

MINUTES of the meeting of the **AUDIT & GOVERNANCE COMMITTEE** held at 10.00 am on 18 March 2013 at Ashcombe Suite, County Hall, Kingston upon Thames, Surrey KT1 2DN.

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

Elected Members:

Mr Nick Harrison (Chairman)
Mr W D Barker OBE (Vice-Chairman)
Mr Stephen Cooksey
Mr Tony Elias
Mr Mel Few
Denis Fuller

In Attendance

Denise Le Gal, Cabinet Member for Change and Efficiency

Cath Edwards, Risk and Governance Manager
Cheryl Hardman, Committee Manager
Sue Lewry-Jones, Chief Internal Auditor
Sheila Little, Chief Finance Officer (Section 151 Representative)

17/13 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

There were none.

18/13 MINUTES OF THE PREVIOUS MEETING [21 FEBRUARY 2013] [Item 2]

The minutes of the 21 February 2013 meeting were agreed as a true and correct record, subject to amendments circulated at the meeting.

19/13 DECLARATIONS OF INTEREST [Item 3]

There were none.

20/13 QUESTIONS AND PETITIONS [Item 4]

There were none.

21/13 RECOMMENDATIONS TRACKER [Item 5]

Declarations of Interest:

None.

Officers:

Mark Borland, Projects and Contracts Group Manager

Cath Edwards, Risk & Governance Manager

Laura Langstaff, Procurement and Commissioning Manager

Nicola O'Connor, Finance Manager (Asset, Investment and Accounting)

Paul Osborne, Finance and Procurement Manager

Sue Lewry-Jones, Chief Internal Auditor

Sheila Little, Chief Finance Officer

Key Points Raised During the Discussion:

1. In relation to A4/13 (purchase cards), the Finance and Procurement Manager informed the Committee that acceptance of the new purchase card guidelines by purchase card holders and budget holders was being monitored. As of the day of the meeting, acceptance of the new guidelines stood at 62%. The new workflow approval process was due to go live on 1 April 2013. By the go-live date it was expected that acceptance of the guidance would be 100% and if anyone had not accepted the new guidance, their purchase card would be suspended. The Committee was also advised that officers would need to take an e-learning course before being approved for a purchase card in the future. The Chief Internal Auditor confirmed that a follow-up audit on Purchase Cards was planned for 2013/14.

Tony Elias joined the meeting.

2. In relation to A20/12 (damage to county property recovery rates), the Projects and Contracts Group Manager tabled a briefing note (attached as Annex 1). In response to questioning, the Projects and Contracts Manager clarified that analysis indicated that 90% of non-A&E damage to individual items do not exceed £8,000 and responsibility for recovery will transfer to May Gurney. The Projects and Contracts Manager also explained that most damage to kerbstones occurs through wear and tear and would be repaired

through the normal replacement programme. Clear evidence would be required to recover cost of repairs through 3rd party insurance. The in-house customer service team would be unaffected by May Gurney accepting responsibility for 'green' claims. While they would no longer undertake insurance recovery, they would focus on their core function of customer service. This new process would also incentivise May Gurney to identify and address 'hot spots' on the highway.

3. In relation to R3/11 (social care debt), the Chairman highlighted that the level of social care debt would be a topic for discussion when the Audit and Governance Committee looks at the Council's accounts in June 2013. A Member pointed out that the Chairman of Adult Social Care Select Committee had written to the Cabinet with regard to a spike in social care debt.
4. In relation to R1/12 (Annual Governance Statement), the Risk & Governance Manager informed the Committee that the 2013/14 Annual Governance Statement was likely to highlight areas of focus rather than include an action plan as the governance environment generally works well.
5. In relation to R3/12 (Direct Payments), the Committee was informed that the Member Reference Group would report in April 2013 not May 2013.
6. In relation to A53/12 (Internal Audit reports and Scrutiny), the Chairman informed the Committee that he had written to select committee chairmen on the process of handling Internal Audit reports at select committees and had also copied in Scrutiny Officers.
7. In relation to A45/12 (early closing of school accounts), the Finance Manager (Asset, Investment and Accounting) informed the Committee that meetings had been held with Babcock 4S and the timetable for schools had been revised. The situation has been improving over recent years and it was anticipated that these improvements would continue.
8. In relation to A55/12 (Finance Dashboard), the Chief Finance Officer informed the Committee that implementation of the Finance Dashboard had been delayed due to technical issues with the suppliers. A Project Board meeting this week would look at the project plan and it was expected that the Finance Dashboard would be in place for budget monitoring and forecasting for the new financial year.
9. In relation to A58/12 (Environment and Infrastructure Risk Register), the Chairman informed the Committee that he had written again to the Portfolio Holder. The Risk & Governance Manager confirmed that she had not yet received the updated risk register.
10. In relation to A59/12 (Energy Purchasing Contract), the Chairman reported some positive soundings from the Leader of the local authority in question but no detailed response.
11. In relation to A2/13 (financial reserves), Members requested that the level of financial reserves held by the Council be made clear in financial statements, along with the reason for holding reserves. This would support transparency of the Council budget to the public. The Chief Finance Officer confirmed that there was a description of each reserve in the budget report approved by Full Council in February and in the MTFP.
12. In relation to A5/13 (Committee terms of reference), the Chairman informed the Committee that he had reviewed the Public Sector Internal Audit Standards and the Audit and Governance Committee

terms of reference and had concluded that there was no need for constitutional change to the Committee's terms of reference.

13. In relation to A9/12 (Babcock 4S), the Chief Finance Officer confirmed that Babcock 4S was free to use its dividend payment however it wished. However, the council's Assistant Chief Executive was a Director on the Board for Babcock 4S and so the Council had influence on how the surplus cash was used. Members also queried whether the services that Babcock 4S was now providing in Devon and Exeter offered any benefit to Surrey County Council. The Committee agreed to explore this when Babcock 4S was next invited to a meeting (**Recommendations tracker ref: A6/13**).
14. In relation to A43/12 (Strategic Director for Customers and Communities), a Member queried whether the increased hours that the Strategic Director for Customers and Communities was contracted to provide as Chief Executive of Mole Valley District Council had any impact of the work she did for Surrey County Council. The Chairman agreed to ask the Chief Executive for an analysis of this point.

Actions/Further Information to be Provided:

The recommendation tracker to be updated to reflect the discussion, as noted above.

RESOLVED:

That the recommendations tracker was noted and the Committee agreed to remove pages 20 to 24 of the tracker, with the exception of A43/12, as the actions were completed.

Next Steps:

The Chairman agreed to write to the Chief Executive for an analysis of the impact on Surrey County Council of the Strategic Director for Customers and Communities spending four days a week working as Chief Executive for Mole Valley District council.

22/13 EFFECTIVENESS REVIEW OF THE SYSTEM OF INTERNAL AUDIT [Item 6]

Declarations of Interest:

None.

Officers:

Sue Lewry-Jones, Chief Internal Auditor
Stephen Mungavin, CIPFA

Key Points Raised During the Discussion:

1. The representative of CIPFA introduced the report, explaining that the effectiveness review for 2012/13 assessed the Council's readiness for the Public Sector Internal Audit Standards which come into effect from 1 April 2013. Many aspects of the Internal Audit service were found to be good but there were some areas which could be improved to meet the new Standards.
2. The Cabinet Member for Change and Efficiency requested an explanation of risk-based planning as opposed to risk priority planning. The CIPFA representative explained that risk priority planning is a system of prioritising audit work through identifying, scoring and ranking risks. Resources are then aligned to the highest scored risk

areas. In risk-based planning, there is a clear thread between high level objectives and risks, which feed into the control environment and audit panning on a periodic basis and into audit works itself.

3. It was suggested that Galileo could be more effectively used to centrally record and evidence continuous professional development.
4. Members expressed concern about increasing the amount of paperwork necessary for audits. The CIPFA representative explained formal evidence of audit planning discussions would help steer the auditor and clarify what is being reviewed for the Manager. However, records could be kept electronically rather than in hard copy.
5. There was support from both the CIPFA representative and some Members for replacing the current audit opinions with a traffic-light system.
6. The CIPFA representative clarified that while the guidance suggests that the Chief Internal Auditor should report to the Chief Executive in order to retain independence, it was understood that this may not be practical in an organisation of Surrey's size. No weaknesses were identified in the operation of the current arrangements.
7. CIPFA views the scope of Internal Audit as being beyond a narrow financial accounting role. If the Council believes that there is risk with regard to the structure of the organisation, CIPFA does not perceive any difficulty in Internal Audit looking at management structures.
8. In response to a query about how robust the conclusions can be when they are based on only two Internal Audit reports, the CIPFA representative explained that the two reports showed a similar pattern and therefore provided adequate evidence.
9. In relation to paragraph 53, the Chairman noted that an independent review of governance arrangements had been carried out by the audit commission some two years ago.
10. The Chief Internal Auditor informed the Committee that she was pleased with the report by CIPFA. With regard to the Standards where the opinion is that Internal Audit is "partially compliant", the issues have either already been addressed, are in the Internal Audit Charter to be approved by the Audit and Governance Committee later on the agenda, or are otherwise easily rectified. The Chief Internal Auditor stated that she did not wish to rush into risk-based planning but would provide training to the audit team and review how this was approached elsewhere. Also, while some auditors used Galileo consistently, others did not and this report would be used to address this with the team. The Annual Internal Audit Report to be considered by the Committee in June would provide an update on progress on implementing the review recommendations.

Actions/Further Information to be Provided:

None.

Resolved:

The Committee

- a. Noted the report.
- b. Agreed to receive an update on progress in implementing the recommendations arising from the review as part of the Annual Internal Audit Report to be presented to the Committee in June 2013.

Next Steps:

To receive an update on progress in implementing the recommendations of the External Review of the System of Internal Audit at Surrey County Council (**Recommendations tracker ref: A7/13**).

23/13 EXTERNAL AUDIT - AUDIT PLAN [Item 7]**Declarations of Interest:**

None.

Officers:

Andy Mack, Engagement Lead (Grant Thornton)

Kathryn Sharp, Audit Manager (Grant Thornton)

Nicola O'Connor, Finance Manager (Assets, Investment and Accounting)

Key Points Raised During the Discussion:

1. The Audit Manager (Grant Thornton) reported progress in delivering the external auditor's interim audit work. There were no significant issues to report on.
2. The Chairman pointed out that this would be the Audit & Governance Committee's last meeting before reviewing the accounts in June 2013. He requested that any interim findings be discussed with the Chief Finance Officer and that members of Audit & Governance Committee be kept informed.
3. The report also brought to the attention of Members a number of emerging national issues and developments. The Audit Manager (Grant Thornton) highlighted the debates around assets transferring to academy schools and Provisions. The Finance Manager (Assets, Investment and Accounting) clarified that academy school assets were taken off the Council's Balance Sheet and that this policy formed part of the Council's accounting policies which are stated in the Statement of Accounts. The Finance Manager explained that there were differing views about this issue and she would therefore welcome guidance from CIPFA. Members of the Committee who also sit on Education Select Committee offered to raise the issue with the Secretary of State for Education when the Committee met with him.
4. The Chairman asked that a briefing be provided to Members in advance of the June 2013 meeting of the Audit & Governance Committee, when the Committee would review the accounts.
5. Members requested that reserves were differentiated according to whether or not they are cash reserves. The Audit Manager (Grant Thornton) explained that accounting standards constrained how reserves were badged in accounts. However, this could be outlined in the explanatory foreword.
6. The Engagement Lead (Grant Thornton) introduced the proposed Audit Plan which would culminate in a report on findings to Audit and Governance Committee in September 2013. If circumstances required, Grant Thornton would keep the Committee informed.
7. The Audit Manager (Grant Thornton) informed the Committee that the Pensions Audit Plan would be reported in June 2013. This was due to delays internal to Grant Thornton.

Actions/Further Information to be Provided:

- Grant Thornton to discuss interim findings with the Chief Finance Officer and keep members of the Audit & Governance Committee informed (**Recommendations tracker ref: A8/13**).
- Officers to arrange a briefing for members of Audit & Governance Committee in advance of the Committee reviewing the accounts in June 2013 (**Recommendations tracker ref: A9/13**).

Resolved:

The Committee noted the progress report.

Next Steps:

To receive further reports from Grant Thornton and receive a briefing prior to considering the accounts in June 2013.

24/13 PENSION FUND Q3 [Item 8]

Declarations of Interest:

None.

Officers:

Sheila Little, Chief Finance Officer

Philip Triggs, Strategic Finance Manager (Pension Fund and Treasury)

Key Points Raised During the Discussion:

1. The Chairman highlighted that, subject to a Full County Council decision on 19 March 2013, the Investment Advisors' Group would be transforming to a Pension Fund Board with full committee status. Therefore, this would be the last Pension Fund report to the Committee in this format.
2. The Strategic Finance Manager (Pension Fund and Treasury) introduced the report and highlighted uncertainties in overseas markets.
3. In response to questioning, the Strategic Finance Manager (Pension Fund and Treasury) informed the Committee that the current gilt market differed from the previous actuarial valuation in 2010. The discount rate was now 4.9% compared with the previous discount rate of 6.1%. A lower discount rate results in a higher valuation of the fund's future liabilities.
4. The Chief Finance Officer clarified that the Pension Fund Board would be responsible for the whole pensions fund, including liabilities and investments. While there was still a role for People, Performance and Development Committee, the responsibilities of Audit and Governance Committee transferred to the new Board.
5. The Chairman suggested that assets with the weaker members of the Euro be reviewed.
6. The Chairman thanked the Strategic Finance Manager (Pension Fund and Treasury) for his support to the Committee.

Actions/Further Information to be Provided:

None

Resolved:

The Committee noted the report.

Next Steps:

None.

25/13 SELF ASSESSMENT ON ISSUES RAISED IN 'FINANCIAL SUSTAINABILITY OF LOCAL AUTHORITIES' [Item 9]**Declarations of Interest:**

None.

Officers:

Nick Carroll, Finance Manager

Sheila Little, Chief Finance Officer

Key Points Raised During the Discussion:

1. The Finance Manager introduced the two recent publications by the National Audit Office (NAO) and the Council's external auditors Grant Thornton.
2. The Finance Manager explained that the NAO report highlighted the possibility of some financial failures in local authorities. In the past, failure within local government was due to a failure of corporate governance. Financial failure has not been tested. The report highlights the importance of Councils holding reserves. Decisions on the council tax base have also been taken to ensure financial sustainability.
3. The Finance Manager explained that the Grant Thornton report questioned whether local authorities were reaching a point where they cannot deliver services.
4. Members questioned whether central government would allow local authorities to fail. Officers suggested that while the DCLG was aware of the impact of its decisions on local authorities, other departments were not so aware of the impact when making grant funding available. The Chief Finance Officer agreed that it was unprecedented for a local authority to financially fail. Discussions with DCLG around what would happen if the budget could not be agreed suggests that central government would send in its own people in these circumstances.
5. The Finance Manager suggested that those most reliant on government grants were more at risk of financial failure than local authorities such as Surrey County Council who were more reliant on council tax.
6. Members queried how certain it was that the county council would receive the funding it is owed from the implementation of council tax support localisation. The Finance Manager explained that District and Borough authorities have changed their local scheme and will, in part, use council tax flexibilities to reduce the impact. It was noted that Surrey collection rates are higher than the national average.
7. In response to a query about the proportion of planned savings which are scored as red risks, the Chief Finance Officer informed the Committee that of £68m of planned savings in 2013/14, £32m is scored as red risks. Finance was working with the Corporate Leadership Team to ensure robust monitoring takes place. Select Committees are also expected to monitor savings. However, it was important to note that being scored as red does not mean that the savings will not be achieved. It rather highlights the extent of the challenge to achieve the savings within the timescales. Some savings have not yet been allocated for 2014/15 onwards, partly because of

uncertainty around the impact of funding changes relating to localisation of council tax and retention of business rates.

8. Members suggested that increasing business rates which are set by central government may bring about the “tipping point” for local authorities and that that message needed to be passed up to central government.
9. The Chief Finance Officer offered to provide the Committee with an assessment of whether the Council meets each of the best practice points listed on page 159 of the report.

Actions/Further Information to be Provided:

The Chief Finance Officer to provide the Committee with an assessment of whether the Council meets each of the best practice points listed on page 159 of the report. **(Recommendations tracker ref: A10/13).**

Resolved:

The Committee

- a. noted the recent publications by NAO and Grant Thornton;
- b. considered the assessment of Surrey County Council’s performance; and
- c. will consider progress on the areas for improvement in due course.

Next Steps:

To consider progress on the areas for improvement in due course
(Recommendations tracker ref: A11/13).

26/13 INTERNAL AUDIT PLAN [Item 10]

Declarations of Interest:

None.

Officers:

Sue Lewry-Jones, Chief Internal Auditor
Sheila Little, Chief Finance Officer

Key Points Raised During the Discussion:

1. The Chief Internal Auditor introduced the report. She circulated an amended first page of the Internal Audit Reporting and Escalation Policy, which is attached to the Minutes as Annex 2. The Policy had been updated to reflect the new Public Sector Internal Audit Standards and to address issues in the Effectiveness Review of Internal Audit.
2. The Chairman requested that paragraph 22 of the Internal Audit Reporting and Escalation Policy be amended to identify a job role rather than an individual.
3. Members queried the changing number of days allocated by Internal Audit to service reviews between the previous year and the upcoming year. The Chief Internal Auditor highlighted that while Adult Social Care had been allocated 135 days this year in comparison with 150 days last year, in the previous year Adult Social Care had received 95 days. Therefore, the trend in recent years had been upwards. The Chief Internal Auditor also highlighted that more days had been allocated to Irregularity and Special Investigation. This will make use of the new position of IMT Auditor who will undertake data mining/counter-fraud type work. The results from this work will also

feed into other audits eg an interrogation of Company House data will feed into the Officer Interests audit.

4. In response to a question about providing audit services to other public sector organisations, the Chief Internal Auditor confirmed that Internal Audit does do some work for other public sector organisations for a charge. However, this work is limited and she would be concerned about being asked to do much more as it would be a distraction from completing the Internal Audit Plan.
5. Members expressed concern that Plain English be used within the Internal Audit Reporting and Escalation Policy and in particular asked that the phrase “populated MAP” be revised.
6. The Chief Internal Auditor explained that the Internal Management section of the Internal Audit Plan mainly details her own workload.
7. The Chief Finance Officer informed the Committee that she had worked with the Chief Internal Auditor on the Plan and she was content that the right financial controls would be checked.

Actions/Further Information to be Provided:

The Chief Internal Auditor to amend paragraph 22 of the Internal Audit Reporting and Escalation Policy to identify a job role rather than an individual **(Recommendations tracker ref: A12/13)**.

The Chief Internal Auditor to review wording in the Internal Audit Reporting and Escalation Policy to ensure Plain English is used **(Recommendations tracker ref: A13/13)**.

Resolved:

The Committee approved:

- a. The Internal Audit Charter;
- b. The Internal Audit Strategy;
- c. The Internal Audit Reporting and Escalation Policy; and
- d. The 2013/14 Internal Audit Plan.

Next Steps:

Completed audit reports will continue to be presented to the Committee throughout the year and an update on performance against the 2013/14 Plan will be reported to the Committee in December 2013.

27/13 COMPLETED INTERNAL AUDIT REPORTS [Item 11]

Declarations of Interest:

None.

Officers:

Sue Lewry-Jones, Chief Internal Auditor

Key Points Raised During the Discussion:

1. The Chief Internal Auditor introduced the four audit reports which had been issued since the last report to the Committee in February 2013. There was one high priority recommendation for improvement following the audit of Financial Assessments and Charging. All the audit reports had been presented to Council Overview and Scrutiny Committee on 13 March 2013.

Actions/Further Information to be Provided:

None.

Resolved:

The Committee noted the completed Internal Audit reports.

Next Steps:

None.

28/13 LEADERSHIP RISK REGISTER [Item 12]

Declarations of Interest:

None.

Officers:

Cath Edwards, Risk and Governance Manager

Key Points Raised During the Discussion:

1. The Risk and Governance Manager introduced the report, highlighting changes since the Leadership Risk Register had last been presented to the Committee. Risk Ref. L2 was now entitled 'Major change programmes' rather than 'Fit for the Future'. Welfare Reform had also been added to the Risk Register as a high residual risk.
2. Members asked what measures were taken to ensure that waste targets were not being fiddled. A Member who sits on the Surrey Joint Waste Partnership pointed out that the responsibility lies with Borough and District Councils and that a countywide audit would be impossible. The Chief Internal Auditor offered to find out what controls were applied and report back to the Committee for information.

Nick Harrison stood down from the Chair at 12.23pm and left the room due to illness. The Vice-Chairman, Bill Barker, took the Chair.

3. Members pointed out that from a county perspective, minimising landfill waste was the priority. Concern was expressed that Environment and Transport Select Committee had not looked at waste for a year, according to the Risk Register.

Actions/Further Information to be Provided:

The Chief Internal Auditor to find out what controls were being applied to ensure that waste targets are being achieved appropriately and to report back to the Committee for information (**Recommendations tracker ref: A14/13**).

Resolved:

The Committee noted the Leadership Risk Register.

Next Steps:

To continue to review the Leadership Risk Register on a regular basis.

Meeting ended at: 12.30 pm

Chairman

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SURREY COUNTY COUNCIL

AUDIT & GOVERNANCE COMMITTEE

DATE: 18TH MARCH 2013



LEAD OFFICERS: MARK BORLAND, HIGHWAYS GROUP MANAGER

SUBJECT: IMPROVING GREENS CLAIMS (DCP) MANAGEMENT

1. This briefing note provides an update to the Audit & Governance Committee concerns regarding how Surrey Highways recovers costs for damage to council property.
2. Surrey Highways has two specific cost liabilities in regards to insurance loss:
 - a) **Red Claims** – claimants can claim against the Council for damage for personal injury or vehicle damage as a result of a highway defect (e.g. pothole);
 - b) **Green Claims** – highway can be damaged as a result of vehicle collisions and we have the right to recover cost of repair from 3rd party's insurance; however, where funds cannot be recovered council is currently liable for repair cost, also known as Damage to Council Property (DCP).
3. The majority of the highway related Red Claims are repudiated and since 2010 Surrey County Council has seen an overall reduction in losses in Red Claims.
4. However, there has not been the same improvement in recovery of Green Claims. A project team was therefore developed to recommend practical steps to improve recovery. After review the project team identified 3 key issues preventing success:
 - **Information Ownership** – Majority of damage to council property is caused as result of road accident or collision (A&E). May Gurney are responsible for attending and resolving A&Es, with SCC responsible for pursuing 3rd parties costs. However, the information required for successful claim was not always captured by May Gurney when they attended original incident and thus prevented successful claim
 - **Skill Set** – SCC insurance recovery was managed by in-house customer service team, however, the skill set was not always appropriate for dealing with trained commercial insurance departments.
 - **Time Delay** – Resolving insurance claims was taking approximately 6-9 months, during which time, the original damage would remain on network. The delay was then increased when funds could not be recovered, as SCC would then need to find an alternative in-house funding solution.
5. Poor information and skills set was thus leading to low recovery rates, with under 50% recovered from insurance companies, while length of delay in resolving was impacting resident and member satisfaction.

6. Following project finding, SCC therefore undertook review with May Gurney to accept increased risk within contract and improve overall resource management. Following negotiations, May Gurney have agreed to implement the steps below from 1st April 2013:
 - **New Accountability** – Responsibility for Green Claims will transfer to May Gurney. This will make one organisation responsible for both attending A&Es to re-open road to traffic and then subsequently repairing any damage, thus incentivising on-site crew to retrieve all required information for insurance recovery.
 - **Immediate repair all damage** – As part of new ownership, May Gurney (at their expense) will repair all damage to council property within 20 working days. They will then separately pursue 3rd party for cost recovery, with any non-recovered cost at their full expense.
 - **New Claims Management Team** – To deliver service above, May Gurney will appoint new dedicated claims team who will have skills to manage insurance companies risks and focus on achieving 100% of claims recovery.
 - **Non A&E Damage** – A proportion of damage is also caused by “hit & runs”, where a car user strikes council property and leaves the scene with no contact details. As there is little evidence of guilty party, successful recovery from insurance company is reduced. However, following review May Gurney have accepted risk on this recovery, with the only exception being where damage of individual item exceeds £8,000, in this cases Surrey will retain cost liability.
 - **Co-ordination** – May Gurney Claims Management team will be the lead contact point for emergency services, insurance companies and SCC supply chain, e.g. when an accident involves damage to street lights, traffic lights and carriageway May Gurney will take lead, even if it is not them that undertake repair.
7. The new process will ensure that from 2013/14, approximately 90% of damage to council property is repaired within 20 days at no cost to the council. The only increased cost to the council is funding new May Gurney Claims Manager.
8. May Gurney will assume full responsibility for Green Claims, it is anticipated that recovery from insurance companies will meet all May Gurney costs, with primary benefit for MG through removing ongoing disputes with SCC and the overall impact on customer satisfaction.
9. The new May Gurney Claims Management team and A&E process will therefore result in an overall improved service to the highway network. An annual report will be produced in June 2014, confirming the success or otherwise of new service.

INTRODUCTION:

1. The Public Sector Internal Audits Standards require that internal audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results. Timely and appropriate management responses to Internal Audit reports enable the Council to demonstrate that it maintains high standards of internal control and governance in line with corporate objectives.
2. The Audit and Governance Committee have approved this policy in order to ensure that issues are remedied in an appropriate and timely manner.

REPORTING:

3. With the exception of investigations into alleged irregularities (which are subject to separate arrangements not covered in this policy), the following reporting and escalation arrangements apply to all audit reviews undertaken by Internal Audit.

Draft Report

4. Following completion of an audit review the auditor will produce a draft report, which is issued to the responsible manager, (the auditee). The auditee will be asked to comment on the factual accuracy of the report and attend an exit meeting with the auditor within 5 working days. In this context 'factually accurate' means that the auditor's report and recommendations are based on a correct interpretation of the systems or circumstances pertaining to the review.

Exit meeting

5. The exit meeting is held with the auditee and other officers as appropriate. It is during this meeting that key points arising from the audit, factual amendments and recommendations for improvement are discussed. Where possible service actions addressing audit recommendations should be captured for inclusion in a draft management action plan (MAP).

Management Action Plan production

6. Following the exit meeting a draft MAP and revised draft report will be produced for distribution to the auditee, Head of Service and other key officers involved in the audit. Auditees must obtain agreement from their Head of Service as to the proposed actions to be included in the MAP. The relevant Head of Service will be recorded in the MAP as the Responsible Officer and there is an expectation that the Head of Service will have briefed their Director on the findings/recommendations arising from any Internal Audit review in advance of agreeing the MAP. Where actions rest with one or more service, the Head of Service responsible for the business activity reviewed will be deemed the Responsible Officer.
7. The service then has 10 working days to return a populated MAP and any further comments on factual accuracy to the auditor. As part of this process the service is responsible for ensuring that named officers with responsibility for individual actions within the MAP are sufficiently briefed and accepting of such responsibility before the MAP is returned to Internal Audit.

Ownership of the Management Action Plan

8. Whilst individual actions within the MAP may rest with one or more officers, the Head of Service has overall accountability for timely completion of the actions in the MAP, and is required to inform Internal Audit if timescales are likely to be missed. In assigning their

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