

**MINUTES OF THE POLICY AND AUDIT
SCRUTINY COMMITTEE held at Surrey
Heath House, Camberley on 23rd
September 2009**

+ Cllr Edward Hawkins - Chairman
+ Cllr Simon Foale - Vice-Chairman (In the Chair)

+ Cllr Rodney Bates	+ Cllr Anji Patterson
Cllr Ian Bell	+ Cllr Audrey Roxburgh
+ Cllr Tim Dodds	+ Cllr Stewart Stevenson
- Cllr Alastair Graham	+ Cllr David Whitcroft
- Cllr John May	

+ Present
- Apologies for absence presented

Officers in Attendance: Andrew Crawford, Elizabeth Hatton, Julia Hutley-Savage and Kelvin Menon.

Also Present: Mrs Deborah Edwards – KPMG LLP
Mr Greg McIntosh – KPMG LLP

021/P CHAIRMAN'S ANNOUNCEMENTS

- (i) KPMG - The Chairman welcomed Mrs Deborah Edwards and Mr Greg McGregor from KPMG LLP, the Council's External Auditors, who would present KPMG's External Audit ISA 260 report.
- (ii) Action Sheet – The Committee Services Officer was asked to set up an Action sheet to be circulated following meetings.

022/P MINUTES

The minutes of the Committee meetings held on 22nd July 2009 were confirmed and signed by the Chairman after minor amendments.

023/P MATTERS ARISING

- (i) Minute 016/P – Prior Year Recommendations – The Committee noted that data control and business continuity would be the subject of a report to the November 2009 meeting.
- (ii) Minute 016/P – Controls – Back-up – Cllr Tim Dodds reported that he had received a response from the Head of Corporate Resources, but requested more detail in terms of what checks were made and by whom to ensure that back-up tapes worked.
- (iii) Minute 017/P – Complaints Monitoring – The Committee noted that training, prior to a full Council meeting, had not yet been organised. Whilst complaints monitoring was considered regularly by this Committee and had recently been considered in depth by the Standards Committee, Members noted that the process would only work if all Officers and Members bought in to the process.

Whilst extensive efforts had been made to ensure that Officers applied the procedures correctly, very few Members had attended the previous training on the complaints monitoring process and their role therein.

The Committee asked the Chairman to raise with the Council Leader the possibility of making complaints monitoring training compulsory for Members and the Committee Services Officer was instructed to ask the Complaints Manager to make further Member training available.

- (iv) Minute 019/P – Review of Reserves and Provisions – Members noted that the further details requested on parameters were outstanding.
- (v) Minute 019/P - Old Dean Toddlers' Playground – Councillor Rodney Bates confirmed that the maintenance charges had been checked, an error had been found and the funding had been adjusted upwards accordingly.
- (vi) Minute 020/P – Scrutiny of Portfolio Holders – A report had been drafted and would be considered by the Executive on 20th October 2009.

The Committee Services Officer was asked to seek a breakdown of what areas of work allocated to each portfolio holder fell within the remit of each Scrutiny Committee.

024/P EXTERNAL AUDIT ISA 260 REPORT/2008/09 FINANCIAL ACCOUNTS SIGNING OFF

The Committee considered a report from KPMG LLP, the Council's External Auditors providing the audit opinion on the Financial Statements.

The external auditors were required to summarise the work that they had done to discharge their audit responsibilities, together with any governance issues identified.

Mrs Deborah Edwards and Mr Greg McIntosh reported on:

- a) Key issues in relation to the financial statements for 2008/09
- b) Assessment of the authority's arrangements to secure value for money
- c) Draft use of Resources Assessment
- d) Audit opinion on the Financial Statements
- e) Audit Differences, both unadjusted and corrected

Members noted that KPMG had found a number of adjustments to the Financial Statements, but these had been presentational or reclassification adjustments and as such had not altered the General Fund Outturn reported to the Executive in June 2009.

Mrs Edwards reported that, as a result of their audit work, KPMG intended to give an unqualified audit opinion on the Financial Statements, a copy of which had been attached at Appendix 4 to the Committee report.

In terms of the Use of Resources score, the Council had previously achieved a score of 3. However, this year it formed part of the overall Comprehensive Area Assessment and under new, much more subjective assessments, a score of 2 would be the equivalent of the previous 3 score and it was expected that most councils would achieve a score of 2.

The Audit Commission had decided that the previous assessment had been too process driven and looked to introduce an outcome driven, more subjective package. In terms of the Key Lines of Enquiry, where 1 = inadequate, 2 = adequate and 3 = performing well, the Committee noted that the External Auditors had scored the Council as follows:

1. Managing Finances – 2
2. Governing the Business – 2
3. Managing Resources - 3

The External Auditors congratulated the Council on achieving a score 3 for Managing Resources. It was difficult with the changed criteria to compare the other two results with previous scorings.

Impairment of Fixed Assets – The Committee noted that the Head of Corporate Finance had used CIPFA Guidance to calculate impairments and that the external auditors had been satisfied with this.

Bank Accounts - Members noted that, at Appendix 8, the External Auditors recommended rationalising bank accounts, as the Council had nine accounts, all attracting bank charges. The Head of Corporate Finance reported that the Council had held different accounts for different types of payments and receipts. It was difficult to rationalise these accounts as some related to payment of benefits, but the accounts were currently under review.

Outstanding Recommendations – The Council was outstanding on five recommendations of the External Auditors from the previous year. Whilst Members were concerned that these had not been resolved, Mr McIntosh reported that there were few where no action had been taken but, whilst the Council was changing the way in which it operated, some recommendations needing complex action had taken longer than might have been expected.

RESOLVED that the Head of Corporate Finance be authorised to sign the Letter of Representation on behalf of the Council; and

NOTED:

- (i) that the External Auditors propose to issue an unqualified audit report on the Financial Statements for 2008/09;**
- (ii) that there was no change to the outturn for 2008/09 as reported to members in June 2009;**
- (iii) the audit recommendations in Appendices 7 and 8 of the Auditors' report; and**
- (iv) the indicative Use of Resources score as shown on page 4 of the report.**

025/P CORPORATE BUDGET MONITORING (APRIL – JULY 2009)

The Committee considered a report on Corporate Budget Monitoring for the period April to July 2009, previously considered by the Executive on 8th September 2009. Currently it was anticipated that the Council would be £86,000 over budget (0.74%) at the year end.

There was concern as the fall in income from car park charges and rents was predicted to continue and the cost of the Concessionary Fares scheme was projected to increase. However the £300,000 savings target included within the budget for 2009/10 had already been achieved and removed from base budgets. In addition, additional savings were anticipated as a result of the further restructures being carried out. The General Fund Working Balance was predicted to be £1,416,000 at the end of the year.

Deposits - Whilst Treasury returns had been anticipated to be on budget when the report had been prepared, subsequent returns had put this in some doubt and there might be a significant shortfall against budget. This was because the number of counterparties the Council could use had reduced and deposits were currently restricted to UK institutions for periods not exceeding 3 months. Both factors had a negative effect on interest rates.

In the light of advice from the Council's Treasury Advisers, and after discussions at the Finance and Asset Management Working Group at its meeting on 1st September 2009, deposits were now placed for up to 12 months to give a reasonable balance between risk and return. In addition, investments were being placed with Santander as well as British Institutions.

Treasury Management - In respect to Icelandic deposits, advice was that the Council could still expect 100% recovery of the £3m in Glitnir Bank and 83% of the £1m in Landsbanki. Interest was expected to be payable up to 22nd April 2009.

Planned Property Maintenance - Members noted that the Finance and Asset Management Working Group had suggested that only essential and health and safety work be carried out in 2009/10 and 2010/11. The Committee agreed that this should be closely monitored.

Concessionary Fares – Members noted that there was an overall surplus of funding across Surrey. However, two councils, this being one, were under-funded. Whilst it was possible that future arrangements would be at County level, the Portfolio Holder had held discussions with Michael Gove MP and the Council had written on the matter to the Government. Members expressed concern at the escalating costs to the Council of the scheme. The Committee agreed to table a question at the next Council meeting seeking an update on excess fares.

Car Park Income – Members considered that it should be possible to predict income from car parks more accurately, particularly in respect of season tickets.

Surrey Police Precept – The Committee noted that Surrey Police had not yet paid for the rebilling. It was likely that those councils charging more than the lowest would be subject to audit.

General Fund Working Balances – The Committee asked the Head of Corporate Finance to notify Members of the minimum level recommended.

Reporting Processes – Members expressed concern that reports such as the Treasury report and Medium Term Financial position could be considerably out of date by the time that they were considered by this Committee.

Members considered that more reports within its remit should be considered by this Committee first, to allow it to advise the Executive. The Officers were asked to review the constitutional position in respect of reports covered by this Committee and

the Chairman and Vice-Chairman agreed to discuss with the Council Leader the view that Finance reports should be considered by this Committee and then presented to the Executive with Members' advice attached.

Supporting Papers – Members noted that the appendices considered by the Executive had not been attached to this report and agreed that the report, with appendices attached, should be considered at the next meeting with the second Quarter report.

RESOLVED that

- (i) the Committee table a question at the next Council meeting seeking an update on the adverse variance on concessionary fares;**
- (ii) officers be asked to review the position in the Constitution of the Committee in respect of when reports are received; and**
- (iii) the Chairman and Vice-Chairman be asked to discuss with the Council Leader the Committee's view that appropriate reports should come first to this Committee and that the Committee advice should be attached to the report when considered by the Executive.**
- (iv) consideration of the Financial Report for the period April to June 2009 be deferred and the Committee report, together with the Annexes previously considered by the Executive, be submitted to the next Committee meeting.**

026/P EXPENDITURE ON PROFESSIONAL ADVISERS

The Committee received a report on expenditure on Professional Advisers for the year up to August 2009. The vast majority of resources had been allocated to 'buy in' specialist services for areas such as Planning and property management, where the relevant skills were not held in-house and it would not be economic to have them.

Members requested that, for future reports, more detail be given on what the consultants were employed as. In terms of those reported on, Members sought further detail on what the Surrey County Council and Surrey Wildlife Trust payments were for.

The Committee noted that the payments listed included travel and other such disbursements. Officers were encouraged where possible to use local firms, but it was recognised that with consultancy work over pre-determined cost levels, Standing Orders required tenders to be sought and the cheapest tender was then taken unless there was a significant reason to do otherwise.

RESOLVED that the report be noted.

027/P UPDATE ON WORKING TOWARDS THE 'ACHIEVING' LEVEL OF THE EQUALITY FRAMEWORK

The Committee received a report on progress made and seeking continued support for work towards reaching the 'Achieving' Level of the Equality Framework for Local Government (EFLG).

The Council had achieved Level 2 of the Equality Standard in October 2008. That standard had been replaced in 2009 by the Equality Framework for Local Government (EFLG) and the five previous standard levels had been reduced to three by combining levels 1 and 2 into 'Developing', making Level 3 'Achieving' and combining levels 4 and 5 as 'Excellent'.

The Executive in January 2009, had agreed to support the attainment of the 'Achieving' level by March 2010. In the main, this required the Council to continue the work it had already embarked on, but introduced an additional requirement of a Peer Challenge process which consisted of:

- a review by 3 peers of the Council's self-assessment document and supporting paperwork; and
- a 2 day on-site visit by peers, to conduct interviews and focus groups with employees, Members and stakeholders.

The EFLG was built around 5 areas of change management, namely:

- Knowing your community – equality mapping
- Place Shaping, leadership, partnership and organisational commitment
- Community Engagement and satisfaction
- Responsive services and customer care
- A modern diverse workforce

Members considered that the Council had made significant progress on working towards the 'Achieving' Level of the EFLG by continuing with the present equality performance framework, completing its equality impact assessment programme 2009/10, undertaking consultation including ethnic minorities and young people etc, reflecting equality objectives in the Sustainable Community Strategy and completing actions set in impact assessments.

By continuing with its current programme of work, engaging in the Peer Challenge process, undertaking further equality mapping and developing information/demographic data on the local community, the Council would be on track to obtain the 'Achieving' Level of the Equality Framework by March 2010 and this could be achieved within existing resources.

RESOLVED that the update on progress made and supported the continued work towards reaching the 'Achieving' Level of the Equality Framework for Local Government be noted.

028/P COMMITTEE WORK PROGRAMME

The Committee considered a report on the work programme for 2009/10. A number of reports scheduled to be considered at this meeting had been unavailable and had been re-scheduled for the 18th November 2009 meeting.

Scrutiny of Portfolio Holders - Members noted that, at the previous meeting, it had been agreed that a report be submitted to the Executive proposing a change to the Committee work programme to include the scrutiny of the performance of Portfolio Holders. The report had been drafted and agreed by the Lead Officers and the Committee Chairman and would be considered by the Executive on 20th October 2009.

Corporate Plan - The Committee was advised that the Corporate Plan, listed previously under 'to be allocated' referred to the new Corporate Plan and that this would be available for Committee consideration at its 31st March 2010 meeting.

Work Programme 2010/11 – Members considered that the work programme should be more Member driven. The Committee Services Officer noted that Members were asked prior to the January Committee meeting to input issues for consideration at that meeting with a view to a draft work programme being considered at the Committee's March meeting. Members were encouraged to input to that process, to ensure a Member led programme for future years.

Working Groups – It was considered that no specific updates were required from the Performance Indicators and Complaints Working Groups as Councillors Anji Patterson and Audrey Roxburgh, both members of these groups, contributed in date when these matters were considered.

RESOLVED that the Committee Work Programme be agreed, as amended and attached at Annex A.

CHAIRMAN

ANNEX A

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POLICY AND AUDIT SCRUTINY COMMITTEE
DRAFT WORK PROGRAMME 2009/10

DATE		TOPIC	REPORT AUTHOR
18th November 2009		P&A (Scrutiny)	
	1	Corporate Budget Monitoring (April-September 2009 – To include previous report and annexes)	Kelvin Menon
	2	BVPI/LPI - Final Outturn	Alex Easby
	3	Service Plans 2009/10 – 6 month review	Alex Easby
	4	Complaints/Complaints to the Local Government Ombudsman	Richard Payne/ Nikki Vooght
	5	Asset Management Plan	Kelvin Menon
	6	Working Groups (Performance Indicator and Complaints – But note Officer reports above)	Issue dependent
27th January 2010 (Audit)		P&A (Audit)	
	1	Governance Report 2008/09	Derek McManus
	2	Working Groups	Issue dependent
27th January 2010		P&A (Scrutiny)	
	1	Corporate Budget Monitoring (April-November 2008)	Kelvin Menon
	2	Working Groups	Issue dependent
31st March 2010		P&A (Scrutiny)	
	1	Annual Audit and Inspection Letter 2009/10	Kelvin Menon
	2	Annual Internal Audit Plan 2010/11	Derek McManus
	3	Corporate Budget Monitoring (Apr 2009 – Jan 2010)	Kelvin Menon
	4	BVPI/LPI 3 rd Quarter Update inc. Complaints Monitoring	Alex Easby
	5	Work Programme 2010/11	Kelvin Menon
	6	Expenditure on professional Advisors	Kelvin Menon
	7	Corporate Plan	Elizabeth Hatton
	8	Working Groups	Issue dependent