

MINUTES of the meeting of the **AUDIT & GOVERNANCE COMMITTEE** held at 10.30 am on 22 May 2020 as a Remote Meeting.

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

Elected Members:

Mr David Harmer (Chairman)
Mr Keith Witham (Vice-Chairman)
Mr Edward Hawkins
Dr Peter Szanto
Mr Stephen Spence
Mr Stephen Cooksey

9/20 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Stephen Spence gave his apologies for the first half of the meeting.

10/20 MINUTES OF THE PREVIOUS MEETING - 29 JANUARY 2020 [Item 2]

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

11/20 DECLARATIONS OF INTEREST [Item 3]

There were none.

12/20 QUESTIONS AND PETITIONS [Item 4]

There were none.

13/20 RECOMMENDATIONS TRACKER [Item 5]

Witnesses:

David John, Audit Manager

Key points raised during the discussion:

1. In regards to Action A2/19, the Audit Manager informed Members that managers had not yet signed off the follow-up audit but that it was likely to receive reasonable assurance which would be a great improvement.
2. In regards to action A11/19, the Chairman confirmed that the item was included on the current agenda and so the action could be marked as complete.
3. Members noted that Select Committees would still take place virtually during the pandemic. Members requested that the details of timings be circulated to the Committee.

Action/Further information to note:

Members requested that the details of upcoming virtual Select Committee timings be circulated to the Committee.

RESOLVED:

Members noted the report.

14/20 REMOTE MEETINGS REGULATIONS [Item 6]**Witnesses:**

Paul Evans, Director - Law and Governance

Key points raised during the discussion:

1. The Director introduced the report and provided a brief summary. Members noted that the protocol was created to ensure that decision making could continue during the lockdown and that the Audit and Governance Committee had been tasked to monitor the protocol. This report included details of the delegated decisions which took place following the council's decision to temporarily delegate decision making. Following this, the Government issued new regulations which allowed committees to take decisions remotely and superseded the council's interim arrangements.
2. Members noted that Committee meetings had taken place using Microsoft Teams and that earlier difficulties with the software had been resolved, but some concern still remained. Members of the Committee thanked Democratic Services for their hard work to support virtual meetings.
3. Members felt that public participation during virtual meetings would be a challenge.
4. The Committee noted that any suggested amendments to the protocol should be sent to the Governance Lead Manager.
5. The Chairman suggested amended recommendations for the Committee which were agreed.

Action/Further information to note:

None.

RESOLVED:

1. The Committee received a report in conjunction with the new regulations and the letter from Ministry of Housing, Communities & Local Government to Local Government Chief Executives (annexes 1 & 2);
2. The Committee understood that the regulations had superseded the council's interim arrangements; and
3. The Committee noted the decisions made under delegation in the period before the new regulations were enacted
4. The Committee will continue to monitor any decisions made under the delegation approved at the meeting of County Council on 17 March 2020 alongside reviewing the way that remote committee meetings are working under the Remote Meetings Regulations.

15/20 ETHICAL STANDARDS ANNUAL REVIEW [Item 7]

Witnesses:

Paul Evans, Director – Law and Governance

Key points raised during the discussion:

1. The Director introduced the item and provided a brief summary. Members noted that the report contained:
 - confirmation of current arrangements.
 - Internal Audit work on Members registers on gifts and hospitality which included a change to the gifts and hospitality threshold, gifts to family, and a question on whether refused gifts should be registered.
 - a review of code of conduct.
 - detail that no serious complaints had been received for issues relating to the Members' Code of Conduct.
2. Members noted that the 'Independent Person' was appointed using a statutory process with local discretion where an advert was placed to seek applications. The Council then followed a process to carry out interviews and a final decision was considered by the meeting of the County Council.
3. A Member of the Committee stated that in their experience most complaints were not based on issues with Member conduct.
4. Members of the Committee agreed that, subject to officer discussions with Group Leaders, Members of the Audit and Governance Committee would form a working group to review possible changes to the Members' Code of Conduct following recommendations noted in the report. Members noted that the Audit and Governance Committee was politically proportional and felt that it was a good representation of the council and its political views. Members further suggested that substitutes should be appointed to attend the working group if needed.

Actions/Further information to note:

None.

RESOLVED:

That the Audit and Governance Committee:

1. Noted the Monitoring Officer's report on recent activity in relation to the Members' Code of Conduct and complaints made in relation to member conduct.
2. Agreed to form a Committee working group to review possible changes to the Members' Code of Conduct in light of recommendations from:
 - a. Surrey County Council Internal Audit Report of Register of Interests/Gifts and Hospitality.

- b. The Committee on Standards and Ethics 'Local Government Ethical Standards' report (2019).
- c. The Local Government Association Model Code of Conduct (due to be published in June 2020)

16/20 RISK MANAGEMENT BASELINE REVIEW [Item 8]

Mr Stephen Spence arrived at 11:15am

Witnesses:

Anna D'Alessandro, Director – Corporate Finance

Key points raised during the discussion:

1. The Director introduced the item and provided a brief summary. Members noted that risk management consultants Gallagher Bassett had undertaken a baseline review of the council's strategic risk management arrangements during the end of 2019. Due to the COVID-19 outbreak, officers had not been able to progress work following the review as much as planned. Members noted that Gallagher Bassett had provided a number of recommendations on:
 - the risk management framework and whether it was appropriate.
 - training for Members and officers to integrate a risk culture
 - risk practices in terms of business planning and how integrated it was
 - Detailed reviews of Surrey's strategic risk register
 Members noted that the Council intended to engage a risk management partner to work with Members and officers to integrate risk into the council's business culture while working with partners and the Audit and Governance Committee. Following discussions with the Corporate Leadership Team, an update would be brought to a future meeting of the Committee.
2. Members highlighted that the recommendations provided by Gallagher Bassett were serious and that it was important to have an appropriate timeline.
3. Officers stated that a good partner for this work would help the council drive forward a risk culture in the council.
4. Following discussions, the Committee asked that final proposals are considered by Members in a formal or informal Audit and Governance Committee meeting.

Action/Further information to note:

The Committee asked that an update and final proposals are considered by Members in a formal or informal Audit and Governance Committee meeting.

RESOLVED:

The Committee considered the contents of the report and confirmed that they were satisfied with the next steps.

17/20 INTERNAL STRATEGY AND ANNUAL AUDIT PLAN 2020/21 [Item 9]**Witnesses:**

Russel Banks, Chief Internal Auditor

Key points raised during the discussion:

1. The Chief Internal Auditor introduced the report and informed Members that it was an annual report which included the Internal Audit strategy and work plan. The report outlined key elements of how Internal Audit approached work, a detailed work programme for the year and the Internal Audit Charter. Members noted that, due to COVID-19 and the need for Internal Audit officers to support front line staff, the work plan had not yet begun and that it was expected to be updated to reflect the current situation and additional work caused by the pandemic. An updated plan would be brought to the Audit and Governance Committee for consideration.
2. Members stated that during the course of the last five years there had been a significant decline in the number of Audit days in the plan. Officers were asked whether this was due to the amount of work or a decline in resource. Officers responded that there had been some reduction in Audit days due to savings plans however days had also reduced due to Internal Audit incorporating more efficient ways of working. The Chief Internal Auditor confirmed that he was comfortable with the number of Audit days available.
3. In regards to recent changes due to the COVID-19 situation, Members highlighted the need for Internal Audit to look into areas where new processes were implemented rapidly to ensure no mistakes were made. Officers confirmed that Internal Audit had been very responsive to requests for advice from different parts of the council and planned to revisit all areas to consider what processes would be in the future.
4. Members requested that the recommendations in the report reflected the need for the Committee to consider an amended Internal Audit and Corporate Fraud Plan due to the current COVID-19 situation. This was agreed and amended recommendations are included within these minutes.

Action/Further information to note:

None.

RESOLVED:

Members considered the contents of the report and Appendices, and approved the:

- The Internal Audit Strategy (Annex A)
- The Internal Audit Charter (Appendix B)

Members noted the Internal Audit and Corporate Fraud Plan (Appendix A) and, due to changes caused by the COVOD-19 situation, agreed to consider a full amended plan in the second half of 2020. An update on the situation would also be brought to the next Committee meeting.

18/20 INTERNAL AUDIT PROGRESS REPORT - QUARTER 3 (01/10/19 - 31/12/19) [Item 10]

Witnesses:

David John, Audit Manager

Key points raised during the discussion:

1. The Audit Manager introduced the report and provided a brief summary. The report summarised Internal Audits completed between October and September 2019. Members noted a correction on page 94 of the agenda where it displayed three 'reasonable assurances' and two 'non opinions'. This was incorrect as there should be four 'reasonable assurances' and one 'non opinion'.
2. A Member of the Committee highlighted that he was waiting for a response to a query on a recent Traffic Light Audit. Officers agreed to contact the Member outside the meeting.
3. A Member highlighted that only a small proportion of Audits received a substantial assurance response. Officers stated that this was expected due to the Audit Plan being risk focused.

Action/Further information to note:

None.

RESOLVED:

The Committee is asked to note the report and consider any further action required in the response to issues raised.

19/20 SURREY COUNTY COUNCIL COUNTER FRAUD STRATEGY [Item 11]

Witnesses:

Simon White, Audit Manager - Counter Fraud

Key points raised during the discussion:

1. The Audit Manager introduced the report and provided a brief summary. Members noted that there had been no significant changes to the strategy.

Action/Further information to note:

None.

RESOLVED:

The Committee endorsed the Counter Fraud Strategy.

20/20 EXTERNAL AUDIT PLAN UPDATE - SURREY COUNTY COUNCIL (APRIL 2020) [Item 11a]

Witnesses:

Ciaran T McLaughlin, Grant Thornton

Key points raised during the discussion:

1. The Committee considered both item 11a and item 11b as one item. Members noted that the reports had been published in a supplementary agenda on 19 May 2020.
2. The representative from Grant Thornton introduced the reports and provided a brief summary. Members noted that the report provided an update to the planned scope and timing of the statutory audits as reported in the Audit Plan dated 29 January 2020. Members also noted that there was an opinion timeline change due to the pandemic and that work was ongoing with Surrey's Finance team to ensure all audits were completed. The reports also set out significant risks inputted due to the COVID-19 situation.
3. Members noted that Grant Thornton would provide copies of evaluations to their evaluation experts to ensure they met requirements. The representative stated that they expected there to be a material uncertainty in the environment which may lead to an unqualified audit opinion with a note to the current situation.
4. Members noted that the council's draft Statement of Accounts would not include an Annual Governance Statement at this stage due to lack of capacity during the COVID-19 situation.

Action/Further information to note:

None.

RESOLVED:

The Committee noted the external audit plan update reports.

21/20 EXTERNAL AUDIT PLAN UPDATE - SURREY PENSION FUND (APRIL 2020) [Item 11b]

This item was considered during item 11a.

22/20 DATE OF NEXT MEETING [Item 12]

The date of the meeting was noted as 31 July 2020.

Meeting ended at: 12.10 pm

Chairman

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