Social Care) These activities include staff engagement, mapping current processes, gathering data and activity volumes, and working with the operational teams to identify what aspects of front line services could be done better to help them become more effective in their roles.</p> <p>As well as the three key project areas described above there is also direct engagement between Surrey County Council Finance and Legal colleagues and Surrey Choices to ensure that due diligence is undertaken on both financial and contractual matters.</p> <p>You can find further information <a href="#">here</a>.</p>
<p><a href="#">FRC's work to enhance justifiable confidence in audit</a></p> <p><b>28 April 2014</b></p>	<p>The Financial Reporting Council (FRC) has set out its work to give justifiable confidence in the quality of audit. The programme has been developed, in part, in response to a survey commissioned by the FRC, which benchmarked the views of key audit stakeholders undertaken in 2013. The FRC will focus on the expansion of its audit inspection work and will also develop best practice guidance for audit committees on assessing audit quality.</p> <p>The survey found that auditors and companies are generally confident in the value of audit. However, the largest proportion of stakeholders, and in particular many</p>

	investors, call for more change including more transparency in auditor reporting and a more open and competitive appointment process to help improve their confidence in the independence of auditors and the transparency of their audit conclusions.
<p><a href="#">MPs highlight poor financial management in Free Schools</a></p> <p><b>9 May 2014</b></p>	<p>The Public Accounts Committee (PAC) has published the '<a href="#">Establishing free schools</a>' report, in which it has warned the standards of financial management and governance in some free schools are a cause for concern. The Public Accounts Committee has urged both the Department for Education and the Education Funding Agency to improve the audit and accountability arrangements of free schools to ensure taxpayers' money was being used correctly. The committee also suggested tighter management capital costs were needed, and urged the Department for Education to work with local authorities to identify appropriate sites and help ensure land costs are not inflated.</p>
<p>CIPFA Consults on New Counter Fraud Code</p> <p><b>14 May 2014</b></p>	<p>The consultation was announced by CIPFA Chief Executive Rob Whiteman at CIPFA's Audit Conference.</p> <p>The voluntary CIPFA Code of Practice on Managing the Risk of Fraud and Corruption will form a statement of high level principles that sets out counter fraud good practice across the public sector. The code will build on CIPFA's current guidance, Managing the Risk of Fraud, commonly known as the 'Red Book', and with supporting guidance will replace this existing recommended practice.</p> <p>Details of the Code are available on the CIPFA website, together with a response form for the consultation. The consultation closes on 18 July. For more information visit:</p> <p><a href="http://www.cipfa.org/policy-and-guidance/consultations">http://www.cipfa.org/policy-and-guidance/consultations</a></p>
<p><a href="#">Assurance: Conscious Governance</a></p> <p><b>14 May 2014</b></p>	<p>"The conclusions of studies on corporate failures have been consistent but, unfortunately, so has the failure to learn from these. It's time to rethink assurance in the governance process."</p> <p>An article on assurance as part of good governance.</p>
<p><a href="#">Grant Thornton wins CIPFA Cliff Nicholson Award</a></p> <p><b>15 May 2014</b></p>	<p>Grant Thornton Manchester received the award for its work focusing on the closedown and audit of local authority final accounts. Working with Oldham, they successfully brought forward the date of the audit opinion by a month each year, culminating in an audit opinion date for the 2012/13 accounts of 31 May 2013 – the earliest opinion for any local government body in England.</p> <p>The judges also awarded highly commended status to two further entries: the internal audit team at Jephson Housing Association Group and also the West Midlands Assurance Service. The awards were presented at the CIPFA Audit Conference by the CIPFA President.</p>
<p><a href="#">FRC publishes Audit Quality Inspections Annual Report 2013/14</a></p> <p><b>28 May 2014</b></p>	<p>The Financial Reporting Council (FRC) has published its 10th annual report on its inspections of audit quality in the UK and individual reports on each of the four largest firms. The quality of auditing in the UK is generally good, 60 per cent of audits were good or required only limited improvements, maintaining the significant improvements observed last year. However quality is not consistent across all audit firms and types of company. 15 per cent of all audits inspected required significant improvements.</p>

<p>Audit Commission – National Fraud Initiative: Annual Report June 2014</p> <p><b>12 June 2014</b></p>	<p>The Audit Commission has published the latest National Fraud Initiative (NFI) report: <a href="#">National Fraud Initiative: National Report – June 2014</a>.</p> <p>The NFI has helped to identify £1.17 billion worth of fraud, overpayment or error across UK public bodies since it began 18 years ago.</p> <p>NFI data matching is carried out continuously, and the Audit Commission reports results every two years. Since the last report in May 2012 the scheme has identified a further £229 million of fraud, overpayment or error in England, Scotland, Wales and Northern Ireland.</p> <p>The total value of cases of fraud, overpayment or error identified by the NFI is lower, than last year, albeit the number of cases rose by 19.4 per cent over the same period. The Commission believes this potentially indicates that participants are increasingly effective at the early detection of fraud, overpayment and error. This will have been helped by the Commission’s introduction of a new service, NFI Flexible Data Matching, which has made it possible for participants to undertake data matching at any time.</p>
<p><a href="#">Oversight of three PFI waste projects</a></p> <p><b>17 June 2014</b></p>	<p>The National Audit Office has published a report on oversight of three local authority PFI waste contracts by the Department for Environment, Food and Rural Affairs. The three contracts were entered into by Surrey County Council, by Norfolk County Council and, jointly, by Herefordshire Council and Worcestershire County Council.</p>
<p><a href="#">Local Audit Regulations</a></p> <p><b>19 June 2014</b></p>	<p>In August 2010, the Secretary of State for Communities and Local Government announced plans for new arrangements to audit local public bodies in England. Since then the government has consulted widely and worked with a range of partners to develop and refine our proposals.</p> <p>In January 2014, the <a href="#">Local Audit and Accountability Act</a> received Royal Assent. This secondary legislation is needed to give effect to the new local audit arrangements. This consultation seeks the views of all bodies affected by these arrangements and any other interested parties about the content of a large part of the proposed secondary legislation.</p> <p>The consultation, which began on 20 June runs for a period of 4 weeks, with responses invited by 18 July 2014.</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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Cabinet	<p>At its meeting on <a href="#">27 May 2014</a>, the Cabinet considered the following reports:</p> <ul style="list-style-type: none"> <li>• Year End Financial Budget Outturn 2013/14</li> <li>• Establishment of a Property Company</li> </ul> <p>At its meeting on <a href="#">24 June 2014</a>, the Cabinet considered the following reports:</p> <ul style="list-style-type: none"> <li>• Annual Governance Statement 2013/14</li> <li>• Leadership Risk Register</li> <li>• Budget Monitoring Report for May 2014</li> </ul> <p>At her meeting on <a href="#">14 May 2014</a>, the Cabinet Member for Community Services considered the following report:</p> <ul style="list-style-type: none"> <li>• Surrey Fire and Rescue Service Statement of Assurance 2013-14</li> </ul> <p>At his meeting on 20 May 2014, the Leader of the Council considered the following report:</p> <ul style="list-style-type: none"> <li>• Funding and Delivering Infrastructure in Partnership: Memorandum of Understanding between Elmbridge Borough Council and Surrey County Council</li> </ul>
Council Overview & Scrutiny Committee	<p>At its meeting on <a href="#">30 April 2014</a>, the Council Overview &amp; Scrutiny Committee considered the following reports:</p> <ul style="list-style-type: none"> <li>• Internal Audit: Review of Appraisals 2013/14</li> <li>• Flash Outturn Report for 2013/14 and Proposed Carry Forward Requests to 2014/15</li> </ul> <p>At its meeting on <a href="#">4 June 2014</a>, the Council Overview &amp; Scrutiny Committee considered the following report:</p> <ul style="list-style-type: none"> <li>• Year End Financial Budget Outturn 2013/14</li> </ul>
Adult Social Care Select Committee	<p>At its meeting on <a href="#">1 May 2014</a>, Adult Social Care Select Committee considered the following reports:</p> <ul style="list-style-type: none"> <li>• Budget Update</li> <li>• Surrey Choices- Update</li> </ul> <p>At its meeting on <a href="#">26 June 2014</a>, Adult Social Care Select Committee considered the following reports:</p> <ul style="list-style-type: none"> <li>• Budget Update</li> </ul>
Surrey Pension Fund Board	<p>At its meeting on <a href="#">15 May 2014</a>, Surrey Pension Fund Board considered the following reports:</p> <ul style="list-style-type: none"> <li>• Manager Issues and Investment Performance</li> <li>• Private Equity Investment Performance Review</li> <li>• Pension Fund Business Plan 2013/14: Outturn Report and Final 2014/15 Plan</li> <li>• Actuarial Valuation 2013: Outcome</li> <li>• Pension Fund Risk Register</li> <li>• Revised Statement of Investment Principles</li> <li>• Key Performance Indicators</li> <li>• Pension Fund Administration Service Level Agreement</li> <li>• Corporate Governance Share Voting</li> <li>• LGPS Reform: Opportunities for Collaboration, Cost Savings and Efficiencies</li> <li>• National Changes to the LGPS</li> <li>• Investment Strategy Review</li> <li>• Standard Life GFS Fund</li> </ul>

## Upcoming

The next meeting of the Audit & Governance Committee is on 31 July 2014. The following items are on the agenda:

- 2013/14 Surrey County Council Accounts and External Audit's Audit Findings Report
- Surrey Pension Fund Local Government Pension Scheme Accounts 2013/14 and External Audit Annual Governance Report
- Annual Report of Surrey County Council
- Treasury Management Annual Report
- Leadership Risk Register
- Completed Internal Audit Reports
- Social Care Debt

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