

**MINUTES** of the meeting of the **AUDIT AND GOVERNANCE COMMITTEE** held at 2.00 pm on 24 January 2022 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:**

(\*Present)

- \*Stephen Cooksey
- \*Victor Lewanski (Vice-Chairman)
- \*David Lewis (Chairman)
- Joanne Sexton
- \*Richard Tear

**1/22 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]**

There were none.

**2/22 MINUTES OF THE PREVIOUS MEETING [29 NOVEMBER 2021] [Item 2]**

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

**3/22 DECLARATIONS OF INTEREST [Item 3]**

There were none.

**4/22 QUESTIONS AND PETITIONS [Item 4]**

There were none.

**5/22 RECOMMENDATIONS TRACKER AND FORWARD PLAN [Item 5]**

**Key points raised during the discussion:**

1. It was reported that the External Audit Procurement and Anti-Fraud and Corruption Strategy and Framework (tracker items A6 and A7) would be going to the February Council meeting.
2. The Committee Manager confirmed that discussions were being had with officer regarding report template changes (tracker item A8).

**Action/Further information to note:**

1. Regarding tracker item A2/21 it was requested that an informal meeting be set up with the committee and relevant officers to discuss future complaints reporting.

**RESOLVED:**

That the committee noted the tracker and forward plan.

**6/22 SURREY COUNTY COUNCIL LEARNING POINTS FOR THE BUSINESS CONTINUITY ASPECTS OF THE COVID-19 RESPONSE AND RECOVERY [Item 6]**

**Speakers:**

Ian Good, Head of Emergency Management

**Key points raised during the discussion:**

1. The Head of Emergency Management introduced the submitted report and highlighted several points including:-
  - a) The identification of critical services and what the Director of Public health needed to maintain services.
  - b) The opening of Headley Court.
  - c) How schools were adversely affected, and the support given for that.
  - d) Delegated authority given to officers and the various communication/management groups set up.
  - e) Having an agile workforce not just in terms of location but also changing roles.
  - f) Set up of recovery plan for the 'new normal'.
  - g) Data analytics.
  - h) One of the learning lessons was that there was not a mechanism in place to review decisions at the time.
  - i) Next steps to maintain capacity, vaccinations, continue to review learning points and preparing for the Covid 19 Enquiry to take place.
1. A Member asked the following:
  - a) Had any lessons been learned regarding the coordination and liaison with the various agencies needed in situation like this for now or for the future?
  - b) Had there been any progress in establishing improved mortuary accommodation for the future?
  - c) Some staff had found the remote working quite difficult and asked about plans for improving facilities for staff.
2. The Head of Emergency Management responded:
  - a) There were standing arrangements in place similar to other resilience forum areas that work to national principles. Learning included the need for ongoing leadership and building in resilience for the future.
  - b) Emergency mortuary provision was at Headley Court and business plans were in place to provide a more permanent facility.
  - c) It was felt that the remote working had impacted more on new members of staff and forming team relationships. IT and other facilities were much more robust than in the past to facilitate home working. Staff well-being was a key focus going forward.
3. A Member asked a question relating to the recommendations in appendix 2 to the report and where they had come from as well as the timeline for achieving them.
4. The Head of Emergency Management responded that there was an interim debrief document that could be shared with the Committee. He also confirmed that there were timelines in place, and many would have already been implemented. The remaining actions were being

managed by the corporate resilience group at the moment. A RAG (Red, Amber, Green) chart could also be provided to the Committee. The Chairman stated that as this report was an interim report as the pandemic was not yet over, a further update report would be expected by the Committee and this extra information could be contained in the next update report.

5. A Member enquired about the working of the Business Continuity Plan. The Head of Emergency Management explained two key documents as being the policy and the plan. They had been signed off by the corporate leadership team and were ready for audit.
6. The Chairman requested that a future update to the Committee include information on the impact on services from the resident's point of view. Had right services been prioritised and were those services managed to be provided in accordance with the plan.
7. A Member asked how much resilience there was given that it was not expected to have been in an emergency situation for two years and what resilience would there have been if there had been another emergency, for example flooding. The Head of Emergency Management explained that this was considered by both the Council and with partnerships and risks were looked at. He explained that there was much support from Government as well as military aid available. It would have been a challenge if there had been major flooding as well.
8. There was a Member question around the sign off process for the Council's input to the Government enquiry. The Head of Emergency Management responded that collection of information was presently being conducted and that the enquiry was likely to focus on national decision making and how that was implemented locally. There were no fixed terms of reference at present. Sign-off of actions was being undertaken by the public enquiry group under the leadership of the Executive Director for Environment, Transport and Infrastructure.

**Actions/ further information to be provided:**

That the Workplan be updated to include a further report in November 2022.

**Resolved:**

1. That the report be noted.
2. That the ongoing reporting requirements to the Committee for the ongoing response be agreed.
3. That a further update report be presented to the Committee in November 2022 including:
  - a debrief from the Corporate Resilience Group and the RAG chart of actions, and
  - information on the impact on services from the resident's point of view. Had right services been prioritised and were those services managed to be provided in accordance with the plan.

**7/22 TREASURY MANAGEMENT STRATEGY FOR 2022/23 [Item 7]**

**Speakers:**

Mark Hak-Sanders, Strategic Finance Business Partner

Anna D'Alessandro, Director for Corporate Finance & Commercial

**Key points raised during the discussion:**

1. The Strategic Finance Business Partner gave a detailed precis of the submitted report including the capital borrowing, capital investment and treasury management strategy.
2. The Committee welcomed the changes to the Minimum Revenue Policy (MRP) which had now been adopted.
3. In response to a query regarding the biggest risk to the strategy given the uncertainty around inflation etc the Strategic Finance Business Partner explained that the interest rate risk could mean an increased cost of borrowing to meet capital need. He also explained the mitigations in place for this. Consideration is also given to locking in future borrowing with rate fixed today but, at present, it would cost more to do so. This is under continual review. A secondary risk was that credit ratings of funds could drop and that Arlingclose were monitoring this and the Council would respond immediately to any reduction in counterparty credit rating.
4. It was noted that whilst Arlingclose were more optimistic in regard to interest rates, the Council, along with Orbis, planned for a certain degree of uncertainty.
5. A Member asked what the implications were for the £78m below cost revaluation of Halsey Garton property. The Strategic Finance Business Partner explained that changes to the MRP meant that the Council was setting aside money to repay that debt. Also, because this was a long-term investment there was every expectation that this would recover over time. It was also being scrutinised by the Resources & Performance Select Committee. The Director confirmed that investment in this portfolio was for revenue income rather than capital gains and that any devaluation was not realised until the assets were sold, so it was not affecting the bottom line. There was no immediate interest in selling those assets.

**Actions/ further information to be provided:**

None.

**Resolved:**

That the Treasury Management Strategy Statement (TMSS) – Part 4 of the Capital, Investment and Treasury Strategy - for 2022/23 including the Prudential Indicators be approved.

**8/22 2020/21 AUDIT FINDINGS REPORT AND ANNUAL STATEMENT OF ACCOUNTS FOR HENDECA GROUP LTD, SURREY CHOICES LTD, HALSEY GARTON RESIDENTIAL LTD, AND HALSEY GARTON GROUP LTD [Item 8]**

**Speakers:**

Paul Forester, Strategic Finance Business Partner

**Key points raised during the discussion:**

1. The Strategic Finance Business Partner introduced the submitted report and explained that each company had received a qualified Audit report.
2. The Strategic Finance Business Partner did not have the information to respond to a Member asked about the reason for increase in administration expenses for Hendeca but would provide the response after the meeting.

3. A Member asked about how the Halsey Garton Residential Ltd properties, previously owned by Surrey County Council, were handled historically, from an accounting point of view and what was the future. The Strategic Finance Business Partner explained that there were two tranches transferred to Halsey Garton Residential Ltd; long term lets previously to the Wildlife Trust and another tranche previously held under residential company lets. The properties were also leasehold rather than freehold so purchase of land was not a requirement. Going forward there was to be a housing strategy developed by SCC and Halsey Garton Residential Ltd was one company being considered but at the moment there were no plans for Halsey Garton Residential Ltd to procure properties outside of Surrey County Council.
4. A Members queried the doubling of debtors for Hendeca Group and the number of creditors had risen. The Strategic Finance Business Partner explained that there were delays at year end but this had now been resolved.

**Actions/ further information to be provided:**

None.

**Resolved:**

That the 2020/21 Audit Findings Reports for Hendeca Group Ltd (formerly S. E. Business Services Ltd), Surrey Choices Ltd, Halsey Garton Residential Ltd, and Halsey Garton Property Ltd be noted.

**9/22 RISK MANAGEMENT [Item 9]**

**Speakers:**

David Mody, Interim Strategic Risk Business Partner  
Morgan Rees, Enterprise Infrastructure Delivery Manager

**Key points raised during the discussion:**

1. The Interim Strategic Risk Business Partner introduced the report and highlighted the key changes to the risk register. In response to a query about the confidence that all significant risks had been captured, he reported that risk registers are by their nature live and subject to change. However, the Corporate risk register is reviewed monthly by the Corporate Leadership Team and there are risk registers in place specific for each Directorate.
2. The Enterprise Infrastructure Delivery Manager explained the various risks around cyber security where 75% of activity was associated with organised crime. He went on to explain controls in place to mitigate such activity which included:
  - security patching of data on a monthly basis
  - monitoring of suspicious activity
    - staff training
    - data backup
    - protection of staff with privileged access
    - imposing technical constraints
    - work with emergency management to practice events
    - compliance with national and local certifications

3. There was some discussion around whether this risk should be a level 5 rather than level 4. It was explained that amongst the top risks for the Council, cyber security was second on the list so it was visible.
4. In response to a Member query about frequency of data back up the Enterprise Infrastructure Delivery Manager explained that there were two types of back-up. One was in real time and the other was offline back up which happened over night everyday.
5. A Member spoke about recent attacks on the NHS and asked if the council were satisfied that those identified gaps had been plugged. The Enterprise Infrastructure Delivery Manager reported that the NHS had performed a significant review and had strengthened its controls and risks.
6. In response to other Member queries the Enterprise Infrastructure Delivery Manager explained that the council had to test to gain its certifications and that spam email were so proliferate not all could be stopped from getting through.

**Actions/ further information to be provided:**

None.

**Resolved:**

That the update on risk management be noted.

**10/22 APPOINTMENT OF INDEPENDENT MEMBER [Item 10]**

**Speakers:**

Paul Evans, Director Law & Governance

**Key points raised during the discussion:**

1. The Director Law & Governance reported that interviews for the Independent Member post were held that morning. He would circulate details of the successful candidate to the Committee Members and asked that they each agree or not, by return email. If all Members agreed then the chosen candidate would be recommended to full Council.

**Resolved:**

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

**11/22 EXCLUSION OF THE PUBLIC [Item 11]**

**Resolved:** That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information under the relevant paragraphs of Part 1 of Schedule 12A of the Act.

**PART TWO – IN PRIVATE**

**12/22 RISK MANAGEMENT [Item 12]****Speakers:**

David Mody, Interim Strategic Risk Business Partner

**Resolved:**

That the annex be noted – see Minute 63/21

**13/22 DATE OF NEXT MEETING [Item 13]**

The date of the meeting was NOTED.

Meeting ended at: 3.48 pm

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**Chairman**

