

MINUTES of the meeting of the **AUDIT AND GOVERNANCE COMMITTEE** held at 10.30 am on 29 November 2021 at Surrey County Council, Woodhatch Place, 11 Cockshot Hill, Reigate, Surrey, RH2 8EF.

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

Elected Members:

Victor Lewanski (Vice-Chairman)
David Lewis (Chairman)
Rebecca Paul
Joanne Sexton
Richard Tear

18/21 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

An apology was received from Stephen Cooksey.

19/21 MINUTES OF THE PREVIOUS MEETING [20 SEPTEMBER 2021] [Item 2]

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

20/21 DECLARATIONS OF INTEREST [Item 3]

There were none.

21/21 QUESTIONS AND PETITIONS [Item 4]

There were none.

22/21 RECOMMENDATIONS TRACKER AND WORKPLAN [Item 5]

RESOLVED:

That the Tracker and Workplan be noted.

23/21 PENSIONS TURNAROUND PROGRAMME [Item 6]

Speakers:

Neil Mason, Assistant Director Pensions (AD Pensions)

Nick Harrison, Chairman of the Surrey Pension Fund Committee (SPFC)

Key points raised during the discussion:

1. The AD Pensions gave a brief overview of the background to the Turnaround Programme that was established in July 2020 to oversee the following:
 - Dissolution of the Orbis pension partnership between Surrey County Council (SCC) and East Sussex County Council (ESCC).
 - Reversion of pensions administration to the respective ESCC and SCC sovereign authorities.
 - Reevaluate the relationships with other pension administration customers.

- Redesign the pensions function as an integrated Surrey Pensions Team combining administration with all other Fund activities.
2. The Chairman of the SPFC gave an overview of some of the work undertaken in the programme and the monitoring work of the SPFC. He emphasised the reducing backlog and the move to a one-team concept. He also explained that the Local Pension Board and SPFC Chairs received monthly updates.
 3. In response to a Member query about phasing the AD Pensions explained how the change in culture was to be embedded in the new team and that all team members would receive an induction.
 4. In response to a Member query about resources and staffing the AD Pensions reported that there was significant pressure nationally on pension talent but that this was being mitigated with interim measures.

Actions/ further information to be provided:

None

Resolved:

That the pension turnaround programme report be noted.

24/21 EXTERNAL AUDIT UPDATE REPORT [Item 7]

Speakers:

Barry Stratfull, Chief Accountant (Corporate)

Ciaran McLaughlin, Grant Thornton

Ade Oyerinde, Grant Thornton

Mark Hak-Sanders, Strategic Finance Business Partner

Neil Mason, Assistant Director Pensions (AD Pensions)

Key points raised during the discussion:

1. The Chief Accountant introduced the Statement of Accounts and the letter of representation. It was an anticipated unqualified opinion. No matters were outstanding that would require changes to this opinion. Changes were made to the Statement of Accounts and these were highlighted in the report.
2. The representatives from Grant Thornton provided Members with a detailed summary. Members noted the following:
 - There was an adjustment of £45m to the Pension Account due to adjustments in values.
 - The management representation letter would be signed off tomorrow
 - Value for money work was still outstanding at the moment, but the deadline of 28 February would be met
 - The final statement would be presented to the Committee in January with the Annual Report.
 - Thanks were extended to the Finance and Pension teams for the good working relationship had with the auditors.
 - Three properties had been missed off the revaluation list.
 - Reliance on the auditing of subsidiaries, by external auditors, was mentioned in terms of timing for receipt of their papers in order for Grant Thornton to do their work. Papers were received very late which meant additional time and challenge for Grant Thornton.

3. The Strategic Finance Business Partner explained why the three investment properties were not valued in that they were included on the list provided to external valuers so there was not a problem with internal process. However, the valuation was not done by the deadline and officers were working with valuers on the issue of lateness. The external valuers had experienced a resourcing issue.
4. The Chief Accountant explained that the Council have to publish draft accounts before district and boroughs councils close their accounts. Therefore, a decision was made that because there would be no material effects, in terms of impact, on the accounts, to produce the draft with district and borough collection fund updates and add in changes later. He also confirmed that this was not the first time district and boroughs had been late with producing their information and was working with them to try to get reports in on time.
5. The Strategic Finance Business Partner went on to explain that covid had had an impact on resourcing of what were often small finance teams of district and borough councils and that this was a nationwide issue. He also stated that officers met with district and boroughs finance on a monthly basis to discuss these types of issues. Realistically, he suspected that the accounts would never be in their final form at the draft stage.
6. Members requested access to the Value for Money work as soon as possible. Grant Thornton explained that the report was being checked for accuracy and would be finalised before Christmas and presented to Committee in January.
7. Members asked whether the Finance team were comfortable with the current policy and recommendation around Minimum Revenue Provision (MRP) and whether it would be reviewed in light of the repeat recommendation. Grant Thornton stated that they were happy that it was not unlawful but did depart from statutory guidance in a small number of areas which was allowed. The Strategic Finance Business Partner explained the departure in detail, for new Members, and how this would be reviewed in future.
8. The Committee requested a regular report with fuller detail on MRP in order to monitor. The Strategic Finance Business Partner stated that he would provide a fuller response as part of the Treasury Management Strategy paper that was to be considered by the Committee in January and would review how to report in future.
9. A precis of the Eco Park issues was requested and explained to the Committee.

Actions/ further information to be provided:

The Strategic Finance Business Partner stated that he would provide a fuller response as part of the Treasury Management Strategy paper that was to be considered by the Committee in January and would review how to report on MRP in future.

Resolved:

1. That the 2020/21 Statement of Accounts, as attached in Annex A to the submitted report, be approved for publication on the council's website.
2. That the Executive Director of Resources' letter of representation, attached as Annex C to the published report be approved.

25/21 EXTERNAL AUDIT PROCUREMENT [Item 8]

Speakers:

Barry Stratfull, Chief Accountant (Corporate)

Mark Hak-Sanders, Strategic Finance Business Partner

Key points raised during the discussion:

1. The Chief Accountant gave a brief introduction to the submitted report that explained how the current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. Surrey County Council opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23. The PSAA was now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. During Autumn 2021 all local government bodies need to make important decisions about their external audit arrangements from 2023/24. They have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA. The report concluded that the sector-wide procurement conducted by PSAA will produce better outcomes and will be less burdensome for the Surrey County Council than a procurement undertaken locally.
2. In response to Member queries the Chief Accountant explained:
 - A disadvantage to taking the proposed route was that the council would not have control of the recruitment process.
 - There was to be a base fee for all authorities and the PSA would act as referee between say Grant Thornton and SCC.
 - There was no break clause so once in the council would be in for the full five years.
 - PSA would appraise possible providers
3. The Strategic Finance BP further explained the options available if there was any concern about external audit performance. This would be raised by officers initially and raised with the Audit & Governance Committee. It would be hoped that the issue would be raised with the auditor in the first instance in order that they may put right and if officers and the committee felt strongly enough could make representation to PSAA for a change of auditor.
4. Members requested that future reports include disadvantages to proposals and that they make clear the monitoring and reporting lines for future action if needed.

Actions/ further information to be provided:

None

Resolved:

That the Audit and Governance Committee **RECOMMEND** that Council approve the decision to opt into the PSAA sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

26/21 INTERNAL AUDIT PROGRESS - Q2 [Item 9]

Speakers:

Russell Banks, Chief Internal Auditor
 David John, Audit Manager (SCC)
 Mark Winton, Audit Manager (ESCC)

Key points raised during the discussion:

1. The Audit Manager (SCC) introduced the submitted progress report of work completed by Internal Audit between 1 July 2021 and 30 September 2021. This was a positive report in that there were no partial or minimal assurances given for this quarter. He also highlighted several areas of the report including:
 - The follow up report on the LAS LiquidLogic system, which showed a marked increase in the level of assurance from Partial to Substantial Assurance
 - an initial review of the Council's revised and refreshed risk management framework, which had received Reasonable Assurance and actions were in hand regarding agreed areas to improve
 - work with the DB&I Programme Board to provide ongoing advice and assurance to the project for replacing SAP with a new ERP solution
 - Output on school audits – two had been undertaken and eight were in progress and there would be more to follow, and
 - Changes to the Audit Plan, as detailed in the report.
2. A Member asked if the Tree Management audit would include the 1.2million trees to be planted. The Audit Manager (SCC) responded that it was envisaged to have a cohesive policy on trees and that the details of the audit had not been decided. The findings of the audit would be reported to Members as this developed.
3. In response to a Member queries about the auditing of schools it was report that:
 - there were approximately 180 maintained schools and it was hoped that 40 schools would be audited each year but that schools would be prioritised where there were concerns or higher risk.
 - Whilst schools were unique and entities in their own right, it was the intention that where generic issues or control weaknesses affected them all, we would report them to Governors through bulletins etc. to aid shared learning.
 - It was confirmed that as the programme of school audits continued that there should be less repeated findings due to the shared learning of previous audits. There was no obligation on schools to respond to the council on how they had applied the shared learning communicated to them.
 - That there were several avenues available, and used, for feeding back audit findings to schools and governors. Governors were targeted as they hold the schools to account.

Actions/ further information to be provided:

None.

Resolved:

That the Internal Audit progress report be noted.

27/21 ANTI-FRAUD AND CORRUPTION STRATEGY AND FRAMEWORK [Item 10]**Speakers:**

Russell Banks, Chief Internal Auditor
Simon White, Audit Manager
Paul Evans, Director of Law and Governance

Key points raised during the discussion:

1. The Audit Manager introduced the revised Anti-Fraud and Corruption Strategy. There were two new strands to the Strategy of Govern and Protect as stated in the report.
2. There was some discussion around whether there was increased risk of fraud associated with the change to ways of working. The Chief Internal Auditor explained that discussions were taking place around conflict of interests type risk for example where someone may be running a personal business or have other employment to that of the Council whilst working remotely. This was now included on the updated fraud risk register.

Actions/ further information to be provided:

For the Council's Constitution to be updated.

Resolved:

That the Audit & Governance Committee agreed the updated Council's Anti-Fraud and Corruption Strategy and Framework and RECOMMEND that Council agree the Constitution change.

28/21 TREASURY MANAGEMENT HALF YEAR REPORT [Item 11]**Speakers:**

Mark Hak Sanders, Strategic Finance Business Partner

Key points raised during the discussion:

1. The Strategic Finance Business Partner introduced the submitted update progress report highlighting the primary risk of interest rates and understanding future costs of long-term borrowing and the borrowing requirement to offset the capital programme.

Actions/ further information to be provided:

None.

Resolved:

That the half year treasury management update be noted.

At 12.52pm the Committee adjourned for a 10-minute comfort break.

29/21 CORPORATE RISK UPDATE [Item 12]

Speakers:

David Mody, Interim Strategic Risk Business Partner
Ruth Hutchinson, Director of Public Health

Key points raised during the discussion:

1. The Strategic Risk Business Partner introduced the report and explained it was in two parts:
 - The general update on risk management, and
 - To provide the Committee with more detailed information on a specific risk, namely: There is a risk of a resurgence of Covid (variant) which leads to a major health crisis in Surrey
2. The Director of Public Health described the internal governance structures dealing with Covid as well as a high-level overview of the management plan, action taken for dealing with new variants and public engagement. With regard to the new Covid variant Omicron she stated that a meeting was to take place at 6pm that evening with national directors.
3. In response to a Member query on the definition of a major health crisis and whether it was quantifiable the Director for Public Health stated that the pandemic was a major health crisis as it had an impact on both the NHS and local government services with increased pressures. There was no quantifiable rates nationally.
4. A Member asked how public health reacted to the news of Guildford being a hotspot. The Director of Public Health explained the very quick communication methods using social media for that area and the work undertaken on boosting the vaccine uptake. She also went on to report that funding assistance had been good which had meant quick responses with partner teams. She also praised teachers for continuing education through a very difficult time.
5. The Director of Public Health confirmed that she was happy with rating of the risk as shown on the risk heat map and that it would be continuously reviewed given the volatile situation.

Actions/ further information to be provided:

None.

Resolved:

1. That the update on risk management be noted.
2. That thanks be passed to the Public Health Team for all the work they were undertaking in this difficult time.

30/21 ANNUAL GOVERNANCE STATEMENT - HALF YEAR REPORT [Item 13]

Speakers:

Paul Evans, Director of Law and Governance

Key points raised during the discussion:

1. The Director of Law and Governance gave a brief introduction to the submitted report that provided an update on progress on the improvement areas identified in the 2020/21 Annual Governance Statement.

2. In response to a query about why the report did not mention the Fire & Rescue service the Director of Law and Governance explained that the report only contained those items identified by the Committee at the last annual governance statement. However, the Committee could take a look at whether it wanted to include governance issue to watch in future governance statements.

Actions/ further information to be provided:

None

Resolved:

That satisfaction with the progress made so far be confirmed.

31/21 APPOINTMENT OF INDEPENDENT MEMBER [Item 14]

Speakers:

Paul Evans, Director of Law and Governance

Key points raised during the discussion:

1. The Director of Law and Governance reported that there had only been one applicant to the advert for Independent Member which was very disappointing. It was therefore decided to go back out to recruitment this week.
2. The recruitment panel would be made up with two Conservative, one Independent and one Liberal Democrat Member.

Actions/ further information to be provided:

None

Resolved:

That the Audit and Governance Committee notes the recruitment process being undertaken and following an interview process, will recommend the preferred candidate to County Council to be appointed as the Independent Member to the Audit and Governance Committee.

32/21 DATE OF NEXT MEETING [Item 15]

It was noted that the next meeting would be held on 24 January 2022.

Meeting ended at: 1.31 pm

Chairman