

Notice of Meeting

Audit & Governance Committee



Date & time
Monday, 2
December 2013
at 10.00 am

Place
G30, County Hall,
Kingston upon
Thames, Surrey KT1
2DN

Contact
Cheryl Hardman
Room 122, County Hall
Tel 020 8541 9075

Chief Executive
David McNulty

cherylh@surreycc.gov.uk

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This meeting will be held in public. If you would like to attend and you have any special requirements, please contact Cheryl Hardman on 020 8541 9075.

Members

Mr Nick Harrison (Chairman), Mr W D Barker OBE (Vice-Chairman), Mr Denis Fuller, Mr Tim Evans, Mr Will Forster and Mr Tim Hall

Ex Officio:

Mr David Hodge (Leader of the Council), Mr Peter Martin (Deputy Leader), Mr David Munro (Chairman of the County Council) and Mrs Sally Ann B Marks (Vice Chairman of the County Council)

AGENDA

1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

2 MINUTES OF THE PREVIOUS MEETING: 2 SEPTEMBER 2013

(Pages 1
- 16)

To agree the minutes as a true record of the meeting.

3 DECLARATIONS OF INTEREST

To receive any declarations of disclosable pecuniary interests from Members in respect of any item to be considered at the meeting.

Notes:

- In line with the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, declarations may relate to the interest of the member, or the member's spouse or civil partner, or a person with whom the member is living as husband or wife, or a person with whom the member is living as if they were civil partners and the member is aware they have the interest.
- Members need only disclose interests not currently listed on the Register of Disclosable Pecuniary Interests.
- Members must notify the Monitoring Officer of any interests disclosed at the meeting so they may be added to the Register.
- Members are reminded that they must not participate in any item where they have a disclosable pecuniary interest.

4 QUESTIONS AND PETITIONS

To receive any questions or petitions.

Notes:

1. The deadline for Member's questions is 12.00pm four working days before the meeting (*26 November 2013*).
2. The deadline for public questions is seven days before the meeting (*25 November 2013*).
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

5 RECOMMENDATIONS TRACKER

(Pages
17 - 48)

To review the Committee's recommendations tracker. The Committee information bulletin is attached as Annex A.

6 GRANT THORNTON 2012-13 ANNUAL AUDIT LETTER AND 2013-14 ANNUAL FEE LETTER

(Pages
49 - 70)

The Council's external auditors are presenting their Annual Audit Letter ('the Letter') in respect of the audit year 2012/13. The Letter has been shared with all Members of the Council.

The Council's external auditors will also present their planned audit fee for 2013/14.

- | | | |
|-----------|--|-------------------------|
| 7 | TREASURY MANAGEMENT HALF YEAR REPORT 2013/14 | (Pages
71 - 86) |
| | <p>This report summarises the council's treasury management activity during the first half of 2013/14, required by CIPFA's Code of Practice for Treasury Management. This report also covers the council's Prudential and Performance Indicators for the first half of 2013/14, in accordance with the requirements of the Prudential Code.</p> | |
| 8 | INTERNAL AUDIT HALF YEARLY REPORT 2013/14 | (Pages
87 - 118) |
| | <p>This interim report summarises the work of Internal Audit during the first six months of 2013/14. The purpose of this report is to enable the Committee to consider the activities of Internal Audit during the six month period to 30 September 2013 and determine whether there are any matters that they wish to draw to the attention of the Cabinet and/or the County Council.</p> | |
| 9 | HALF YEAR SUMMARY OF INTERNAL AUDIT IRREGULARITY INVESTIGATIONS AND ANTI FRAUD MEASURES APRIL - SEPTEMBER 2013 | (Pages
119 -
126) |
| | <p>The purpose of this report is to inform members of the Audit and Governance Committee about irregularity investigations and anti-fraud measures undertaken by Internal Audit in the first half of this financial year from 1 April to 30 September 2013</p> | |
| 10 | COMPLETED INTERNAL AUDIT REPORTS | (Pages
127 -
146) |
| | <p>The purpose of this report is to inform Members of the Internal Audit reports that have been completed since the last meeting of this Committee in September 2013.</p> | |
| 11 | RISK MANAGEMENT HALF YEAR REPORT | (Pages
147 -
158) |
| | <p>This half-year risk management report has been produced to enable the committee to consider the risk management activity from April 2013 to date. It also presents the latest Leadership risk register.</p> | |
| 12 | REVIEW OF THE INVESTMENT PANEL | (Pages
159 -
168) |
| | <p>To review the new structure, membership and procedures of the Investment Panel and report to Council Overview & Scrutiny Committee on findings.</p> | |
| 13 | GOVERNANCE UPDATE REPORT | (Pages
169 -
174) |
| | <p>The purpose of this report is to provide a half year update on the internal control environment areas within the 2012/13 Annual Governance Statement and the governance arrangements during 2013/14.</p> | |
| 14 | AUDIT & GOVERNANCE COMMITTEE: ANNUAL REPORT 2012/13 | (Pages
175 -
188) |
| | <p>For Members to consider and comment on the 2012/13 annual report of the Audit & Governance Committee.</p> | |

15 PROGRESS REPORT - PROPERTY ASSET MANAGEMENT SYSTEM (PAMS) (Pages 189 - 196)

The purpose of this report is to provide an update on progress of the implementation of the Property Asset Management System (PAMS) that was introduced to the Committee in February 2013.

16 DATE OF NEXT MEETING

The next meeting of Audit & Governance Committee will be on 24 March 2014.

David McNulty
Chief Executive

Published: 21 November 2013

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MINUTES of the meeting of the **AUDIT & GOVERNANCE COMMITTEE** held at 10.00 am on 2 September 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 Denis Fuller
Mr Tim Evans
Mr Will Forster
Mr Tim Hall

Ex-officio Members in attendance

David Munro, Chairman of the Council and Chairman of the Member Conduct Panel – Items 8 to 16

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

43/13 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

There were none.

44/13 MINUTES OF THE PREVIOUS MEETING: 24 JUNE 2013 [Item 2]

The minutes were agreed as a true and correct record.

45/13 DECLARATIONS OF INTEREST [Item 3]

There were none.

46/13 QUESTIONS AND PETITIONS [Item 4]

There were none.

47/13 RECOMMENDATIONS TRACKER [Item 5]**Declarations of Interest:**

None.

Witnesses:

Kevin Kilburn, Deputy Chief Finance Officer
Sue Lewry-Jones, Chief Internal Auditor

Key Points Raised During the Discussion:

1. In relation to R3/11 (social care debt), the Chairman asked to return to the issue at a future meeting.
2. In relation to R3/12 (Direct Payments), the Chief Internal Auditor confirmed that social care debt is on the Audit Plan for 2013/14.
3. In relation to A55/12 (Finance Dashboard), the Chairman confirmed that the Dashboard was now live and that Members would receive a presentation on this once the system was bedded down. Members queried who the supplier was. The Deputy Chief Finance officer informed the Committee that the implementation partner was itelligence (formerly Blueprint). A number of issues had been resolved through contract negotiations without any additional cost to the authority.
4. In relation to A3/13 (PAMS), a Member queried whether the system was fully working and requested a response to be circulated outside the meeting (**Recommendations tracker ref: A28/13**).

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 27-34 of the tracker as the actions were completed.

Next Steps:

None.

48/13 BABCOCK 4S LIMITED - ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013 [Item 6]

Declarations of Interest:

None.

Witnesses:

Steve West, Finance Director (Babcock 4S)

Amanda Fisher, Managing Director (Babcock 4S)

Michelle DeBeer, Finance Manager (Babcock 4S)

Julie Stockdale, Strategic Lead for School Commissioning, Schools & Learning Service

Key Points Raised During the Discussion:

1. The Finance Director (Babcock 4S) introduced the report, highlighting significant changes from the previous year: two significant contracts had ended in March 2012 while a new Joint Venture company with Devon County Council had been established on 1 April 2012. As this was not contracted through Babcock 4S, a royalty of £400,000 into 4S was arranged for 2013. This was listed as profit rather than revenue.
2. Members requested clarification of Director's remuneration. The Finance Director (Babcock 4S) stated that three of the Directors were from Babcock 4S and one, Susie Kemp, was an employee of Surrey County Council. None of the directors charged into the company for their time.
3. Members queried the risk associated with the contingent liabilities outlined in the report. The Finance Director (Babcock 4S) assured the Committee that there was benefit to Surrey County Council and Babcock S for the company to participate in Babcock International Group PLC bank facilities through lower interest and servicing charges.
4. The Finance Director (Babcock 4S) confirmed that Surrey County Council was complying with its credit terms.
5. In response to a question, the Finance Director (Babcock 4S) explained that the Teachers' Pension Scheme does not have a balance sheet. Surrey County Council has the same difficulty in identifying its share of the scheme assets and liabilities on a consistent and reasonable basis.
6. Members queried where, with the introduction of Academy schools, did responsibility for school performance lie. The Managing Director (Babcock 4S) responded that neither the Conservative or the Labour parties had been able to answer that satisfactorily. However there is a political mandate to improve outcomes for children and young people and it was expected that local authorities would retain intervention powers.

7. The Managing Director (Babcock 4S) confirmed that Babcock 4S was audited every year and reports on its performance on a monthly basis. The company was open and transparent about what it has to achieve and its performance. It was subject to questioning by the Council's overview and scrutiny committees. The Finance Director (Babcock 4S) explained that there was a statutory basis for providing the information in the Accounts. However, it was not in the company's commercial interest to over-disclose.
8. In response to questions about the impact of schools achieving academy status on trading with Babcock 4S, the Managing Director confirmed that relationships with Surrey schools was good. 98% of Surrey schools bought back services from Babcock 4S and this rate had increased as schools had achieved academy status. Intervention with Academy schools had not yet been tested in Surrey. The Strategic Lead for School Commissioning confirmed that Surrey County Council is also maintaining strong relationships with schools that have converted to academy status via their forums etc.
9. The Committee discussed scrutiny of Babcock 4S performance. A Member confirmed that the Cabinet had scrutinised the Devon County Council Joint Venture when it was being set up.
10. A Member queried the increased profits and asked if the royalties for Surrey County Council would have been the same if a separate commercial vehicle had not been created. The Finance Director (Babcock 4S) explained that the cost of bidding for the Joint Venture contract and therefore the risk on the success of the bid had been borne by Babcock 4S. After one year of operations, the Babcock 4S share of the profits was £259,000 after tax. Another Member pointed out that Devon had wanted a standalone organisation and not to be a subsidiary of the Surrey Joint Venture.
11. Members queried whether the income received from Surrey County Council (listed under Note 24) was entirely from the Council or if the sum combines income from the Council and from the Academy Schools. The Finance Director (Babcock 4S) stated that the sum of £15m encompassed a number of contracts including with schools, which are billed through the Surrey arrangement.
12. Revenue from Babcock Education and Skills Ltd fed directly into Babcock 4S. This includes the revenue from the Waltham Forest and Lewisham contracts. The Waltham Forest contract ended this year.
13. In response to a query about head count and redundancy costs, the Finance Manager (Babcock 4S) explained that the ending of the Waltham Forest and Connexions contracts broadly accounted for the headcount reduction. Waltham Forest was discontinuing non-statutory elements of their contract. Redundancy costs were listed in the 2011/12 accounts. Babcock 4S previously agreed with Surrey County Council to make an annual redundancy provision for non-statutory services.
14. The Chairman asked whether the expansion of Babcock 4S had any financial benefits for Surrey County Council. The Finance Manager (Babcock 4S) informed the Committee that benefits to Surrey County Council from the Devon Joint Venture was two-fold. Firstly, there was the royalty payment of £400,000. Secondly, by scaling up the business outside Surrey, further investment could be made in innovation. The Managing Director (Babcock 4S) informed the Committee savings to Surrey County Council had been quantified in 2009 as £11.3m through efficiencies.

15. The Chairman asked how Babcock 4S deals with whistle blowing through schools. The Managing Director (Babcock 4S) replied that Babcock 4S services have access to the Council's whistle blowing service. Training is provided on financial whistle blowing and two sections of the Finance Manual includes information on whistle blowing. All services understand what needs to happen if there is case of whistle blowing.

Actions/Further Information to be Provided:

None

Resolved:

That the Babcock 4S Ltd Annual Report and Financial Statements for the year ended 31 March 2013 be noted.

Next Steps:

The Audit & Governance Committee to continue to review Babcock 4S Limited's financial statements when available.

49/13 2012/13 SURREY COUNTY COUNCIL ACCOUNTS AND EXTERNAL AUDIT FINDINGS REPORT [Item 7]

Declarations of Interest:

None.

Witnesses:

Kevin Kilburn, Deputy Chief Finance Officer

Sheila Little, Chief Finance Officer

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

Andy Mack, Engagement Lead (Grant Thornton)

Kathryn Sharp, Audit Manager (Grant Thornton)

Key Points Raised During the Discussion:

1. The Chairman pointed out that the draft accounts had been thoroughly reviewed at the previous Audit & Governance Committee meeting and that this meeting should focus on any changes and the external audit opinion.
2. The Finance Manager (Assets, Investment and Accounting) introduced the report and highlighted key changes. She informed the Committee that the draft Statement of Accounts had been ready and submitted for audit before the end of May. The audit had been substantially complete by the end of July. Due to this, a provisional high level timetable for 2013/14 had been agreed which would allow an audited report to come to Committee before the end of July 2014. Following the audit, six recommendations were made. A number of amendments were made to the draft accounts which do not alter the Council's budget outturn position. It was also pointed out that external audit's final opinion would be issued after a small number of items are signed off by the auditors. Confirmation from one bank of the year-end investment was awaited but the Finance Manager (Assets, Investment and Accounting) was not concerned that there was a problem. With regard to the testing of the Whole of Government Accounts (WGA) and Teachers' Pensions Returns, these were due to

be completed next week. The Finance Manager explained that the Treasury had issued its WGA guidance very late and that this had caused delays across all local authorities.

3. The Chairman queried whether the addition of a post balance sheet event to Note 6 affected the budget for 2013/14. The Finance Manager (Assets, Investment and Accounting) explained that an adjustment for the Council's estimated share of liabilities in relation to refunds of business rates to ratepayers who have successfully appealed against the rateable value of their properties had already been incorporated into the 2013/14 budget. The Deputy Chief Finance Officer confirmed that there were potential liabilities which would be reviewed when setting the 2014/15 budget but that they did not affect the budget for 2013/14.
4. The Finance Manager (Assets, Investment and Accounting) confirmed that all the points raised about the draft Statement of Accounts at the previous meeting of the Audit & Governance Committee had been incorporated in the final papers.
5. The Chief Finance Officer explained to the Committee that the Government was consulting on two options for the new homes bonus. She was working with colleagues to draft a response. While responses to technical consultations do not normally go to Cabinet for approval, the Leader had requested a paper to go to Cabinet collating draft and final responses to ongoing consultations.
6. The Engagement Lead (Grant Thornton) introduced the external audit findings. He thanked the Council officers for their support and informed the Committee that the Statement of Accounts were good and were underpinned by a good set of working papers and strong process. He confirmed that there was a good range of skills in the Council's Finance Team and that the new timetable for 2013/14 for realistic and credible. The Engagement Lead (Grant Thornton) confirmed that the planned audit fee, which included a 40% reduction on previous years, was achieved and no increase in the planned fees was necessary.
7. The Audit Manager (Grant Thornton) informed the Committee that Treasury Guidance had now been received on the Whole of Government Accounts. Testing of the Whole of Government Accounts and Teachers' Pensions Returns would be completed soon and then the final audit opinion would be issued.
8. The Chief Finance Officer highlighted the contributions of the whole Finance Team in getting the accounts completed to a high quality and within such a fast timescale.
9. The Chairman queried whether all the petty cash balances were necessary. The Finance Manager (Assets, Investment and Accounting) responded that accounts were reconciled on a quarterly basis. At the end of the year, a signed certification of the balance is required. The team who has responsibility for collating certifications changed this year so there have been some delays in receiving all account certifications. Seven of the 121 petty cash accounts certifications were outstanding as at the time of the committee meeting.
10. The Chairman questioned the disclosure of Anchor's ability to exploit some of the capacity of care homes as a deferred income liability. The Finance Manager (Assets, Investment and Accounting) assured the Committee that the disclosure was correctly stated.

11. The Chairman congratulated officers for a joined up approach and audit.

The Committee considered the recommendations for item 7 after consideration of item 8 'Surrey Pension Fund Local Government Pension Scheme Accounts 2012/13 and Grant Thornton Audit Findings for Surrey Pension Fund Report'.

Actions/Further Information to be Provided:

None

Next Steps:

The Audit & Governance Committee to approve the audited 2013/14 Statement of Accounts in July 2014.

50/13 SURREY PENSION FUND LOCAL GOVERNMENT PENSION SCHEME ACCOUNTS 2012/13 AND GRANT THORNTON AUDIT FINDINGS FOR SURREY PENSION FUND REPORT [Item 8]

Declarations of Interest:

None.

Witnesses:

Phil Triggs, Strategic Finance Manager – Pension Fund & Treasury

Lynn Clayton, Manager (Grant Thornton)

Andy Mack, Engagement Lead (Grant Thornton)

Kathryn Sharp, Audit Manager (Grant Thornton)

Key Points Raised During the Discussion:

1. The Strategic Finance Manager – Pension Fund & Treasury introduced the report and highlighted the key amendments from the draft version.

David Munro joined the meeting.

2. The Manager (Grant Thornton) introduced the audit findings for Surrey Pension Fund and highlighted the positive responses from all pension fund managers.
3. A Member suggested that Financial Statement 7 in the Chief Finance Officer's letter (Annex D of the report) was a bold statement and queried how sure the Council was of being able to pay its way over the years. The Strategic Finance Manager – Pension Fund & Treasury stated that an actuarial evaluation was being carried out and initial results were expected in October. The probable outcome was that the Surrey Pension Fund would be evaluated as having a 30% funding gap. It was expected that that a significant impact would be made on the gap over the next 20 years in order to achieve full funding.

Actions/Further Information to be Provided:

None

Resolved:

- i. That the Committee **APPROVES** the 2012/13 Pension Fund financial statements as attached at Annex A to the report.
- ii. That the Committee notes the Audit Findings for Surrey Pension Fund Report (Annex B to the report).
- iii. That the Committee found no issues to refer to Cabinet in relation to the auditor's conclusion and recommendations.
- iv. That the Committee **AUTHORISES** the Chief Finance Officer to sign the representation letter, as set out in Annex D to the report, on the authority's behalf.

Next Steps:

None

The Committee then returned to item 7 '2012/13 SURREY COUNTY COUNCIL ACCOUNTS AND EXTERNAL AUDIT FINDINGS REPORT'

The Finance Manager (Assets, Investment and Accounting) informed the Committee that the pension fund accounts as included in the Statement of Accounts had not been updated to allow for the late amendments required by the external auditors but would be updated for the published version.

Resolved:

- i. That the Committee **APPROVES** the 2012/13 Statement of Accounts, as attached at Annex A to the report, for publication on the council's website and in a limited number of hard copies.
- ii. That the Committee notes the contents of the 2012/13 Audit Findings Report in Annex B to the report.
- iii. That the Committee **AGREES** the officer response to recommendations of the external auditor, after correcting typographical errors relating to recommendations 1 and 3.
- iv. That the Committee notes the contents of the 2012/13 Audit Findings Report in relation to the Firefighters' Pension Fund in Annex C to the report.
- v. That the Committee notes the Chief Finance Officer's letter of representation, which is attached in Annex D to the report.
- vi. That the Committee found no issues in the Audit Findings Report to refer to the Cabinet.

51/13 2012/13 FINANCIAL RESILIENCE REPORT [Item 9]**Declarations of Interest:**

None.

Witnesses:

Guy Clifton, National VfM – Advisory Lead (Grant Thornton)

Sue Lewry-Jones, Chief Internal Auditor

Sheila Little, Chief Finance Officer

Key Points Raised During the Discussion:

1. The National VfM – Advisory Lead introduced the report. He informed the Committee that the findings were very positive, with only two categories not rated as green. The ‘Adequacy of Planning Assumptions’ was rated as amber due to the scale of the challenge facing the Council in terms of the capital programme on schools and the required efficiency savings. This was a situation which was not unique to Surrey. The category ‘Understanding the Financial Environment’ was also rated as amber because of the ongoing cultural shift from financial responsibilities being seen as the role of finance to all managers having clear ownership of their financial responsibilities. This requires further embedding.
2. It was suggested by a Member that use of cash flows would help managers to understand their financial responsibilities. The National VfM – Advisory Lead agreed that it was useful to apply ratios to Local Government finances. Applying indicators was a step forward. It can be used to provide context to managers to understand their own budgets and responsibilities but there should not be a need for budget holders to undertake their own cash flow forecasts. The Chief Finance Officer informed the Committee that a cash flow tool is used centrally to monitor how much cash the Council has. The Treasury Management Strategy sets out what to do if cash levels fall below certain levels. It was challenging to communicate that while the organisation may have a large cash balance, these balances are not surplus and are not available for managers. The National VfM – Advisory Lead expressed that all stakeholders had been positive about the Chief Finance Officer’s ability to communicate about the financial environment.
3. In response to a query about prediction of future financial resilience, the National VfM – Advisory Lead explained that the Financial Resilience Report used the Audit Commission’s criteria for “foreseeable future” which is 12 months from the time of the report.
4. Members expressed surprise about budget holders being given financial responsibility as they had thought that budget holders had always had responsibility for their budgets. The National VfM – Advisory Lead clarified that this point related to a cultural shift so that there is a clear understanding of budget responsibility and training on new financial tools. Managers may have job descriptions that state that they have financial responsibility but that doesn’t mean that they are currently fulfilling that responsibility fully in all cases. The Chief Finance Officer agreed that this was a subtle change. While all budget holders have responsibility for their budgets, some are less keen to take that on board and the Finance Team is having to provide support. Budget holders are being encouraged to do more for themselves and part of that is to ensure that they have the right tools, eg the Finance Dashboard.
5. In response to a query about the financial picture looking ahead, the National VfM – Advisory Lead informed the Committee that over the past few years, a worsening financial picture for local authorities had been expected. However, Grant Thornton’s first two national reports on local government financial resilience had seen broad improvements in ratings apart from some relating to financial planning. The ‘Tipping Point’ is a real concern for local authorities, but this point is pushed back as local authorities continue to deliver their budgets. Local Government has proven to be very resilient. Therefore, it is difficult to

forecast when the tipping point will arise for authorities, but 2015/16 appears to be a critical year for the sector.

6. A Member asked whether the Council had undertaken any long term financial planning past 2020. The Chief Finance Officer informed the Committee that she had contacted other local authorities and found that no one was planning beyond the medium term of 2015/16.

Actions/Further Information to be Provided:

None

Resolved:

- i. That the Financial Resilience Report be noted.
- ii. That the officer response to the next steps identified by the external auditor be **AGREED**.

Next Steps:

None.

52/13 RISK MANAGEMENT UPDATE REPORT [Item 10]

Declarations of Interest:

None.

Witnesses:

Cath Edwards, Risk & Governance Manager
Sue Lewry-Jones, Chief Internal Auditor
Sheila Little, Chief Finance Officer

Key Points Raised During the Discussion:

1. The Risk & Governance Manager introduced the interim report which updates the committee on actions completed in relation to the 2013/14 areas of focus in the annual risk report and the position statement management action plan.
2. In response to Member questions, the Risk & Governance Manager confirmed that risk officers now get a monthly report on the position of all service risk registers. Risk registers are also discussed at the Strategic Risk Forum. If risk registers are not being updated, this can be escalated to Corporate Board. All these actions have led to risk registers being in a better position than they had been. The Chief Internal Auditor confirmed that she had been encouraged by the actions that had taken place since the audit of risk management. The Strategic Risk Forum had been re-energised. Internal Audit was looking at how it could further assist the process of risk management.
3. The Chief Finance Officer confirmed that representatives on the Strategic Risk Forum were now at an appropriate level of authority. Previously they had been too far down the officer hierarchy.

Actions/Further Information to be Provided:

None

Resolved:

That the Committee confirmed that it was satisfied with the risk management arrangements.

Next Steps:

None.

53/13 LEADERSHIP RISK REGISTER [Item 11]**Declarations of Interest:**

None.

Witnesses:

Cath Edwards, Risk & Governance Manager
Sheila Little, Chief Finance Officer

Key Points Raised During the Discussion:

1. The Risk & Governance Manager introduced the report. She explained that the NHS reorganisation risk had been removed but that the new Partnership Working risk (ref. L16) effectively replaced it and took a broader approach. The residual risk level of the IT systems risk (ref. L4) had risen from medium to high. This was mainly due to the UNICORN project taking longer than planned and the consequent risk to service delivery. It is anticipated that the residual risk level would be reduced shortly.
2. Members expressed concern about the NHS reorganisation risk being removed rather than regraded. The reorganisation had only gone through stage one so far. The Risk & Governance Manager reconfirmed that the risk was incorporated within the broader partnership working risk. She also explained that the NHS reorganisation risk was still in the Adults directorate risk register and the Public Health risk register. Members still felt concerned that the partnership working risk was woolly while the NHS reorganisation risk was clearly drawn. The Chief Finance Officer agreed to take the comments on board
(Recommendations tracker ref: A29/13).
3. It was suggested that the residual risk level for the Information Governance risk (L11) and the IT systems risk (ref. L4) was too high as the situation was under the Council's control. It was queried whether the rating of the residual risk as high implied that controls were ineffective. The Chief Finance Officer replied that UNICORN was not completely under the Council's control as BT needed to deliver the changes. Corporate Board was keeping risk ref. L4 as a high residual risk until UNICORN is completed. It was expected that Corporate Board would bring down the

residual risk level to medium at its next meeting. On information governance, it isn't possible to completely avoid the potential for human error. Corporate Board had therefore decided to set the residual risk level at high. Members argued that the whole point of system controls is to minimise the impact of human error. The Chief Finance Officer stated that even a single error could have a big impact. However, she would raise the point at the next Corporate Board meeting (**Recommendations Tracker ref A30/13**).

Actions/Further Information to be Provided:

None

Resolved:

That the Committee noted the Leadership Risk Register.

Next Steps:

None.

54/13 COMPLETED INTERNAL AUDIT REPORTS [Item 12]

Declarations of Interest:

None.

Witnesses:

George Atkin, Auditor

Sue Lewry-Jones, Chief Internal Auditor

Diane Mackay, Audit Performance Manager

Key Points Raised During the Discussion:

1. The Chief Internal Auditor introduced the report.
2. It was queried whether Internal Audit could focus on the effectiveness of grant funding use. The Chief Internal Auditor agreed to consider auditing local schemes for effectiveness against stated aims and asked Members to highlight any particular schemes for review.
3. Members noted that the Highways contract for Lot5 had been less than successful and that the contractor had recently changed. It was also stated that in the past nine months, several roads had been found not to appear on the county system. The Audit Performance Manager replied that different GIS existed for different purposes. The Council was currently out to tender for an overarching system of mapping. This system would be compatible with any other GIS still running. Once the new system is in place it will be audited.

Actions/Further Information to be Provided:

The Chairman to write to the Cabinet Member for Transport, Highways and Environment and to the Chairman of Environment and Transport Select Committee with regard to the number of non-compatible databases (**Recommendations tracker A31/13**).

Resolved:

That the completed Internal Audit reports be noted.

Next Steps:

None.

55/13 WHISTLE BLOWING UPDATE [Item 13]**Declarations of Interest:**

None.

Witnesses:

Matthew Baker, Deputy Head of HR&OD

Jackie Brazier, Senior HR Advisor – Employee Engagement

Abid Dar, Equality & Diversity Manager

Key Points Raised During the Discussion:

1. The Deputy Head of HR&OD introduced the report. He highlighted that as Expolink had now been contracted to provide a service to Surrey County Council for three years and due to the low number of calls, the service was now costing £100 per month. This was good value for money.
2. Members asked if whistleblowers are monitored to ensure that they attract no recrimination. The Deputy Head of HR&OD responded that all whistleblowers have the capacity to remain anonymous.
3. Members queried whether the reason for the low number of whistleblowers could be because there were no problems. The Deputy Head of HR&OD responded that getting the message out was a continual process. As the Council was a large organisation, there is the potential for problems to occur. The Equality & Diversity Manager stated that successive employee surveys had shown that the number of staff who experience poor behaviour is higher than the number of those who report poor behaviour.
4. The Chairman confirmed that having a process by which staff could whistleblow poor behaviour was important.

Actions/Further Information to be Provided:

None

Resolved:

That the Whistle Blowing Update be noted.

Next Steps:

None.

56/13 ETHICAL STANDARDS ANNUAL REVIEW [Item 14]**Declarations of Interest:**

None.

Witnesses:

Rachel Crossley, Democratic Services Lead Manager

Key Points Raised During the Discussion:

1. The Democratic Services Lead Manager introduced the report and confirmed that 37 Members had attended the training on the Code of Conduct on 13 May 2013. This included 16 of the 24 new Members.
2. Members stated that there had been some difficulties in accessing the online system for registering interests. The Democratic Services Lead Manager informed the Committee that there was an issue with some returning Members not knowing their passwords. Once their password was reset, only a small number of Members had ongoing problems. Since the election 80 of the 81 Councillors had published or republished their register of interests which suggests that Members are reviewing their registers. However, if there were any Members who still needed help, Democratic Services was happy to support them.
3. The Chairman of the Council, who is also the Chairman of the Member Conduct Panel, informed the Committee that the new system was working well. The new system avoided creating a bureaucratic solution. He suggested that the Ethical Standards system be reviewed after another year. It would not be possible to review the system yet as the Member Conduct Panel hadn't met since dealing with two complaints inherited from the previous system. Complaints were being dealt with by the Monitoring Officer.
4. The Chief Finance Officer informed the Committee that related party disclosures had been sought earlier this year due to the elections. This had worked well so Finance would continue with the same process.

Actions/Further Information to be Provided:

None

Resolved:

1. That the Committee noted the report.
2. That the Committee receive an annual report on the operation of the Code of Conduct (**Recommendations tracker A32/13**).
3. That the Committee endorse the Monitoring Officer's view that no further formal training sessions would be required in the next twelve months and that the Monitoring Officer should ensure periodic reminders and guidance to Members are delivered via email starting with a reminder declare gifts and hospitality in the lead up to Christmas (**Recommendations tracker A33/13**).

Next Steps:

None.

Declarations of Interest:

None.

Witnesses:

Jo Diggins, Customer Relations Manager

Mark Irons, Interim Head of Customer Services and Directorate Support

Mona Saad, Children's Rights Manager - Advocacy

Key Points Raised During the Discussion:

1. The Interim Head of Customer Services and Directorate Support introduced the report. It was clarified that the compensation figure of £6,694 for 2012/13 was the total approved by the Deputy Leader. A further (single) compensation payment of £6,700 was made by Children, Schools and Families Directorate during this period. As the amount was significant a separate report was sent to Cabinet on 25 September 2012. This was in line with the process at the time. So in summary, the actual amount paid in compensation during 2012/13 was £13,394.
2. An audit of complaints handling was underway. The speed of complaints handling was improving and a new emphasis was being given to the quality of complaints handling. When a complaint is escalated to the next stage, the previous handling of the complaint is reviewed. The Local Government Ombudsman takes a similar approach.
3. The Children's Rights Manager – Advocacy informed the Committee that the Directorate knew and understood that they had lower performance figures for responding to complaints within the ten day timescale. The Directorate has been focussing on quality and they have fewer complaints now escalating to a higher stage.
4. Members queried whether the number of complaints stated for Schools & Learning was the full picture or whether some ended up with other organisations such as a Babcock 4S. The Children's Rights Manager – Advocacy clarified that low recording of complaints for Services for Young People (SYP) is being discussed with SYP senior management in particular to identify methods for capturing complaints being dealt with by commissioned services.
5. Members highlighted the issue of staff in the Contact Centre being unable to pass the complaint on to the appropriate service because people are on leave and do not leave information on who to contact in their absence. This leads to timescales being missed. The Interim Head of Customer Services and Directorate Support agreed that there was a need for cultural change in the services but that Customer Services welcomed the challenge of supporting that change.

Actions/Further Information to be Provided:

None

Resolved:

- i. That the Committee noted that the full performance information for Schools & Learning and Children's Services will be published later this year.
- ii. That the Committee noted the Council's complaints policy, procedures and annual performance in 2012/13.

Next Steps:

None.

58/13 DATE OF NEXT MEETING [Item 16]

The date of the next meeting was noted.

Meeting ended at: 1.30 pm

Chairman



**Audit & Governance Committee
2 December 2013**

RECOMMENDATIONS TRACKER

PURPOSE OF REPORT:

For Members to consider and comment on the Committee's recommendations tracker.

INTRODUCTION:

A recommendations tracker recording actions and recommendations from previous meetings is attached as **Item 5 Annex A**, and the Committee is asked to review progress on the items listed.

RECOMMENDATION:

The Committee is asked to monitor progress on the implementation of recommendations from previous meetings (Item 5 Annex A).

REPORT CONTACT: Cheryl Hardman, Regulatory Committee Manager
020 8541 9075
cherylh@surreycc.gov.uk

Sources/background papers: None

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Audit & Governance Committee Recommendations Tracking

Recommendations (REFERRALS)

Number	Meeting Date	Item	Recommendation / Referral	To	Response
R3/12	21/05/12	(38/12) Completed Internal Audit Reports	<p>The Committee recommends that the Adult Social Care Select Committee:</p> <p>Review the Direct Payments audit report and monitor the situation until the policy commitment for annual reviews of the social care needs of the recipients of direct payments is met.</p>	Adult Social Care Select Committee	<p>An officer working group reported to the Adult Social Care Select Committee on 30 November 2012. The Assistant Director for Transformation reported to the Committee that the intention was that the review process would be embedded within the Locality Teams in the future, rather than responsibility of a dedicated team.</p> <p>A Member Reference Group of the Adult Social Care Select Committee was set up to review whether AIS meets the needs of the directorate. It recommended and pushed for a Rapid Improvement Event on the whole assessment process. This was done in April and the team are currently in the process of implementing the new, more streamlined, less bureaucratic system. As the follow up audit of Direct Payments also received a 'Major Improvement Needed' opinion, it is intended that the Adult Social Care Select Committee will review this again in the Autumn.</p> <p>On 2 September 2013, the Chief Internal Auditor confirmed that social care debt is on the Audit Plan for 2013/14. The Chairman requested to review the issue at a future meeting.</p>

Audit & Governance Committee Recommendations Tracking

Number	Meeting Date	Item	Recommendation / Referral	To	Response
R2/13	24/06/13	2012/13 Annual Governance Statement (37/13)	That the draft Annual Governance Statement be COMMENDED to Cabinet for publication with the Council's Statement of Accounts.	Cabinet	The Annual Governance Statement was presented to Cabinet on 23 July 2013. The Cabinet approved the content and authorised the Leader and Chief Executive to sign for inclusion in the Statement of Accounts. The Committee will continue to monitor the governance environment and report to Cabinet where appropriate.

Recommendations (ACTIONS)

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
A39/12	3/09/12	2011/12 Surrey County Council accounts and external audit annual governance report (63/12)	Recommended that Environment & Transport Select Committee should be considering the outcome of the MAXIMO internal audit report	Projects & Contracts Group Manager (Surrey Highways)	<p>A six-month review of the May Gurney contract was considered by the Environment & Transport Select Committee in February 2013. Members were satisfied with the performance figures and supported proposals to improve the highways maintenance programme.</p> <p>On 11 September 2013, the Committee considered a review of achievements and challenges for the May Gurney/Kier Highways maintenance contract over the past 12 months.</p>

Audit & Governance Committee Recommendations Tracking

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
A55/12	06/12/12	Completed Internal Audit Reports (95/12)	Further update to be provided on the recommendation that finance staff continue to develop reports for budget holders to analyse all additional payroll costs.	Chief Internal Auditor	<p>Implementation of the Finance Dashboard would enable these reports to be developed but implementation has been delayed due to issues with the suppliers.</p> <p>At the meeting on 24 June 2013, the Deputy Chief Finance Officer confirmed that work on the finance Dashboard was on-going and that the system would go live in July 2013.</p> <p>On 2 September 2013, the Chairman confirmed that the Finance Dashboard had gone live and that Members would receive a presentation once the system had bedded down.</p>
A1/13	12/02/13	Business Planning 2013 – 2018 (4/13)	The recommendations from the 1 February Council Overview & Scrutiny Committee to the Cabinet include follow up action by the Committee (see Annex A)	Chairman of the Committee.	The Strategic Manager (Pension Fund and Treasury) will update the Committee on 2 December 2013.
A3/13	21/02/13	PAMS (13/13)	The Committee to receive a further update and demonstration of the system once it is implemented	Chief Property Officer/Performance Manager	<p>At the meeting on 24 June 2013, the Chairman requested a progress note to be circulated to the Committee.</p> <p>An update and demonstration is scheduled for December 2013.</p> <p>On 2 September, an update was requested for circulation on whether the system was fully up and running. This was emailed to the Committee on 7 October and was also included in the November 2013 edition of the Committee bulletin (which is attached to this recommendations tracker as appendix 1).</p>

Audit & Governance Committee Recommendations Tracking

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
A11/13	18/03/13	Self Assessment on Issues Raised in 'Financial Sustainability of Local Authorities' (25/13)	The Committee to consider progress on the areas for improvement.	Chief Finance Officer	To be scheduled.
A26/13	24/06/13	Statement of Accounts 2012/13 (41/13)	That an update on Council Tax collection be provided in September	Finance Manager (Assets, Investment and Accounting)	An update will be provided on 2 December 2013.
A32/13	02/09/13	Ethical Standards Annual Review	That the Committee receive an annual report on the operation of the Code of Conduct.	Monitoring Officer	A report will be scheduled for September 2014
A33/13	02/09/13	Ethical Standards Annual Review	That the Committee endorse the Monitoring Officer's view that no further formal training sessions would be required in the next twelve months and that the Monitoring Officer should ensure periodic reminders and guidance to Members are delivered via email starting with a reminder declare gifts and hospitality in the lead up to Christmas.	Monitoring Officer	To review in the new year.

Audit & Governance Committee Recommendations Tracking

Completed Recommendations/Referrals/Actions

Recommendations – to be deleted

R3/11	05/10/11	(75/11)	That the audit report 'accounts receivable' be referred to the Adult Social Care Select Committee for scrutiny (with a particular focus on the finding that debts had arisen as a result of recipients of direct payments within ASC, using the money for purposes other than to meet their care needs and improvements in the dunning process).	Adult Social Care Select Committee	<p>An audit of Social Care debt was included in the 'Completed Audit reports' item on the agenda (5 April 2012) and an audit of Direct Payments is included on the 'Completed Audit Reports Item' on the 21 May 2012 agenda.</p> <p>An update on Social Care Debt was considered by the Adult Social Care Select Committee at their meetings on 4 July and 30 November 2012. The Audit & Governance Committee will continue to be kept updated on the outcome of the Adult Social Care Committee's debate through the Bulletin.</p> <p>On 18 March 2013, 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.</p> <p>On 24 June 2013, the Committee reviewed the situation when it considered the draft Statement of Accounts.</p> <p>The issues raised by this referral are being monitored via R3/12.</p>
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Audit & Governance Committee Recommendations Tracking

R1/13	24/06/13	Risk Management Annual Report (35/13)	That the Risk Management Policy Statement and Strategy be APPROVED for inclusion in the Constitution.	County Council	The Risk Management Policy Statement and Strategy was commended to Council for inclusion in the Constitution at its meeting on 15 October 2013.
R3/13	24/06/13	Code of Corporate Governance (40/13)	That the Committee APPROVED the updated Code of Corporate Governance and recommended it to County Council for inclusion in the Constitution.	County Council	The Code of Corporate Governance was commended to Council for inclusion in the Constitution at its meeting on 15 October 2013.
A59/12	06/12/12	Energy Purchasing Contract (99/12)	The Committee to urge the Leader to write to the Council involved to offer support to amending the terms of reference of the governance panel.	Chairman of the Committee	<p>A letter has been sent from the Leader of the Council to the Leader of the local authority in question, to make the recommendations.</p> <p>On 18 March 2013, the Chairman reported some positive soundings from the Leader of the local authority in question but no detailed response.</p> <p>On 24 June 2013, the Chairman reported that the Leader of Surrey County Council had received a response from the Leader of the local authority in question. Surrey County Councillors would be invited to the next scheduled meeting which is in November 2013 but the supplier would be willing to meet Members of Surrey County Council in advance of that meeting.</p> <p>LASER representatives attended a meeting of the Council Overview and Scrutiny Committee's Performance & Finance Sub-Group on 30 September 2013 and members of the Sub-Group were invited to a meeting of LASER members on 22 November.</p>

Audit & Governance Committee Recommendations Tracking

A2/13	21/02/13	External Audit Progress Report (12/13)	Members asked the external auditor how reserves should be shown on the balance sheet. The Engagement Lead (Grant Thornton) explained that for long term planning decisions the holding of reserves was beneficial. He agreed to include consideration of this in the interim work undertaken by the external auditor before the final findings were reported.	Engagement Lead (Grant Thornton)	<p>Updates to be provided through the external auditor's progress reports.</p> <p>Grant Thornton has confirmed that reserves were reviewed as part of interim and final accounts work.</p>
A6/13	18/03/13	Recommendations Tracker (21/13)	The Committee agreed to explore whether the expansion of Babcock 4S had any financial benefits for Surrey County Council with the Babcock 4S representative.	Committee	The Committee discussed this with representatives from Babcock 4S on 2 September 2013.
A16/13	24/06/13	Risk Management Annual Report (35/13)	A seminar to be arranged for the Committee on risk management.	Risk & Governance Manager	This seminar was held on 6 November 2013.
A23/13	24/06/13	Statement of Accounts 2012/13 (41/13)	The descriptions of the reserves provided in the Annual Report to be included within the Statement of Accounts.	Finance Manager (Assets, Investment and Accounting)	Completed

Audit & Governance Committee Recommendations Tracking

A24/13	24/06/13	Statement of Accounts 2012/13 (41/13)	That under Capital Expenditure in the Explanatory Foreword (page 54 of the Committee papers), the significant capital investment agreed as part of the MTFP be explained by reference to the need for more school places rather than stimulation of the local economic recovery	Finance Manager (Assets, Investment and Accounting)	Completed
A25/13	24/06/13	Statement of Accounts 2012/13 (41/13)	That the Fire Fighters' Pension Fund is mentioned under Pensions Liability in Note 5.	Finance Manager (Assets, Investment and Accounting)	Completed
A27/13	24/06/13	Treasury Management Outturn Report 2012/13 (42/13)	To provide training to the Audit & Governance Committee on gilt markets	Strategic Manager (Pension Fund and Treasury)	Training was held on 24 October 2013.
A28/13	02/09/13	Recommendations Tracker	A Member queried whether PAMS was now fully working and requested a response to be circulated outside the meeting.	Chief Property Officer/Performance Manager	An update was circulated by email on 7 October and was included in the Committee's November bulletin (which is attached to this recommendation tracker as appendix 1). Completed
A29/13	02/09/13	Leadership Risk Register	The Chief Finance Officer to consider Members concerns that while the NHS reorganisation risk had been clearly defined, the partnership working risk was not.	Chief Finance Officer	The Partnership Working risk has been reviewed and additional wording has been included relating to health and social care.

Audit & Governance Committee Recommendations Tracking

A30/13	02/09/13	Leadership Risk Register	Members felt that the residual risk for information governance was too high given the mitigating actions being taken. The Chief Finance Officer agreed to raise the issue at Corporate Board.	Chief Finance Officer	This was raised at the Continual Improvement Board on 23 September and it was agreed to keep the residual risk level as 'high.'
A31/13	02/09/13	Completed Internal Audit Reports	The Chairman to write to the Cabinet Member for Transport, Highways and Environment and to the Chairman of Environment and Transport Select Committee with regard to the number of non-compatible databases.	Chairman of Audit & Governance Committee/ Audit Performance Manager	The Chairman wrote to the Cabinet Member for Transport, Highways and Environment and the Chairman of the Environment and Transport Select Committee on 1 November 2013. A copy of the letter was included in the November 2013 edition of the Committee bulletin (which is attached to this recommendation tracker). A response from the Cabinet Member for Transport, Highways and Environment was received on 19 November 2013 and is attached as appendix 2 to this tracker.

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Audit & Governance Committee

5

Welcome...

Welcome to the Audit & Governance Committee Bulletin.

The purpose of this bulletin is to keep Members and officers up to date with local and national issues relevant to the Audit & Governance Committee.

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Update from previous Audit & Governance Committee meetings

May Gurney/Kier Contract	The Environment and Transport Select Committee has continued to take an interest in the May Gurney contract as recommended by Audit & Governance Committee following an internal audit report in 2012. On 11 September 2013, the Committee considered a review of achievements and challenges for the May Gurney/Kier Highways maintenance contract over the past 12 months. The report and minutes can be found here.
Property Asset Management System (PAMS)	On 2 September, the Audit & Governance Committee requested an update on whether the system was fully up and running in advance of a full progress report on 2 December 2013. This update was circulated by email on 7 October 2013 and is included here for completeness.
Concerns regarding mapping systems	On 2 September, the Chairman agreed to write to the Cabinet Member for Transport, Highways and Environment and to the Chairman of Environment and Transport Select Committee with regard to the number of non-compatible databases. He sent a letter on 1 November 2013. This is attached for information.

Internal Audit update

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Current Audits	<p>The following audits are currently in progress:-</p> <ul style="list-style-type: none"> • Surrey Local Assistance Scheme • Blue badges • Officer Interests • Information Governance • Central Contract Management • SIMS (school information management system) • Integration of Public Health • Health and Safety schools compliance • Review of committee timetable and reporting processes • AIS (Adults Integrated Solution)
Staffing	In August Dan Wilson passed his final examination under the Institute of Internal Auditors scheme and became professionally qualified with the Practitioner of Internal Audit (PIIA) designation.
Single Person Discount	Internal Audit are coordinating a data matching exercise with Surrey District and Borough councils designed to detect individuals who are fraudulently claiming single person discount. The contract was signed with Capita and all of the councils are participating. The data matching has been completed and letters are being sent to approximately 45% of the claimants requesting the completion of a declaration on the households entitlement to single person discount. Initial results from the exercise should be available from January 2014 and will be formally reported to the Audit and Governance committee.
Risk Based Auditing	The Internal Audit Manual has been refreshed in the light of the new guidance from the Public Sector Internal Audit Standard (PSIAS) and recommendations arising from the last review of the Effectiveness of Internal Audit, undertaken by CIPFA. Additionally, the Manual has been updated in respect of Risk-Based Auditing to reflect the latest best practice issued by CIPFA.
Audit Plan 2014/15	As a reminder to Members, the planning cycle to develop the Internal Audit Plan for 2014/15 will commence from January 2014. The Chief Internal Auditor will be arranging meetings with key stakeholders including Members, and this will allow for a sharing of ideas to feed into the planning process.

Social Care Debt update

The Adult Social Care Select Committee received a social care debt update at their meeting on 5 September 2013.

Current Debt Summary:

The below table summarises the current debt position as at 31 July 2013.

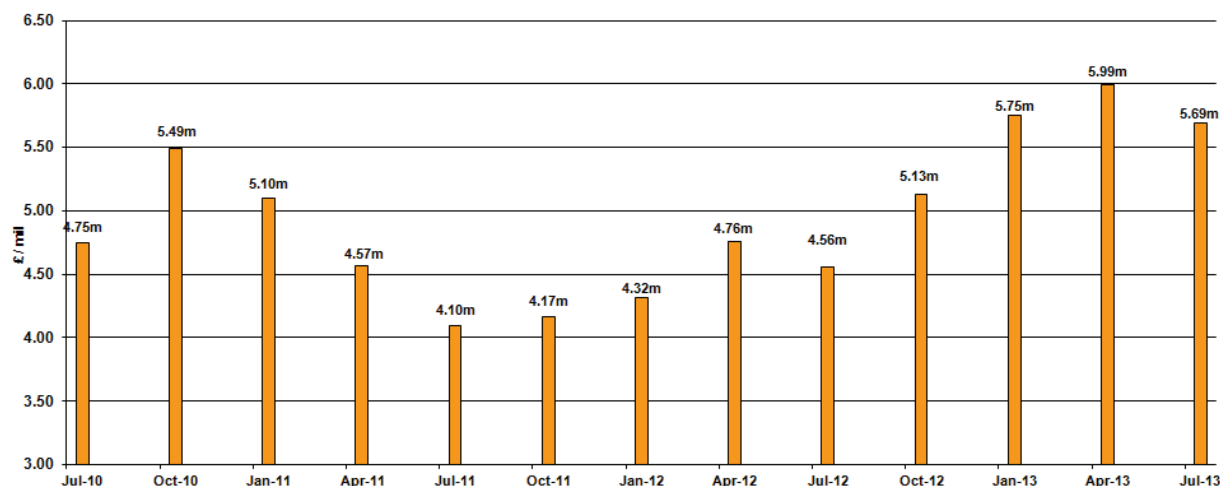
Debt > 1 Month Note:		July			
£ million					
1	Secured	6.87			
2*	Unsecured (no specific reason identified)	2.81			
2a	Under query	0.71			
2b	Query resolved, requiring adjustment	0.11			
2c	Probate	0.33			
2d	Installments	0.44			
2e	Deferred payment applications	0.22			
2f	Charging orders	0.23			
2g*	Total unsecured debt subject to a recovery 'block'	2.04			
3	Legal	1.98			
4*	Deputyship	0.90			
	Unsecured debt outstanding	7.73			
	Total	14.60			
Charges posted	5	Billing charges posted in month - not yet due	2.66		
Total debt	6	Total debt including charges posted in month	17.26		
% collected	7	% received of amount billed (12 mth avg)	96%		
DD collections	8	% pymts collected by DD	63%		
			IM:	YTD:	TTD:
Legal	9	Number of cases referred	2	8	193
Referrals	10	Value of debt at date referred	0.15	0.51	5.42
Current	11	Number of 'open' cases	59		
Legal Cases	12	Current value of 'open' cases	1.98		
			IM:	YTD:	TTD:
Legal Recovery	13a	Number of cases	7	25	104
	13b	Value of debt collected	0.10	0.17	2.54
	13c	Value of debt secured by charging order			0.16
	13d	Value of debt due by instalments			0.05
	13e	Value of debt no longer in dispute			0.39
	13f	Overall value of legal recovery action			3.15
	13g	Legal costs / expenses			-0.19
	13h	Net recovery - Legal cases			2.96
			IM:	YTD:	
Write-Offs	14	Number of cases	25	68	
	15	Value of debt	0.03	0.09	
	15a	Bankrupt / insolvent / no means to pay		0	
	15b	Deceased - Insufficient Funds		0.04	
	15c	Absconded - unable to trace		0.01	
	15d	Uneconomical to pursue further		0.02	
	15e	Evidence is inconclusive and legal recommendation		0	
	15f	Compromise Settlement		0.02	
			IM:	YTD:	
	*	Unsecured debt not subject to Legal action			
	2*	Unsecured (no specific reason identified)	2.81		
	2g*	Total unsecured debt subject to a recovery 'block'	2.04		
	4*	Deputyship	0.90		
		Total Unsecured debt not subject to Legal action	5.75		

Explanatory Notes:

- 1 Secured Debt: current value of debt secured against property and payable upon a future event
Secured debt: section 55 Deferred Payment Agreement / Legal Charge - payable 56 days after death
Secured debt: section 22 Imposed Legal Charge for failure to pay charges - payable on disposal of property
- 2* Unsecured debt: value of outstanding debt that is not secured against property
- 2a Unsecured debt: a query / complaint has been raised by the debtor
- 2b Unsecured debt: a query / complaint has been resolved and account requires adjustment
- 2c Unsecured debt: deceased case awaiting grant of probate to resolve
- 2d Unsecured debt: payment of arrears by instalments has been agreed
- 2e Unsecured debt: debtor has applied for a deferred payment agreement
- 2f Unsecured debt: a charging order has been applied to property following litigation
- 2g* Unsecured debt: Total: where a reason for non-payment is recorded and dunning suspended
- 3 Current value of cases referred to Legal Services for formal recovery action
Current value of cases referred to the Deputyship Team to investigate and where possible
- 4* put appropriate arrangements in place to manage the finances of persons who lack mental capacity
- 5 Total value of care charges raised in the last month. These charges become due after 30 days
- 6 Total value of debt owed to Surrey County Council.
- 7 Debt paid as a proportion of charges raised (NB proportion will be lower than 100% as charges include secured debt)
- 8 Proportion of charges collected by direct debit
- 9 Number of cases referred to Legal Services for recovery - IM: in month; YTD: year to date; TTD: total to date
- 10 Value of cases referred to Legal Services for recovery - IM: in month; YTD: year to date; TTD: total to date
- 11 Number of current and 'open' legal cases being pursued
- 12 Value of current and 'open' legal cases being pursued
- 13a Number of Legal cases where debt has been recovered - IM: in month; YTD: year to date; TTD: total to date
- 13b Value of debt recovered from Legal cases - IM: in month; YTD: year to date; TTD: total to date
- 13c Value of debt secured by charging order / legal charge (Legal cases) - TTD: total to date
- 13d Value of debt agreed to be paid by instalments from (Legal cases) - TTD: total to date
- 13e Value of debt no longer 'in dispute' and payment awaiting specific event - e.g probate / sale of property - TTD: total to date
- 13f Gross value of legal recovery action taken - TTD: total to date
- 13g Legal costs / expenses incurred in Legal recovery action (NB net figure - ie it takes account of costs recovered) - TTD: total to date
- 13h Net value of Legal recovery action
- 14 Number of cases approved for write-off in month
- 15 Aggregate value of write-offs approved in month
- 15a Value of write-offs: debtor bankrupt / insolvent / no means to pay
- 15b Value of write-offs: debtor deceased and insufficient funds in the estate to meet the debt
- 15c Value of write-offs: debtor absconded and cannot be traced
- 15d Value of write-offs: uneconomical to pursue the debt further
- 15e Value of write-offs: evidence is inconclusive and legal recommends write-off
- 15f Value of write-offs: compromise settlement reached; balance to write-off

The quarterly trend for the figure of unsecured debt not subject to legal action (lines 2,2g and 4 in the table above) has run as follows over the past three years, which shows some increase since the reductions achieved (largely by significant write-offs) in 2010-11: that is the performance trend which lay behind the need for a RIE. This remains a valid comparative figure, though there is a case for concentrating more broadly on changes in the set of measures set out above.

Unsecured (excl Legal) Debt Progress - July 10 to July 13



5

The full report can be found with the papers for [Adult Social Care Committee on 5 September 2013](#).

Corporate Governance update

Code of Corporate Governance	Following a commendation by Audit & Governance Committee, the Council agreed to include the Code of Corporate Governance in the Constitution at its meeting on 15 October 2013.
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Risk Management update

Risk Management Policy Statement & Strategy	Following a commendation by Audit & Governance Committee, the Council agreed to include the Risk Management Policy Statement & Strategy in the Constitution at its meeting on 15 October 2013.
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Further information

LGA responds to council reserves increase 30 August 2013	<p>Responding to the release of the latest figures on councils' financial reserves, Sir Merrick Cockell, Chairman of the LGA, said:</p> <p>"Reserves are all that stand between councils and financial collapse and this prudent, justified increase is the correct response to the uncertainty facing funding for local services".</p>
The State of the State 2013	<p>The State of the State is an annual report produced by the think tank Reform and Deloitte which aims to provide independent analysis of the UK public sector. The publication brings together new research alongside analysis of hundreds of datasets and the Government's accounts to provide a snapshot of the UK state. The report finds that "Government as we know it is unaffordable" due to growing demand on public services and calls for a mixture of workforce reform, more effective use of technology, and focused performance management to resolve falling levels of national productivity.</p>

<p>Pooling Arrangements for Academies within the Local Government Pension Scheme: Consultation</p> <p>October 2013</p>	<p>This consultation on proposals for pooling arrangements for academies and local authorities within the Local Government Pension Scheme is due to close on 15 November 2013.</p>
<p>Can-do councils leading transformation of local government</p> <p>9 October 2013</p>	<p>Local Government Minister Brandon Lewis has announced 18 local authorities will share a £6.9million fund for overhauling how they do business, as part of the government's pledge to transform public services. The money is aimed at helping councils to integrate local health and care services, sharing finance and human resource functions and create partnerships for better asset management. This follows the announcement in the spending review that there will be a £100 million Transformation Fund available from 2015 which will aim to help even more councils set up shared services and combine their operations for service delivery.</p> <p>In Surrey – One of the winning bids includes a £750,000 award to implement shared services between Surrey and East Sussex county councils and their respective Fire Authorities.</p> <p>For more information please contact Julia Kinniburgh on julia.kinniburgh@surreycc.gov.uk.</p>

Updates from other Committees

Listed below are a number of committee reports that may be of interest to the Committee, as they cross into the Committee's remit or they relate to matters recently discussed at Audit & Governance Committee, or that the Committee have shown an interest in:

Cabinet	<p>At his meeting on 4 September 2013, the Cabinet Member for Adult Social Care considered the following report:</p> <ul style="list-style-type: none"> • Sourcing & Admin Review: IT Placement Portal and Delivering Best Value Training Programme Invest to Save Bid • Sourcing & Admin Review: Staffing & Systems Invest to Save Bid (Part 2) • Approval of Invest to Save Funding for Continuing Health Care (Part 2) <p>At its meeting on 24 September 2013, the Cabinet considered the following reports:</p> <ul style="list-style-type: none"> • Budget Monitoring Report for August 2013 • Technical Consultations on 2014-15 and 2015-16 Local Government Finance Settlement and Revised Pooling Prospectus <p>At its meeting on 22 October 2013, the Cabinet considered the following reports:</p> <ul style="list-style-type: none"> • Budget Monitoring Report for September 2013
Council Overview & Scrutiny Committee	<p>At its meeting on 12 September 2013, the Committee considered the following reports:</p> <ul style="list-style-type: none"> • Business Planning 2014-19 Update • Budget Monitoring July 2013 • Investment and Trading <p>At its meeting on 3 October 2013, the Committee considered the following report:</p> <ul style="list-style-type: none"> • Budget Monitoring August 2013

	A task group of the Committee met to review audit reports issued since February 2013 and to consider the way forward on Select Committee review of internal audit reports. A manager from Internal Audit and the chairman of Audit & Governance Committee were present at the meeting to give guidance. The detailed arrangements are being developed by the Chief Internal Auditor, and progress will be reported to Audit & Governance Committee.
Adult Social Care Select Committee	<p>At its meeting on 5 September 2013, the Committee considered the following reports:</p> <ul style="list-style-type: none"> • Budget Update July 2013 • Income/Debt Update Report <p>At the meeting on 20 September 2013, held to call-in decisions of the Cabinet Member for Adult Social Care, the Committee considered the following reports:</p> <ul style="list-style-type: none"> • Continuing Health Care Team Invest to Save Bid • Staffing & Systems Invest to Save Bid <p>The Chairman of Audit & Governance was called as a witness, and as a result the workings of the Investment Panel are being reviewed. A report will be considered by the Audit & Governance Committee at its next meeting.</p>
Environment & Transport Select Committee	<p>At its meeting on 11 September 2013, the Committee considered the following reports:</p> <ul style="list-style-type: none"> • May Gurney/Kier Contract – 12 Month Review <p>At its meeting on 23 October 2013, the Committee considered the following report:</p> <ul style="list-style-type: none"> • Internal Audit Report: Highways Contracts Lot 5 – Highway Flood Prevention
Surrey Pension Fund Board	At its meeting on 20 September 2013 , the Board continued to consider governance issues and investment proposals.

Upcoming

The next meeting of the Audit & Governance Committee is on 2 December 2013. The following items are on the agenda:

- External Audit: Annual Audit Letter and Fee Letter
- Treasury Management Half-Year Report
- Review of the Investment Panel
- Risk Management Half-Year Report
- Governance Update Report
- Internal Audit Half-Year Report
- Half-Year Irregularities Report
- Update on PAMS
- Completed Internal Audit Reports
- Annual Report of the Audit & Governance Committee

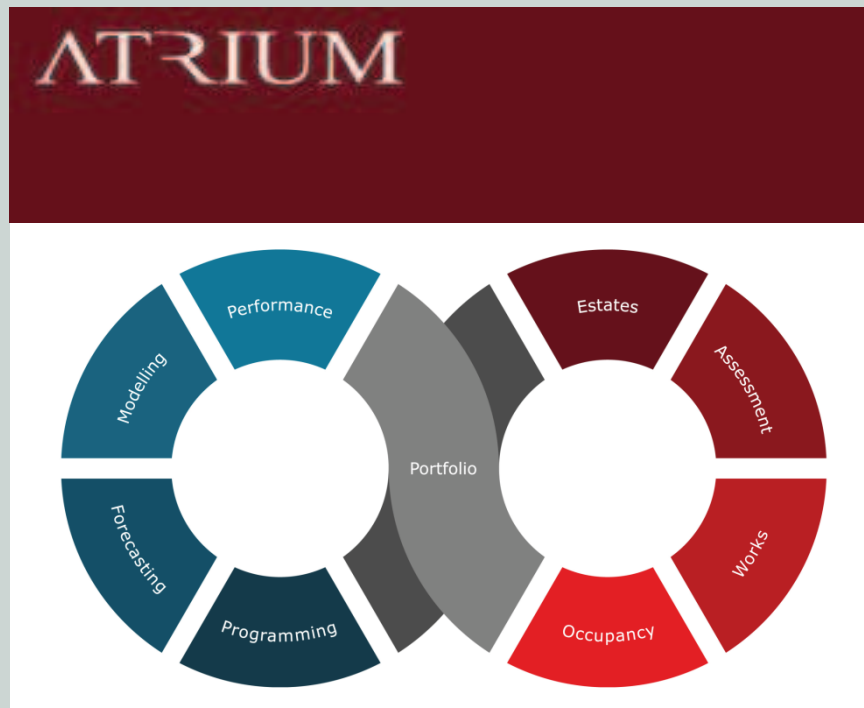
Committee Contacts

5

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Property Asset Management System (PAMS)



Content....

- Background
- Timeline
- Progress to date
- Benefits so far
- Next steps....

Audit & Governance Committee

PAMS Implementation Update - Background

www.surreycc.gov.uk



Making Surrey a better place

Background

PAMS (Property Asset Management System) is designed to support and assist property management activities and events through the lifecycle of a property asset.

PAMS has been procured, and is being implemented, in partnership with Hampshire County Council.

The system selected through the tender process was Atrium, which is a web based system.

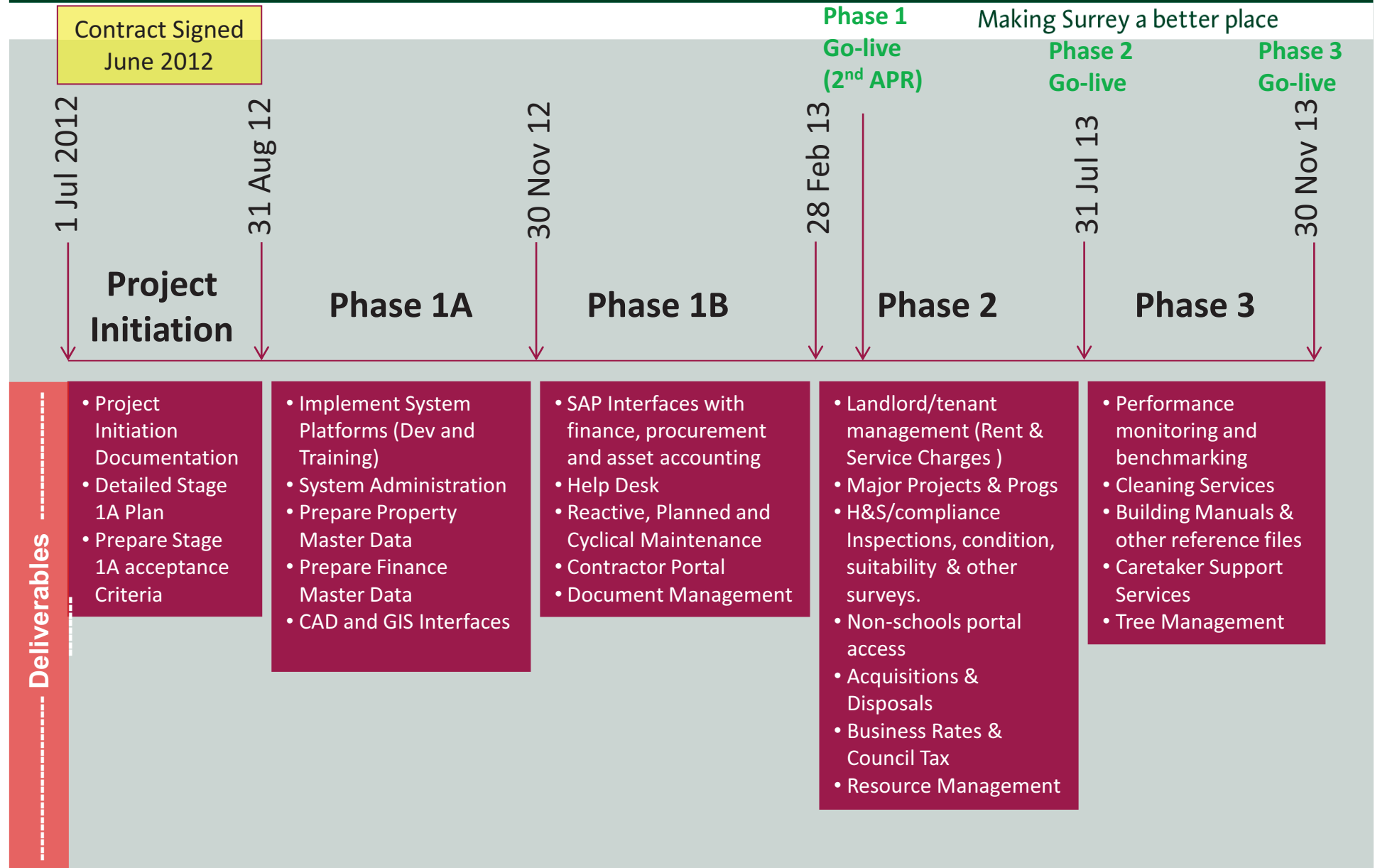
The contract is a Framework open to in excess of 50 public sector organisations in the southeast including all SE7 partners and associated district and borough councils.

There is a joint Project Board and Project Team that work collaboratively to design and implement the system modules.

Audit & Governance Committee

PAMS Implementation Update - Timeline

www.surreycc.gov.uk



Audit & Governance Committee

PAMS Implementation Update - Progress

www.surreycc.gov.uk



Making Surrey a better place

Phase 1

The system went live (Surrey CC only) on 2nd April in the following areas, as planned:

- Property master data – sites, buildings, land and room data
- Finance master data – capital & revenue cost collectors and GL codes
- Procurement master data – vendors
- System Administration – users set up on system with appropriate security levels
- Property Helpdesk
- Reactive Maintenance
- Planned Programme Maintenance
- Cyclical Maintenance
- Contractor Portal – high volume maintenance contractors using system
- Document Management
- Payments Interface with SAP
- Training in new system

Phases 2 and 3

With lessons learned from the go-live of phase 1, and knowledge gained of the system, the delivery of phases 2 and 3 is currently being re-planned with Hampshire CC and the supplier.

Phases 2 and 3 are progressing (details below) and it is estimated that the remaining system modules will be rolled out through the rest of the financial year. The additional time is required to train staff, adapt business processes and embed the system into business as usual.

Currently being implemented:

- Landlord/tenant management (Rent & Service Charges)
- Major Projects & Programmes
- H&S/compliance Inspections, condition, suitability & other surveys.
- Customer Portal (Schools and non-schools)
- Acquisitions & Disposals
- Rent payment and receipt interface with SAP
- Link to Geographic information System (GIS)
- CAD Integration

Audit & Governance Committee

PAMS Implementation Update – Benefits

www.surreycc.gov.uk



Making Surrey a better place

Benefits

Benefits are already being realised from the modules that have gone live so far and it is expected more will follow as processes are developed and refined around the system.

The following are some of the benefits realised so far:

- Greater financial control & monitoring of maintenance budgets
- A single system used by the main maintenance contractors giving greater visibility and status of works in progress
- Time saved for Helpdesk, Business Support and SSC Accounts Payable with move from manual and multi system processes
- In system alerts to users for hazards such as asbestos
- Electronic, and largely paperless, procure to pay process with contractors
- Workflow notification emails to relevant people at key process stages (inc. customers)
- User friendly system available to more users through a web browser

Audit & Governance Committee

PAMS Implementation Update – Next Steps....

www.surreycc.gov.uk



Making Surrey a better place

Next Steps....

- A full progress report will be prepared for Audit & Governance Committee in December
- A modular rollout and development of business processes will continue to the end of the financial year
- There will be continued development of the system to meet services evolving needs

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Cabinet Member for Transport, Highways
and Environment

Nick Harrison
Chairman of Audit & Governance
Committee
Surrey County Council
c/o Room 122, County Hall
Penrhyn Road
KT1 2DN

1 November 2013

Dear John

Concerns regarding mapping systems

It has come to the attention of the Audit and Governance Committee that the Highways Service is in the process of procuring a GIS mapping system.

As I believe there are a number of different systems for mapping in use across the county, can you provide us with some assurance that any system introduced will seek to replace or consolidate existing systems, rather than perpetuate the number of systems? In addition, will steps be taken to resolve the differences between data held in the various systems?

I look forward to hearing from you.

Yours sincerely,

Mr Nicholas Harrison
Chairman, Audit & Governance Committee

Cc: Chairman of Environment & Transport Select Committee

Contact:
Cheryl Hardman, Regulatory Committee Manager
020 8541 9075
cherylh@surreycc.gov.uk

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Cllr John Furey
County Councillor
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Addlestone, KT15 2BZ
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M: 07720 075440
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Co Cllr Nick Harrison
Chairman of Audit & Governance Committee
C/o County Hall

18 November 2013

Dear Nick

Re: Concerns regarding mapping systems

Thank you for letter dated 1 November 2013 which challenges the recent purchase of an Asset Management focused GIS mapping system in highways. I hope the following explanation will assist with easing your stated concerns.

Initially, the system concerned effectively provides much more than just a GIS mapping system in the traditional sense. It is a product that has primarily been developed with and for local authorities for them to use as a ready-made and fit-for-purpose Asset Management System. What makes this system unique at present is its specialist visual interface and the opportunity for us to easily input, manipulate, analyse and report on the huge amounts of asset data and inventory information currently available. As a result it will enable us to project the future condition of our various highways and transport assets using different funding scenarios for example and also generate work programmes based on different criteria and maintenance opportunities.

In this way we will be able to make more informed and quicker decisions using current information and the best life cycle planning and maintenance options available. Another significant advantage is that the system is sufficiently quick and responsive to demonstrate these asset management options and outcomes to a wider audience, including members.

For information the Corporate GIS team was represented on the project team and also contributed to exploring the possibility of developing an existing in-house GIS system as an alternative solution. It was jointly concluded that such a proposal would take at least two years to complete and require a substantial amount of internal resource which was not readily available. The project team therefore agreed that it would be more cost-effective and timely to procure an already developed, proven and operational system. The new system should effectively replace or consolidate existing GIS facilities used for Asset Management purposes and also complement and enhance our capability to view and use asset data and inventory information throughout the service.

I hope my comments have helped allay your concerns but if you require any further information or would like to discuss any aspect of the above in more detail please do not hesitate to contact either Peter Agent or Amanda Richards.

Yours sincerely

John Furey
Cabinet Member for Transport, Highways and Environment



COUNTY HALL, PENRHYN ROAD, KINGSTON UPON THAMES, SURREY KT1 2DN
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RECYCLED PAPER

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Audit & Governance Committee
2 December 2013

Grant Thornton 2012-13 Annual Audit Letter and 2013-14 Annual Fee Letter

Purpose of the report:

The Council's external auditors are presenting their Annual Audit Letter ('the Letter') in respect of the audit year 2012/13 (Annex 1). The Letter has been shared with all Members of the Council.

The Council's external auditors will also present their planned audit fee for 2013/14 (Annex 2).

Introduction:

1. Grant Thornton are required to produce an Annual Audit Letter summarising the key findings arising from the work carried out at the Council for the year ended 31 March 2013.
2. Grant Thornton are also required, on an annual basis, to produce a Fee Letter demonstrating the proposed fee for the upcoming audit.

2012-13 Annual Audit Letter

3. The Annual Audit Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 2 September 2013. The letter has been agreed with the Chief Finance Officer and Deputy Director for Business Services.

2013-14 Annual Fee Letter

4. The Annual Fee Letter proposes the fee to be charged for the 2013/14 audit. This fee is set by the Audit Commission and remains the same as for the 2012/13 audit.

Conclusions:

5. An unqualified opinion was provided in relation to the 2012/13 financial statements and Whole of Government Accounts submission. An unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources was also provided.
6. The audit fee for 2013/14 is set by the Audit Commission and remains the same as for the 2012/13 audit.

Financial and value for money implications

7. There are no direct financial or value for money implications arising from these reports.

Equalities Implications

8. There are no direct equality implications arising from these reports.

Risk Management Implications

9. There are no direct risk management implications arising from these reports.

Implications for the Council's Priorities or Community Strategy

10. There are no direct implications for the Council's priorities or Community Strategy arising from these reports.

Recommendations:

11. The Committee is asked to:
 - (a) Note the contents of the 2012/13 Annual Audit Letter (Annex 1)
 - (b) Note the proposed 2013/14 audit fee (Annex 2)

Next steps:

None

Report contact: Daniel Woodcock, Assistant Audit Manager, Grant Thornton

Contact details: 01293 554122, Daniel.woodcock@uk.gt.com

Sources/background papers: Audit Findings Report 2012/13 and Financial Resilience Report 2012/13, Grant Thornton



The Annual Audit Letter for Surrey County Council

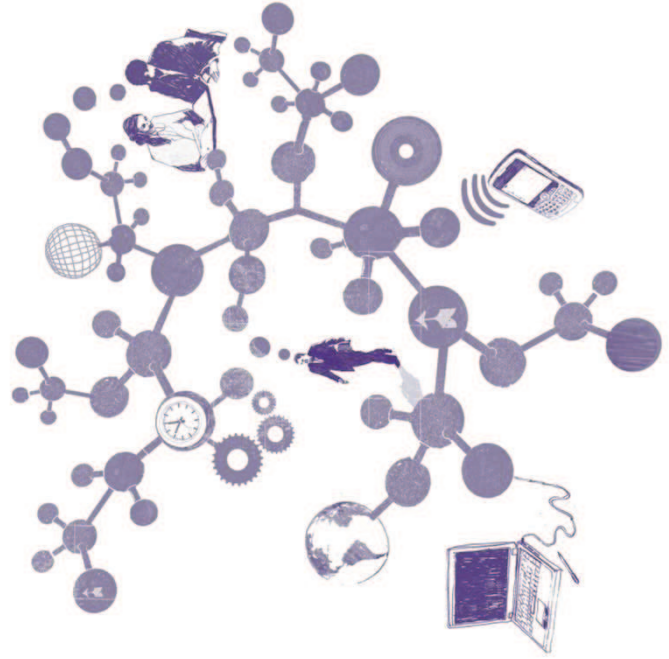
Year ended 31 March 2013

23 October 2013

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Section 1: Executive summary

01. Executive summary
02. Audit of the accounts
03. Value for Money
04. Certification of grant claims and returns

Executive summary

Purpose of this Letter

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at Surrey County Council ('the Council') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three)
- certification of grant claims and returns (Section four).

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in our Audit Findings Report on 2 September 2013.

Responsibilities of the external auditors and the Council

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

The Council is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 18 March 2013. It was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Audit conclusions

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources;
- an unqualified opinion on the Council's Whole of Government Accounts submission.

Our grant certification work is still in progress and the conclusions on this work will be reported in our Grant Certification Report to the Audit and Governance Committee in March 2014.

Executive summary cont'd

Key areas for Council attention

We summarise here the key messages arising from our audit for the Council to consider as well as highlighting key issues facing the Council in the future.

- A further reduction in public spending of £11.5 billion was announced in the 2013 budget. The Spending Round subsequently set out a 2.3% reduction in overall local government spending, including business rates, other government grants and council tax income.
- In order to manage this reduction, the Council identified efficiencies and service reductions totalling £68.3 million in setting its 2013/14 budget. As at the end of August 2013 it was forecasting to achieve £66.2 million of these savings. It is developing new delivery models, for example, its Family Support Programme, and rationalising its asset base, but the delivery of significant savings while demand for services such as Adult Social Care and Education is increasing will be increasingly hard to achieve.
- The Council is continuing to work with the Department for Environment, Food and Rural Affairs (DEFRA) and its contractor to progress the Eco Park.

Acknowledgements

This Letter has been agreed with the Chief Finance Officer and Deputy Director for Business Services and will be presented to the Audit and Governance Committee on 2 December 2013.

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2013

Section 2: Audit of the accounts



Audit of the accounts

Audit of the accounts

The key findings of our audit of the accounts are summarised below:

Preparation of the accounts

The Council presented us with draft accounts on 31 May 2013, in accordance with their internal timetable and a month before the national deadline of 30 June 2013. Appropriate working papers were made available from the start of the audit fieldwork, which commenced on 24 June 2013.

We have agreed a provisional timetable and working arrangements with the finance team for 2013/14 to enable the planned approval of the financial statements at the end of July 2014.

Issues arising from the audit of the accounts

The draft financial statements were well prepared, together with good quality supporting working papers. All Council staff responded on a timely basis to our audit queries.

We have recommended that the Council critically reviews the information that it includes within its financial statements and removes some immaterial notes and superfluous information. This will assist the Council in bringing forward the date its statements are approved.

The Council should take into account any guidance from CIPFA following its consultation on simplifying and streamlining the presentation of local authority financial statements.

Conclusion

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Audit and Governance Committee). We presented our report to the Audit and Governance Committee on 2 September 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 5 September 2013, in advance of the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

Section 3: Value for Money

01. Executive summary
02. Audit of the accounts
03. Value for Money
04. Certification of grant claims and returns

Value for Money

Scope of work

The Code describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give a VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

The Council has proper arrangements in place for securing financial resilience. The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- financial governance
- financial planning
- financial control.

Our overall conclusion is that whilst the Council faces some significant risks and challenges during 2013-14 and beyond, its current arrangements for achieving financial resilience are adequate or better.

The Council achieved a positive outturn of £3.1m against its revenue budget in 2012-13. It achieved £66.0m of its £71.1m savings target, with the £5.1m shortfall being covered by a prudent risk contingency included in its Medium Term Financial Plan.

Following the recommendations made in the Council's Financial Management Public Value Review, budget managers are being trained on using the finance system and self-service reporting has been developed. A new financial dashboard with drill down functionality went live on 1 August 2013. The Council is progressing a cultural shift so that all managers have clear ownership of their financial responsibilities.

Further details are provided in our Financial Resilience report issued on 2 September 2013.

Value for Money

Challenging economy, efficiency and effectiveness

We reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

The Council has a challenging savings programme in place, with plans to deliver savings of £250m in the five years to March 2018. It has already achieved savings of £195m in the past three years. In addition to this the Council is forecasting increasing demand for services, particularly in the areas of Adult Social Care and Schools. The Council has already identified schemes to reflect the majority of savings required, but as at March 2013 £79m of savings were still to be identified to 2017-18. It recognises the fact that recurrent savings will become more difficult to identify throughout the mid-term but aims to achieve the target through service transformation.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Section 4: Certification of grant claims and returns

01. Executive summary
02. Audit of the accounts
03. Value for Money
04. Certification of grant claims and returns

Certification of grant claims and returns

Introduction

We are required to certify certain of the claims and returns submitted by the Council. This certification typically takes place some six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We will certify 2 claims and returns for the financial year 2012/13 .

Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Key messages

The key messages from our certification work will be summarised in our grant certification report, to be presented to the Audit and Governance Committee in March 2014.

Appendices

Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non-audit services.

Fees

	Per Audit plan	Actual fees
	£	£
Audit Fee	189,464	189,464
Grant certification fee	4,200	3,420
		[estimated]
Total fees	193,664	192,884

Fees for other services

Service	Fees £
None	Nil

The estimated fee for grant certification work is lower than planned as there is no requirement to certify the School Centred Initial Teacher Training Return for 2012/13. Our final fee will be confirmed when we have completed all the certification work for the year.

Reports issued

Report	Date issued
Audit Plan	18 March 2013
Audit Findings Report	2 September 2013
Certification report	To be issued March 2014
VfM – Financial Resilience Report	2 September 2013
Annual Audit Letter	2 December 2013



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Chief Executive
Surrey County Council
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19 April 2013

Dear David

Planned audit fee for 2013/14

The Audit Commission has set its proposed work programme and scales of fees for 2013/14. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2013/14 has been set by the Audit Commission at £189,464 which compares to the audit fee of £189,464 for 2012/13.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-and-work-programme

The audit planning process for 2013/14, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Chartered Accountants

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Value for Money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and a separate report of our findings will be provided.

Certification of grant claims and returns

The Council's composite indicative grant certification fee has been set by the Audit Commission at £4,700.

Pension Fund audit

The Audit Commission has established a scale of fees for pension fund audits based on a fixed element with uplift based on the percentage of net assets. The scale fee for the audit of the pension fund is £27,105. Our work on the pension fund will be undertaken in July 2014 by our specialist pension fund audit team, led by Lynn Clayton.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2013	47,366
December 2013	47,366
March 2014	47,366
June 2014	47,366
	189,464
Grant Certification	
June 2014	4,700
Total	194,164
Pension Fund audit	
June 2014	27,105

Outline audit timetable

We will undertake our audit planning and interim audit procedures in January and February 2014. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in July 2014 and work on the whole of government accounts return in August 2014.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January and February 2014	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to July 2014	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January to July 2014	Audit Findings (Report to those charged with governance)	As above
Financial resilience	January to July 2014	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	July 2014	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2014	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2014	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2013/14 are:

	Name	Phone Number	E-mail
Engagement Lead	Andy Mack	+44 (0)207 728 3299 +44 (0)7880 456187	Andy.L.Mack@uk.gt.com
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Pensions Audit Manager	Lynn Clayton	+44 (0)207 7283365 +44 (0)788 0456146	Lynn.H.Clayton@uk.gt.com
Audit Executive	Daniel Woodcock	+44 (0)1293 554122 +44 (0)7921 659914	Daniel.Woodcock@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Paul Dossett, our Public Sector Assurance regional lead partner (Paul.Dossett@uk.gt.com)

Yours sincerely



Andy Mack
For Grant Thornton UK LLP



Audit & Governance Committee
2 December 2013

7

TREASURY MANAGEMENT HALF YEAR REPORT 2013/14

SUMMARY AND PURPOSE:

This report summarises the council's treasury management activity during the first half of 2013/14, required by CIPFA's Code of Practice for Treasury Management. This report also covers the council's Prudential and Performance Indicators for the first half of 2013/14, in accordance with the requirements of the Prudential Code.

RECOMMENDATIONS:

It is recommended that the Committee note the content of the Treasury Management Half Year Report for 2013/14.

BACKGROUND:

1. Treasury management is the management of the organisation's cash flows, banking, money market and capital market transactions, the effective management of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks.

TREASURY MANAGEMENT HALF YEAR REPORT 2013/14:

2. **Key Prudential indicators and compliance issues**
Under CIPFA's Prudential Code, the council is required to report on its actual Prudential indicators after the year end. Annex 1 Table 11 provides a schedule of all of the council's mandatory Prudential indicators, as agreed at the budget meeting of 12 February 2013. Key indicators that provide either an overview or a limit on treasury activity are summarised in the following paragraphs.
3. The Capital Financing Requirement (CFR) shows the council's underlying need to borrow for capital purposes. To ensure that, over the medium term, borrowing net of investments will only be for a capital purpose, net borrowing should not, except in the short-term, exceed the CFR for 2013/14. The council has complied with this requirement as shown in Table 1:

Table 1: Borrowing position against CFR

	£m
Total Borrowing at 30 th September 2013	261
Investments at 30 th September 2013	249
Net borrowing position at 30 September 2013	12
CFR 2013/14	644
CFR 2014/15	688

4. The Authorised Limit is the council's "affordable borrowing limit" required by section 3(1) of the Local Government Act 2003. This represents the limit beyond which borrowing/external debt is prohibited. The limit reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. Table 2 demonstrates that during 2013/14, the council has maintained gross borrowing within its Authorised Limit.
5. The Operational Boundary is the probable external borrowing position of the council during the year. It is not a limit and actual borrowing could vary around this boundary for short times during the year. It acts as an indicator to ensure that the Authorised Limit is not breached.

Table 2: Borrowing against Authorised Limit & Operational Boundary

	£m
Authorised Limit	675
Operational Boundary	612
Highest gross borrowing position during 2013/14	345

6. Capital financing costs incurred by the council during 2013/14 are detailed as follows:

Table 3: Capital Financing Costs 2013/14

Description	Original Estimate £000	Year end Projection £000
Minimum Revenue Provision (MRP)	21,039	21,039
Interest on long-term borrowing	15,719	15,719
Net interest on short-term cashflow	(583)	(854)
Total	36,175	35,904

7. While setting the budget, the council assumed a level of interest rates on its borrowing, and when this borrowing would take place. As a precaution against this risk, £1m was included to cover the additional interest payments if borrowing was undertaken at an earlier time at a higher rate of interest. Officers are regularly monitoring the risk of interest rate rises in the near future and the possible impact on the UK gilt market, which directly affects PWLB rates.
8. Interest receivable is higher than budget due to many Government grants being received earlier in the year than originally envisaged, leading to higher cash balances on deposit.

Treasury management activity during 2013/14

9. The treasury position at 30 September 2013 compared with the end of the last financial year is shown in Table 4. The council's credit rating criteria effective at 30 September 2013 are shown at Annex 2 Table 12.

Table 4: Investment and borrowing position 2013/14

	31 March 2013		30 September 2013	
	Principal £m	Average Rate	Principal £m	Average Rate
Fixed Interest Rate Debt*	305	4.20%	237	4.68%
Variable Interest Rate Debt**	-	-	-	-
Total Debt	305	4.20%	237	4.68%
Fixed Interest Investments	240	0.55%	249	0.41%
Variable Interest Investments**	-	-	-	-
Total Investments	240	0.55%	249	0.41%
NET BORROWING	65		(12)	

*Excludes Office of the Police and Crime Commissioner for Surrey debt

**No variable rate investments or borrowing held at 31 March 2013 or 30 September 2013

9. The treasury management gross borrowing position has reduced in 2013/14 as a result of the repayment of short-dated debt on September 30 and continuing the strategy of not borrowing up to the Capital Finance Requirement limit (use of internal borrowing). This has been possible since the council has sufficient cash balances to finance capital expenditure from internal sources in the short term. Cash balances are currently earning very little interest when placed on deposit. Therefore, a considerable saving has been achieved in borrowing internally. There remains enough cash to finance future capital expenditure in the short term.
10. The increase in investment balances reflects the higher cash balances held mid-year, compared with year end. This is generally because grant money from Central Government has been received early in the year.

11. The average interest rate paid on the remaining debt portfolio has increased as a result of the repayment of cheap short-dated debt (£68m) on 30 September 2013.

Borrowing position

12. The interest rates payable on PWLB debt can be found in table 5

Table 5: Interest rate paid on PWLB debt

Financial Year	% Interest on Debt
2009/10	4.20
2010/11	4.20
2011/12	4.20
2012/13	4.20
2013/14*	4.20

* half year to 30 September 2013

13. The PWLB rate will change for the full year 2013/14 report as the loan of £68m was repaid on 30 September 2013. The new average rate on the remaining PWLB borrowing post 30 September 2013 will be 4.68%.
14. All of the council's current long-term borrowing has been taken from the Public Works Loan Board (PWLB), whose purpose it is to provide loans to local authorities in order to finance capital expenditure, apart from a £10m market loan taken from Barclays. A summary on the movement of long-term borrowing during 2012/13 and 2013/14 is as follows:

Table 6: Long-term borrowing position

Long-term Borrowing	1 April 2012 to 31 March 2013 £000	1 April 2013 to 30 September 2013 £000
Total debt outstanding at 1 April	305,230	305,230
Loans raised	0	0
Loans repaid	0	67,983
Total debt at period end	305,230	237,247

15. The interest rate available on new borrowing (50 years) during 2013/14 started at 4.02%, rising to 4.38% at the start of July and settling at 4.29% at the end of September. The 50-year rate at 21 November 2013 is 4.35%.
16. The council is able to undertake temporary borrowing for cash-flow purposes, although none has been required for this purpose at any time during 2013/14 to date. The council also manages cash on behalf of the Office of the Police and Crime Commissioner for Surrey, which is classified as temporary borrowing as detailed below.

Table 7: Temporary borrowing position

Temporary Borrowing at 30 September 2013	£000
Short-term borrowing for cash-flow purposes	-
Office of the Police and Crime Commissioner for Surrey	24,128
Total	24,128

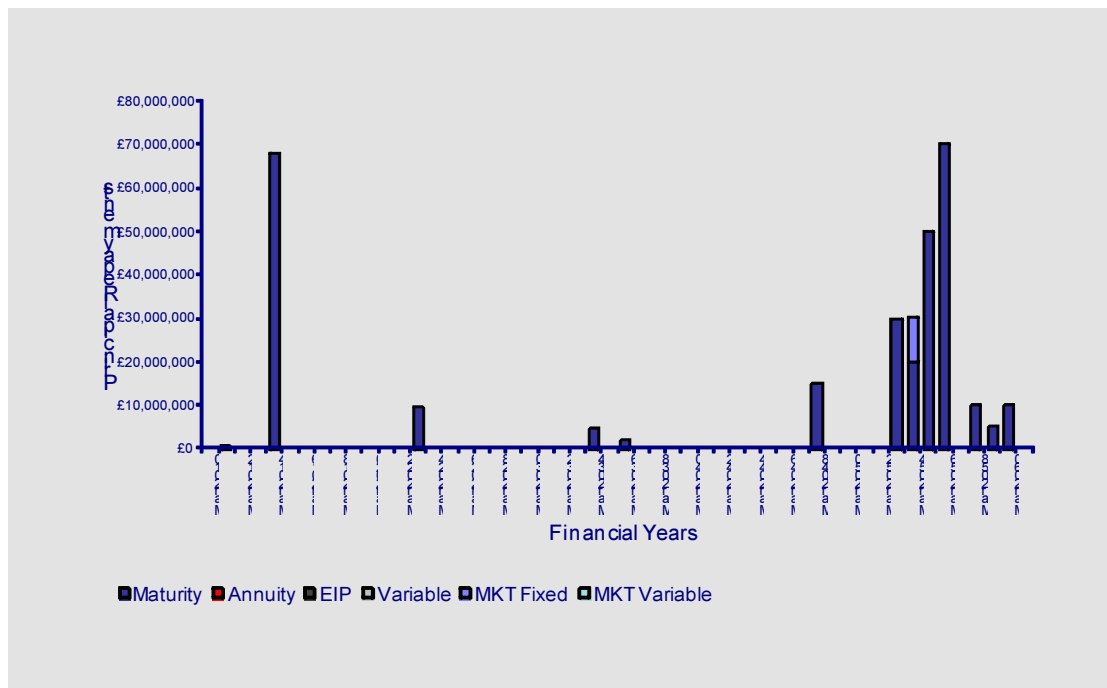
17. The council has limited its exposure to large fixed rate loans maturing in any one year by setting gross limits for its maturity structure of borrowing in accordance with the Prudential Code.

Table 8: Debt maturity profile as at 30 September 2013

Maturity Profile	Upper Limit	Lower Limit	Actual
Under 12 months*	50%	0%	0.0%
1 year and within 2 years	50%	0%	0.0%
2 years and within 5 years	50%	0%	0.0%
5 years and within 10 years	75%	0%	4.0%
10 years and above	100%	25%	96.0%

* Includes balances held on behalf of the Office of the Police and Crime Commissioner for Surrey, and Trust Funds.

18. The debt maturity profile of the council's long-term debt is shown on the following chart:



Investment position

19. Rates of return have continued to fall, with rates available in the market remaining depressed in 2013/14.

Table 9: % Return on investments

Financial Year	% Return on Investments
2009/10	1.01
2010/11	0.75
2011/12	0.70
2012/13	0.55
2013/14	0.41

20. Due to the Bank of England's Funding for Lending Scheme reducing demand for local authority cash, It is likely that rates will remain low over the remainder of this year and probably next year, and will lead to overall returns for the year being lower than 2012/13 (around 0.40%).
21. All cash held by the council is aggregated for the purpose of treasury management and any daily surpluses are invested temporarily until required to meet daily outgoings. For 2013/14, such monies include funds held on behalf of schools and the Office of the Police and Crime Commissioner for Surrey. Since 1 April 2011, the Pension Fund balances have been held in a separate bank account and are no longer comingled with the council and Office of the Police and Crime Commissioner for Surrey funds for investment purposes.

22. In 2013/14, nearly 330 schools chose to have their cash balances incorporated within the council's balances, thus earning interest on an agreed basis. Under this arrangement these schools received interest on their balances at a rate of 0.50% below base rate.
23. In 2013/14, the council applied the average return of its whole investment portfolio to all of the funds that were held on behalf of the Office of the Police and Crime Commissioner for Surrey (as per the current service level agreement).
24. Money brokers are used to facilitate investment dealing and loans are only made to institutions that meet the council's approved counterparty criteria. In addition to dealing through brokers, short-term investments are also made by dealing direct with some approved institutions, including banks, building societies and money market funds.
25. Due to frequent action on the part of credit ratings agencies, the council's credit rating criteria, investment limits and resultant counterparty list have been under continual scrutiny. The counterparty list within the current Treasury Management Strategy was last updated at the Audit and Governance meeting of 12 February 2013. The credit rating criteria and investment limits effective at 30 September 2013 are shown at Annex 2.
26. The current counterparty list that reflects these criteria has been updated to November 2013, and can be found in Annex 3.
27. In the first half of 2013/14, the council maintained an investment portfolio with a daily average balance of £370m (£307m in 2012/13) and received an average return of 0.41%. The comparable performance indicator is the average 7-day LIBID rate, which was 0.36% for the period. The council therefore outperformed its benchmark by 0.05%.

Icelandic Deposits

28. The Council placed £20m deposits with two failed Icelandic banks, Glitnir and Landsbanki. Of this £20m, the Council's exposure is £18.5m with the balance attributable to the Office of the Police and Crime Commissioner for Surrey. The Audit & Governance Committee receives regular reports on the prospects for recovery of the deposits that are at risk and the efforts being made by the Local Government Association (LGA) and its legal advisors in this regard.
29. To be prudent, the Council has impaired £1.5m based upon latest estimates in the guidance from CIPFA.
30. On 28 October 2011, the Supreme Court of Iceland upheld the District Court judgment in favour of local authority depositors, deciding by a 6-1 majority that local authorities' claims are deposits that qualify in full for priority in the bank administrations. These decisions are now final and there is no further right of appeal.

31. The current position is that 55% of Landsbanki and over 84% of Glitnir deposits have been repaid, with expected recovery rates. The balance owed on each is: deposit is shown in the table below.

Counterparty	Period	Principal £000	Rate	Principal Repaid £000	Principal Outstanding £000
Glitnir	364	5,000	6.25%	4,192	808
Glitnir	366	5,000	6.20%	4,193	807
Landsbanki	732	10,000	5.90%	5,520	4,480
		20,000		13,906	6,094

Member and Officer Training

32. Officers and members involved in the governance of the council's treasury management function are required to participate in training. Officers are also expected to keep up to date with matters of relevance to the operation of the council's treasury function. Officers continue to keep abreast of developments via the CIPFA Treasury Management Forum as well as through two local authority networks. Sector provides daily, weekly and quarterly newsletters and update meetings are held with Sector twice a year. In addition, a number of members of Audit & Governance Committee and Council attended treasury management training in July and October 2013. Further member training events will be provided as required.

Treasury Management Advisors

33. The Council uses Sector as its treasury management advisers. The company provides a range of services including:
- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
 - Economic and interest rate analysis;
 - Debt services which includes advice on the timing of borrowing;
 - Debt rescheduling advice surrounding the existing portfolio;
 - Generic investment advice on interest rates, timing and investment instruments;
 - Credit ratings/market information service comprising the three main credit rating agencies.
34. A development in the revised CIPFA Code on Treasury Management, which is intended to improve the reporting of treasury management activities, is the consideration, approval and reporting on security and liquidity benchmarks. Yield benchmarks are already widely used to assess investment performance, while discrete security and liquidity benchmarks are new reporting requirements.

Yield: The Council currently reports the overall return in interest against the 7-Day LIBID rate. In the first six months of 2013/14, the overall return on deposits was 0.41%, compared with the benchmark of 0.36%, a margin of 0.05%.

Security: The Council analyses the investment portfolio at year end against historic default rates to estimate the maximum exposure to default as follows:

Table 10: Benchmarking deposits against default rates at 30 September 2013

	Amount	Historical experience of default	Adjustment for market conditions	Est maximum exposure to default
	£000	%	%	£000
Deposits with banks and financial institutions	(a)	(b)	(c)	(a x c)
AAA-rated counterparties*	90,375	0.00%	0.00%	0
AA-rated counterparties	120,000	0.03%	0.03%	36
A-rated counterparties	32,250	0.08%	0.08%	26
Other counterparties**	6,094	0.00%	0.00%	0
Total	248,719			62

* includes £50.4m with other Local Authorities that do not have credit ratings but are backed by central government.

** includes £6m of deposits placed in Icelandic institutions whose credit ratings have reduced since the date of placing the deposit.

Liquidity: The Council currently restricts termed deposits to less than one year, and ensures the minimum level of cash available each day stands above £15m. This provides a safety margin to help ensure the Council does not need to borrow to fund treasury activity. During 2013/14, available cash balances did not fall below the £15m minimum level.

Value for Money

35. SCC participates in CIPFA's Treasury Management Benchmarking Club, which compares the performance of 68 local authorities. The report for 2012/13 shows that the average interest received by Surrey CC was below the benchmarking club average (0.57% compared to a benchmarking club average of 1.10%). This was mainly due to the council holding high balances and a very risk averse strategy, which resulted in large amounts being held in shorter-term, low interest rate deposits, or with the Debt Management Office at 0.25%. On interest paid, Surrey CC outperformed the average, paying average interest on the debt portfolio of 4.2% compared with the peer average of 4.5%.

36. The survey also compares the costs of maintaining a treasury management function. The Council significantly outperforms the peer group average in terms of the costs per £m investments managed, with costs of £100 per £m invested (£120 per £m in 2012/13) compared to a peer group average of £600 per £m invested (£930 per £m in 2011/12). The decrease in costs per £m invested over the previous year was due to the council holding higher average balances in 2012/13 compared to 2011/12 (while the actual costs remained the same over the two years). For debt management in 2012/13, Surrey CC had a cost of £20 per £m borrowed (the same as 2011/12), compared to an average of £140 per £m. This shows that the Treasury Management Team is providing the council good value for money.

Regulatory Framework, Risk and Performance

37. The council's treasury management activities are regulated by a variety of professional codes, statutes and guidance:
- The Local Government Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
 - The Act permits the Secretary of State to set limits either on the council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions were made in 2013/14);
 - Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act;
 - The SI requires the council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities;
 - The SI also requires the council to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services;
 - Under the Act the CLG has issued Investment Guidance to structure and regulate the council's investment activities;
 - Under section 238(2) of the Local Government and Public Involvement in Health Act 2007 the Secretary of State has taken powers to issue guidance on accounting practices. Guidance on Minimum Revenue Provision was issued under this section on 8 November 2007.
38. The council has complied with all of the above relevant statutory and regulatory requirements, which require the council to identify and, where possible, quantify the levels of risk associated with its treasury management activities. The adoption and implementation of both the Prudential Code and the Code of Practice for Treasury Management ensures that capital expenditure is prudent, affordable and sustainable, and treasury practices demonstrate a low risk approach.

- 39 The council is aware of the risks of passive management of the treasury portfolio and, with the support of Sector, the council's advisors, has proactively managed the debt and investments over the year so far. The council has previously utilised historically low borrowing costs and has complied with its internal and external procedural requirements. There is little risk of volatility of costs in the current debt portfolio, as it consists of predominantly fixed long-term loans, with the capacity for repayment of any shorter dated debt. Shorter term variable rates and likely future movements in these rates predominantly determine the council's investment return. These returns can be volatile and, whilst the risk of loss of principal is minimised through the annual investment strategy, accurately forecasting future returns can be difficult.

IMPLICATIONS:

- A) Financial
There are no direct financial implications.
- B) Equalities
There are no direct equality implications.
- C) Risk management and value for money
See paragraphs 34 to 36.

WHAT HAPPENS NEXT:

- i. The Pension Fund & Treasury Team will monitor the UK and overseas banking sector and will continue to update this Committee as appropriate.
- ii. In line with the requirements of CIPFA's Code of Practice for Treasury Management, this committee will receive a full-year report on the council's treasury management position for 2013/14 at the meeting in June 2014.
- iii. The Pension Fund & Treasury Team will prepare the annual Treasury Management Strategy, which will be presented as part of the MTFP presented to Council in February 2014.

REPORT AUTHOR:

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Sources/background papers:

Capital Budget and Treasury Management Strategy 2012/13
Prudential Indicators and Treasury Management Strategy 2013/14
CIPFA Code of Practice for Treasury Management in the Public Services (Revised)
CIPFA Treasury Management Benchmarking Club Report 2012/13

Table 11: Summary of Prudential Indicators for 2013/14

Prudential Indicator	Position as at 30 September 2013 £000	2013/14 Limit £000
Maximum net borrowing incurred against the Capital Financing Requirement (CFR)	78,617	664,027
Maximum gross borrowing incurred against the Authorised Limit	344,724	675,616
Maximum gross borrowing incurred against the Operational Boundary	344,724	612,284
Maturity structure of fixed rate borrowing		
Under 12 months	0%	0% - 50%
12 months to 2 years	0%	0% - 50%
2 years to 5 years	0%	0% - 50%
5 years to 10 years	4.0%	0% - 75%
10 years and above	96.0%	25% - 100%
Maximum principal funds invested for more than 365 days	(0%)	35% of value of investments held

In addition to the above the council is required as a Prudential Indicator to:

- i) Adopt the CIPFA Code of Practice.
- ii) Ensure that over the medium term borrowing will only be for a capital purpose (i.e. net external borrowing is less than the CFR).

Table 12: Effective Counterparty Limits

Type	Fitch				Moody's			S&P		Max Value	Max Term
	ST	LT	VIA*	Sup	ST	LT	FSR	ST	LT		
Bank/Building Society	F1	A-	bb+	3	P-1	A3	C-	A1	A-	£20m	3 months
Bank/Building Society	F1	A-	bb+	3	P-1	A3	C	A1	A-	£20m	1 year
Bank/Building Society	F1+	AA-	a-	2	P-1	Aa3	B	A1+	AA-	£25m	1 year
Bank/Building Society	F1+	AA	a-	1	P-1	Aa2	B	A1+	AA	£35m	1 year
Money Market Funds	AAA				AAA			AAA		£20m	1 year
Enhanced cash/bond funds	AAA / v1				Aaa-bf			AAAf / s1		£20m	1 year
Debt Management Office	-				-			-		Unlimited	1 year
Supranational	-				-			-		£10m	1 year
Local Authority	-				-			-		£20m	1 year

* Fitch Viability rating replaced the Individual Strength rating in December 2011

- i) Deposits are permitted with UK banks that do not comply with the council's credit rating criteria subject to the following:
 - a) That they have been nationalised or part nationalised by the UK government and/or
 - b) That they have signed up to the UK government financial support package.
- ii) The use of money market funds is restricted to funds with AAA ratings (from each of the agencies) up to a maximum of £100m (with a maximum of £20m per money market fund).
- iii) An additional £20m (per call account) is made available to invest in overnight high interest call accounts with both RBS and Lloyds (making a total of £60m limit with each). This will be maintained while they remain part nationalised.

Deposits with foreign banks are permitted, on the condition that they meet our minimum criteria, and that the country in which the bank is domiciled is AAA-rated with any of the three ratings agencies (Fitch, Moody's and Standard and Poor's).

MMF = Money Market Fund

DMADF = Debt Management Account Deposit Facility at the Bank of England

ST = Short-Term

LT = Long-Term

Via = Viability Rating

Sup = Support Rating

FSR = Financial Strength Rating

F1 Indicates the strongest capacity for timely payment of financial commitments; an added "+" denotes any exceptionally strong credit feature.

P-1 Indicates superior credit quality and a very strong capacity for timely payment of short-term deposit obligations. No enhanced rating available.

A-1 Indicates a strong capacity to meet financial commitments; an added "+" denotes a capacity to meet financial commitments as extremely strong.

Annex 3

Table 13: Counterparty List as at 01 November 2013 (to be updated before final draft)

	S/T	Fitch Ratings			Supp	Moody's Ratings			S&P Ratings	
		L/T	Viab.			S/T	L/T	Str.	S/T	L/T
UK		AAA				AAA			AAA	
HSBC	F1+	AA-	A+	1		P1	AA3	C	A1+	AA-
Lloyds	F1	A	BBB+	1		P1	A2	C-	A1	A
Royal Bank of Scotland	F1	A	BBB	1		P2	A3	D+	A1	A
Nationwide Building Society	F1	A	A	1		P1	A2	C	A1	A
Barclays	F1	A	A	1		P1	A2	C-	A1	A
Santander (UK)	F1	A	A	1		P1	A2	C-	A1	A
Australia		AAA				AAA				AAA
Australia & NZ Banking Group	F1+	AA-	AA-	1		P1	AA2	B-	A1+	AA-
Commonwealth Bank of Australia	F1+	AA-	AA-	1		P1	AA2	B-	A1+	AA-
National Australia Bank	F1+	AA-	AA-	1		P1	AA2	B-	A1+	AA-
Westpac Banking Corporation	F1+	AA-	AA-	1		P1	AA2	B-	A1+	AA-
Canada		AAA				AAA				AAA
Canadian Imperial Bank	F1+	AA-	AA-	1		P1	AA3	C-	A1	A+
Bank of Montreal	F1+	AA-	AA-	1		P1	AA3	C+	A1	A+
Bank of Nova Scotia	F1+	AA-	AA-	1		P1	AA3	B-	A1	A+
Royal Bank of Canada	F1+	AA	AA	1		P1	AA3	C+	A1+	AA-
Toronto-Dominion Bank	F1+	AA-	AA-	1		P1	AA1	B	A1+	AA-
Finland		AAA				AAA				AAA
Nordea Bank	F1+	AA-	AA-	1		P1	AA3	C	A1+	AA-
Germany		AAA				AAA			A+	AAA
DZ Bank	F1+	A+		1		P1	A1	C-	A1+	AA-
Deutsche Bank	F1+	A+	A	1		P1	A2	C-	A1	A+
KfW	F1+	AAA		1		P1	AAA		A1+	AAA
Landwirtschaftliche Rentenbank	F1+	AAA		1		P1	AAA		A1+	AAA
Netherlands		AAA				AAA				AAA
ING Bank	F1+	A+	A	1		P1	A2	C-	A1	A+
Bank Nederlandse Gemeenten	F1+	AAA				P1	AAA	A	A1+	AAA
Norway		AAA								
DnB NOR Bank	F1	A+	A+	1		P1	A1	C-	A1	A+
Singapore		AAA				AAA				AAA
Development Bank of Singapore	F1+	AA-	AA-	1		P1	AA1	B	A1+	AA-
Oversea Chinese Banking Corp	F1+	AA-	AA-	1		P1	AA1	B	A1+	AA-
United Overseas Bank	F1+	AA-	AA-	1		P1	AA1	B	A1+	AA-
Sweden		AAA				AAA				AAA
Skandinaviska Enskilda Banken	F1	A+	A+	1		P1	A1	C-	A1	A+
Svenska Handelsbanken	F1+	AA-	AA-	1		P1	AA3	C	A1+	AA-
Swedbank AB	F1	A+	A+	1		P1	A2	C-	A1	A+
Switzerland		AAA				AAA				AAA
UBS AG	F1	A	A-	1		P1	A2	C-	A1	A

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AUDIT & GOVERNANCE COMMITTEE
2 December 2013

Internal Audit Half Yearly Report 2013/14

8

SUMMARY AND PURPOSE:

1. This interim report summarises the work of Internal Audit during the first six months of 2013/14. The purpose of this report is to enable the Committee to consider the activities of Internal Audit during the six month period to 30 September 2013 and determine whether there are any matters that they wish to draw to the attention of the Cabinet and/or the County Council. A list of all Internal Audit reports issued in the period April – September 2013 is attached at Annex A for information.
2. The Chief Internal Auditor reports key findings and recommendations arising from audits undertaken as part of regular reporting to this Committee on completed audits. As such this report focuses on activity undertaken rather than detailing audit findings previously identified. However in response to member interest in management action taken to implement Internal Audit recommendations this report also provides, at Annex B, an update on progress made to date for those audit reports issued since February 2013. In addition, at Annex C is an update on earlier audit reports where management action plan progress had not previously been rated as “Green”.

RECOMMENDATIONS:

3. Members are asked to consider the contents of this report and determine whether there are any matters that they wish to draw to the attention of the Cabinet and/or the County Council.

BACKGROUND:

4. The Accounts and Audit Regulations 2003 (as amended 2009 and 2011) require every local authority to undertake an adequate and effective internal audit of its accounting records and of its system of internal control. Within Surrey County Council the Internal Audit function, which sits within the Policy and Performance Service, carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to this Committee.
5. The terms of reference of the Audit and Governance Committee include the requirement to consider the reports of the internal and external auditor, consider the effectiveness of the internal audit function, and make recommendations to the County Council or Cabinet, as appropriate, on any matters that it feels should be drawn to their attention.

PERFORMANCE SUMMARY:

6. The audit plan for 2013/14 was approved by this Committee on 18 March 2013. The table below shows actual performance against the original plan for the first half year.

Audit Area	Plan Days (whole year)	Actual Days (half year)	% Actual to planned
Corporate Governance Arrangements	40	22	55.0%
Key Financial Systems	200	78	39.0%
Grants	20	12	60.0%
Contract reviews	120	48	40.0%
Service reviews (systems and projects)	1023	437	42.7%
Follow-up Audits	50	46	92.0%
Client Support and Service liaison	136	75	55.1%
Irregularity and Special Investigations including Fraud Prevention	345	165	47.8%
Internal Audit Management, Corporate Support and Organisational Learning	294	151	51.4%
Total days	2228	1034	46.4%
Figures as shown in 2012/12 half year report (for comparison)	2201	995	45%

7. The above table shows that 1034 days were spent delivering the audit plan in the first half of the year, this represents 46.4% of the total number of days planned for the year and reflects the reality that proportionately more annual/bank holiday leave (non audit time) is taken in the period April – September.

8. The following table shows progress as at 30 September against the annual audit plan with 2012/13 and 2011/12 half year comparative figures also shown:

	2013/14		2012/13		2011/12	
	No	%	No	No	No	%
Audits in planning stage:	41	33	43	33	56	36
Audits in progress	39	31	39	30	44	28
Audits completed	44	36	47	37	55	26

9. The Internal Audit team has had a productive first six months with some 44 audits, projects or investigations completed since April, including 32 final audit reports issued (as detailed at Annex A), 3 grant certificates produced and 9 investigations closed.
10. The following table shows the spread of audit opinions for the 32 reports issued in the period with comparative information for 2012/13 full year:

Audit Opinion	2013/14 (half year)		2012/13 (full year)	
	No of Audit Reports	%	No of Audit Reports	%
Effective	10	31	14	22
Some Improvement Needed	18	56	39	61
Major Improvement Needed	0	0	8	12
Unsatisfactory	0	0	2	3
n/a	4	13	1	2
Total	32	100	64	100

Customer Satisfaction Survey (CSQ)

11. The Internal Audit team is continually aiming to improve the service it provides and as such, on completion of each review the auditee is asked to complete a Customer Satisfaction Survey (CSQ) to provide feedback on a number of aspects of the audit – from planning through to reporting. The CSQ also asks for an overall rating on the added value of the audit on a scale of 1 to 4, where 1 is **not very** useful and 4 is **very** useful.
12. The following table shows the breakdown of CSQ scores received during the six month period to September 2013:

CSQ Overall Rating	No of CSQs	%
4 – very useful	9	47
3	8	42
2	2	11
1 – not very useful	0	0
Total	19	100

MANAGEMENT ACTION PLAN PROGRESS

13. In June 2013 a report was presented to this Committee that assessed progress made for all audits reports issued in the period August 2012– January 2013. This information is summarised at Annex C and includes the latest position for those audits not assessed as “Green” at that time. A more detailed summary of progress made on implementing audit recommendations for those audits completed since February 2013 is attached at Annex B.
14. These progress updates show evidence of real improvements being made across the council. There are some areas however which have been (or continue to be) assessed as Red/Amber and Internal Audit will closely monitor these management action plans going forward.

8

AUDIT ACTIVITY – 2013/14 ANNUAL PLAN

Corporate Governance Arrangements

15. This element of the annual audit plan includes activities that directly support the Annual Governance Statement. As such, audit involvement in this is concentrated in the latter part of the audit year.

Key Financial Systems

16. Key Financial Systems audit reports issued in 2013/14 and presented to this Committee include:
Treasury Management; Accounts Payable; Accounts Receivable; Capital Monitoring; Pension Fund Investment Arrangements; Pensions Administration; SAP Application Controls; and, Payroll.
17. Most of the audit fieldwork for the key financial systems takes place in the last quarter of the year in order for testing across the period to be undertaken.

Grants

18. Three grant audits were completed in the period, as follows:
 - Local Transportation Capital Block Grant;
 - Troubled Families
 - RESTORE Interreg IV

Contract Reviews

19. Contract review audit reports issued in 2013/14 and presented to this Committee include:
 - Highways Contract (Lots 3 and 5)
20. The following contract audits were in progress at the 30 September:
 - Library Service Global Transport Van Service
 - Central Contract Management

Service Reviews

21. Service review audit reports issued in 2013/14 to date include:

Adult Social Care: Adult Social Care Transport; Safeguarding Assurance Process, and Reablement.

Business Services: Financial Assessments Process; Risk Management Arrangements; Employee Expenses; Energy Management; and, Insurance.

Customers and Communities: No audits in this area completed in the six months to 30 September 2013.

Children Schools and Families: Schools SFVS process; Head Teachers' Pay; Information Governance in Schools; Youth Service Transformation; Children and Families – Care Leavers; and, ICS ContrOCC.

Chief Executive's Office: Transfer of Public Health.

Environment and Infrastructure: Local Sustainable Transport Fund; Community Enhancement Fund; and, European Grant Funding.

8

Follow-up Audits

22. Follow-up audit reports issued to date include:

Highways Contract (Lot 1); Direct Payments; and, Purchasing Cards.

Client Support and Service Liaison

23. Each member of the team is responsible for a number of service areas and liaising with those services on a regular basis throughout the year. These meetings allow the auditor to become more familiar with the requirements of each service and to develop a more positive working relationship in which the services may themselves approach Internal Audit for independent support and advice.
24. Some examples of client support provided during the first six months of the year have included:
- Sharing the findings of school compliance audits with all maintained schools via focused articles in the schools' bulletin;
 - Attending a Spelthorne-wide meeting of school governors to provide advice on matters of control and governance;
 - Providing advice and guidance to schools on a variety of issues, including unofficial funds, use of eBay accounts, charitable funds, VAT issues, premises security and information governance;
 - Working with Babcock 4S on delivering joint training courses on financial security for new head teachers and bursars;
 - Undertaking proactive data interrogation work to identify traits or patterns of behaviour consistent with fraud. Testing in the last financial year includes work around payroll, personnel records, expenses, and vendor data;
 - Providing advice to Libraries Service about robust processes to dispose of surplus library book stock;
 - Providing advice and support to Rapid Improvement Events throughout the period (for example, to the S106/Community Infrastructure Levy and the Members Allocations events);
 - Supporting Public Value Reviews, including that of Registration Services;

- Assisting Procurement in the roll-out of their Contract Management Toolkit, including the assessment of contract maturity to feed into the corporate database;
- Providing advice to services engaged in activities linked to the innovation agenda (for example, advice given to Information Officers on social media usage, and working with the Change team in respect of developing Project Management);
- Working with services to develop fraud risk awareness, including sessions with HR, Procurement, Shared Services (Accounts Payable) and revising the fraud awareness eLearning package with IMT;
- Developing a staffing analysis toolkit for establishments to show total staffing costs, including normal hours worked, overtime, casual staff and agency staff;
- Benchmarking energy costs in schools, leading to a saving of £8k at one establishment;
- Assisting Accounts Payable with analysis of duplicate payments ahead of an external scrutiny by external consultants, which helped to tighten controls and save the council money;
- Liaising with Trading Standards to share knowledge about current scams and fraudulent practices to report corporately;
- Reviewing draft HR policies for completeness and robustness;
- Reviewing policy and recommending good practice in respect of safe control across SCC establishments (for example, libraries and residential care homes);
- Recouping £4k in annual costs linked to unnecessary gypsy site greenhouse gas returns;
- Providing advice and guidance to services in areas of new service delivery (for example, in gathering and assessing evidence to support the Troubled Families agenda);
- Attending and contributing to corporate meetings and groups, including the County Risk & Resiliency Forum, Investment Panel, Schools Budget Group and attendance at select committees

Irregularity and Special investigations

25. A separate report will be presented to this Committee providing a full explanation of time spent on irregularity investigations in the six months to 30 September 2013.
26. Special investigations usually take place as a result of concerns being raised directly with Internal Audit by members or officers.

Corporate Support and Internal Management

27. During the six month period to 30 September Internal Audit have participated in a number of activities which are categorised for planning purposes as corporate support and internal management. This activity has included:
 - member support including attendance at meetings of this Committee.
 - attendance by the Chief Internal Auditor at regular governance meetings with the Chief Executive Officer and S151 and Monitoring Officers.
 - Attendance at meetings of the Governance Panel and Investment Panel

TRAINING AND DEVELOPMENT:

28. The Public Sector Internal Audit Standards place a personal responsibility on each Internal Auditor to undertake a programme of continuing professional development. In practice training/development plans are discussed on an on-going basis as part of 1-2-1s with management and will be formally discussed/reviewed as part of mid year and year end appraisals.
29. Development/training may take many forms. Examples undertaken in the period include:
- Whole team training on Risk Based Internal Auditing
 - A day work shadowing the Chief Executive at Mole Valley District Council
 - Attending the CIPFA Audit Conference
 - Attendance at events organised by:
 - The London Audit Group
 - Counties Chief Auditors Network
 - Home Counties Chief Internal Auditors Network (HCCIAG)
 - SAP Specialist Interest Groups
 - Training run in-house on Conflict, Impact and Collaboration

CONCLUSION:

30. The Internal Audit Team has had a productive six months and there is evidence of real improvements being made across the council as a result of the management actions implemented in response to audit recommendations.

IMPLICATIONS:

31. There are no direct implications (relating to finance, equalities, risk management or value for money) arising from this report. Any such matters highlighted as part of the audit work referred to in this report, would be progressed through the agreed audit reporting policy.
32. Terms of Reference for all audit reviews include the requirement to specifically consider value for money; risk management; and, equalities and diversity.

WHAT HAPPENS NEXT:

33. A report will be presented on completed audits at future meetings of this Committee and the Chief Internal Auditor's Annual Report for 2013/14 will be presented to this Committee at the meeting planned for May 2014.

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Sources/background papers: 2013/14 Internal audit plan

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Month Final Report issued	Audit	Number of High Priority Recs	Audit Opinion	Relevant * Directorate
Apr-13	Payroll	-	Some Improvement Needed	BS
Apr-13	Adult Social Care Transport	-	Some Improvement Needed	ASC
Apr-13	Children and Families - Care Leavers	-	Effective	CSF
Apr-13	Pension Fund Investment Arrangements	-	Effective	BS
Apr-13	Transfer of Public Health	-	Effective	CEO
Apr-13	Pensions Administration	-	Effective	BS
Apr-13	SAP Application Controls	5	Some Improvement Needed	BS
Apr-13	Accounts Receivable	-	Effective	BS
May-13	Treasury Management	-	Effective	BS
May-13	SFVS Process	-	Effective	CSF
May-13	Accounts Payable	-	Effective	BS
May-13	Capital Monitoring	1	Some Improvement Needed	BS
May-13	Highways Contract - Lot3	1	Some Improvement Needed	E&I
Jun-13	Reablement	1	Effective	ASC
Jun-13	Highways Contract - Lot5	3	Some Improvement Needed	E&I
Jun-13	ICS ContrOCC	3	Some Improvement Needed	CSF
Jun-13	Highways Contract - Follow-up review	-	n/a	E&I
Jun-13	Local Sustainable Transport Fund	-	Some Improvement Needed	E&I
Jul-13	Risk Management Arrangements	4	n/a	BS
Jul-13	Head Teachers' Pay	-	Some Improvement Needed	CSF
Jul-13	Youth Service Transformation	-	Some Improvement Needed	CSF
Jul-13	Financial Assessments Process	-	n/a	ASC
Jul-13	Employee Expenses	-	Some Improvement Needed	BS
Aug-13	Community Enhancement Fund	-	Some Improvement Needed	E&I
Aug-13	Information Governance in Schools	-	Some Improvement Needed	CSF
Aug-13	European Grant Funding	-	n/a	E&I
Aug-13	Energy Management	1	Some Improvement Needed	BS
Aug-13	Purchasing Cards - Follow-up audit	-	Effective	BS
Sep-13	Insurance	-	Some Improvement Needed	BS
Sep-13	Direct Payments - Follow-up audit	2	Some Improvement Needed	ASC
Sep-13	Streetworks Function	3	Some Improvement Needed	E&I
Sep-13	Data Centre	1	Some Improvement Needed	BS




* Directorate Key

BS	- Business Services
CEO	- Chief Executive's Office
ASC	- Adult Social Care
E&I	- Environment and Infrastructure
CSF	- Children Schools and Families
C&C	- Customers and Communities

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Management Action Plan – Progress update

Annex B

Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Members' Disclosures and Declarations (Feb 2013)	Effective	Introduce a method of sampling members related party disclosure submissions for accuracy and completeness. (M)	A trial of checking on-line records was attempted but the resourcing required and the likely outcomes did not add sufficient value or benefit to the existing checks.	
Network Controls (Feb 2013)	Effective	None		
Financial Assessments and Charging (Feb 2013)	Some Improvement Needed	It is recommended that the resourcing of the migration programme is reviewed to ensure it meets management requirements. (M) Management should ensure the 5% sample checks are undertaken for all assessments in line with agreed procedures. (H)	This has been superseded by the Rapid Improvement Event held on the financial assessments and charging processes. Sample checks were brought up to date within the requested time frame.	

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(2) Recommendation priority may be High (H), Medium (M) or Low (L)
(3) Red/Amber/Green (RAG) status is a high level assessment of progress

Management Action Plan – Progress update

Annex B

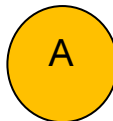
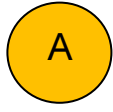
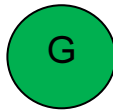
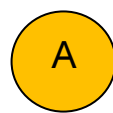
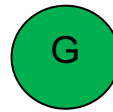
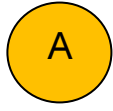
Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Corporate Governance Policies – Control Risk Self Assessment (Feb 2013)	Some Improvement Needed	<p>The next review of the Disciplinary Policy should consider the specific points raised by the Auditor that may benefit from further clarification, and also respondents' desire to see a policy that is easier to read (e.g with case studies, training and FAQs. (M)</p> <p>HR should raise the level of management understanding of the Disciplinary Policy in specific areas (M)</p> <p>The next review of the Bullying Harassment and Discrimination policy and guidance to provide clearer illustrative guidelines to staff on unacceptable behaviour, supported by innovative and concise ways to explain unacceptable behaviours to staff e.g. posters, video clips on SNET. (M)</p> <p>Strengthen SCC's Whistle Blowing Policy to reflect the British Standards Institute provisions. (M)</p>	<p>FAQs and information on s-net are being revised to make the process even clearer. HR Relationship teams are supporting managers who are conducting investigations, and also working closely with colleagues in the training team to devise a follow up to the formal training around the practical application of what they have learned.</p> <p>Wording on s-net is being amended, with feedback from MyHelpdesk and HR Relationship teams who work with managers, to ensure more clarity on specific points raised around: Suspensions; investigations being conducted by line managers, and non-staff reps attending appeal hearings.</p> <p>The coalition review of Public Sector Equality Duty was completed on 6 September (including repeal of third party harassment). A series of conversations with CS&F concerning restorative principles and practice in employment have been held. A 'values based policy' approach being developed. In Qtr 3, HR will revise policy accordingly, and the 'changing behaviours, changing culture' workstream will feed into a rewrite of policy, with consultation held with the trade unions.</p> <p>Some small changes made and the whistle blowing policy on S:Net linked with guidance on protection for whistleblowers under the Public Interest Disclosure Act. The whistle blowing policy has been updated to reflect BSI provisions.</p>	<p>A</p> <p>A</p> <p>A</p> <p>G</p>

2

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Management Action Plan – Progress update

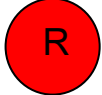



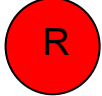


Annex B

Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
		HR to clarify in the next update of the Change Management policy, the best way to treat vacant posts to minimise redundancies, particularly where there is no immediate plan to recruit to these posts. (M)	HR relationship teams work with services to plan ahead to ensure that vacant posts are not recruited to and to offset against redundancies. Workforce planning helps managers to use posts differently so that resource available fits the needs of the service. Policy to be updated.	
Corporate Training Management (Feb 2013)	Some Improvement Needed	<p>Report slippages in implementation and expected savings to the COSC on a quarterly basis. (H)</p> <p>Adjustments made to the OPD team structure via the PVR should be authorised by the Directorate Leadership Team and changes to pay should be communicated promptly to Payroll (M)</p> <p>Compile a Training Plan using input from stakeholders, formally approve and regularly monitor. (H)</p> <p>Robust budget monitoring by budget holders trained to manage their budgets using the new financial forecasting dashboard (H)</p> <p>Monthly STARS reports should show statistics of training to staff internal and external to SCC with consideration of cancellation fees (M)</p>	<p>PVR activity formally closed down and further savings activity initiated as a new e-learning transfer project entitled STARS review</p> <p>Completed</p> <p>Ongoing. Specific focus at this stage is with main Health and Social Care Directorates, other areas will follow.</p> <p>New dashboard established and monitoring ongoing.</p> <p>STARS report currently being revised in order to provide more effective commercial Management Information to support further efficiencies.</p>	    

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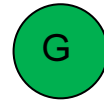
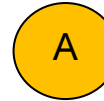


Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Transport for Education (Feb 2013)	Major Improvement Needed	<p>SEN staff should have clear written procedures to allow consistency (H)</p> <p>Requests should be completed in full on forms with mandatory fields and the facility to upload them to the Transport system (H)</p> <p>Senior Management should ensure that management information from the new system is fit for purpose (H)</p> <p>A service level agreement to reflect the required arrangements should be in place (M)</p> <p>The SEN officers should be present at the reviews. The written reviews from schools should be reviewed by SEN Officers to indicate approval of the reviews and the costs (H)</p> <p>The budgets need to be set from a zero base and managers should have the necessary information to monitor the budgets effectively (H)</p> <p>Up to date risk registers should acknowledge all of the risks and senior management should review them regularly to take mitigating actions. (M)</p>	<p>This has been delayed until February 2014 due to data cleansing which needs to be completed and is currently in progress.</p> <p>The original go-live date for the new system of Nov. 2013 has slipped to April 2014 due to delays in agreeing the Terms & Conditions of the contract.</p> <p>The above has delayed the production of request forms and management information to be used as part of the new system.</p> <p>The service level agreement signed (April 2013) by the Strategic Directors for CSF and E&I is in place.</p> <p>This is unlikely to happen due to resource constraints. Auditor to attend the December 2013 Area Education Officer meeting to agree an alternative arrangement.</p> <p>To be completed in line with the implementation of the new system.</p> <p>The risks associated with transport costs have been recognised in the risk registers and reviewed.</p>	<p></p> <p></p> <p></p> <p></p> <p></p> <p></p> <p></p>

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Management Action Plan – Progress update



Annex B

Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
		<p>Seek a complete set of assurances from all staff allocated to reconcile, agree or clear specific balance sheet codes each month by the specified deadline. (M)</p> <p>Consider what system changes can be made to reduce the likelihood that payments are made which are never matched to an existing charge to the Service. (M)</p>	<p>The certification of balances process continues as a quarterly activity and non-returns are chased. All balance sheet codes have now been risk assessed and high risk ones are reconciled monthly rather than quarterly by the General Ledger Team.</p> <p>A review of all non-SRM payment methods has been undertaken and extra checks are made by the Accounts Payable Team to ensure that payments have not been raised on the SRM system before alternative payment methods are utilised.</p>	<p></p> <p></p>
Follow up Review of Rental Income – Position Statement (Feb 2013)	Some Improvement Needed	<p>Preparatory work towards PAMS implementation in 2013/14 should continue. (M)</p> <p>The debt management process should be formalised via a service level agreement. (L)</p> <p>Reconciliation of rent deposits should be completed and reported quarterly from 2013/14. (M)</p> <p>The risk register should be updated and lodged on S:net. (M)</p>	<p>PAMS roll out is in progress since go-live on 2 April 2013 and expected to be completed by 31 March 2014.</p> <p>The formal service level agreement for debt management to be finalised once PAMS is fully operational.</p> <p>Monthly reconciliations of rent deposits are completed but will be reported from December 2013.</p> <p>Up to date service risk register is maintained on the S:net by the recently appointed Risk Management Officer.</p>	<p></p> <p></p> <p></p> <p></p>

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Management Action Plan – Progress update





Annex B

Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Residential Block Care Contracts (Mar 2013)	Some Improvement Needed	<p>ASC and other directorate stakeholders consider whether the present arrangements to oversee the contracts with Anchor and Care UK allow for the delivery of not just the contractual basics, but also enable clear strategic decisions to be made and additional benefits to be delivered to the residents of Surrey. (M)</p> <p>It is recommended that Adult Social Care implements a formal risk management process for these two contracts. (M)</p>	<p>ASC and other directorate stakeholders continue to work collaboratively to take a strategic view of the contracts. Officers from ASC, Procurement, Finance, Legal and Property Services have been working closely to identify opportunities and make recommendations with a view to securing further value from the contract and improve the quality of services delivered.</p> <p>Risk is addressed as part of the quarterly contract review meetings. SCC and Anchor Trust are currently finalising the format and content of a shared risk log to be jointly owned and reviewed at all future quarterly meetings.</p>	 

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Management Action Plan – Progress update






Annex B

Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Registration Service (Mar 2013)	Some Improvement Needed	<p>The Registration Service should consider developing an income strategy to include quantification of those benefits envisaged as part of the PVR. The strategy should also consider the review and setting of fees/charges and other income streams such as advertising. (M)</p> <p>Consider engaging with SCC's Communications Service to develop the Registration Service external web pages as a 'shop window' for fee-earning services. (M)</p> <p>The Registration Service should consider reviewing the net cost of centralisation prior to deciding on whether to move wedding and civil partnership ceremonies administration to Leatherhead. (M)</p> <p>Registration service to continue to engage with IMT with the aim of ensuring as a matter of urgency that customer-facing systems do not impact of service delivery. (M)</p>	<p>To maximise income, the risks regarding any potential down turn in ceremonies are offset by taking advantage of new income-generating opportunities and setting fees appropriately.</p> <p>Registration Services web pages are being refreshed as part of the corporate transformation of SCC's website, balancing the selling of services to the public and the amount of information that is provided about the statutory services.</p> <p>Ongoing costs have been avoided by transitioning gradually to the new arrangements. No staff have been required to move offices, and natural turnover used to ensure the right people are in the right place to deliver the desired customer experience.</p> <p>It has been decided the new Registrars booking system is not working as expected and therefore it will not go-live to the public. Silberbear/Evocos will no longer be the software supplier, but IMT are committed to developing replacement systems. A new appointment booking system is expected to go-live in February 2014. The new ceremony booking system is awaiting approval by the Technology Board</p>	<p></p> <p></p> <p></p> <p></p>

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Management Action Plan – Progress update

Annex B

Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
CRB Clearance (Mar 2013)	Some Improvement Needed	HR to use best means to ensure all services complete their returns by 1 April 2013. (M) HR to ensure that the Safer Recruiting Policy is clear about the circumstances for DBS checks the council can/will request. (M)	Complete System in place that agrees the post requirements for DBS checks with internal and external managers rather than individuals for position	 
Section 106 developer contributions and CIL (Mar 2013)	N/a	No recommendations made.	N/a	
Revenue Budgetary Control (Mar 2013)	Effective	No high or medium priority recommendations were made.	N/a	
Early Years Education Funding (Mar 2013)	Some Improvement Needed	Three medium priorities on updating information on record keeping, the introduction of the electronic claims system enabling more site visits and checks with released resources.	Partially complete. The electronic system has passed the Investment Panel initial review – Cataloguing of Technical requirements continuing earliest completion expected September 2014	

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Management Action Plan – Progress update







Annex B

Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Commercial Services (Mar 2013)	Major Improvement Needed	<p>New written Governance Arrangements must be produced, approved by the Education Select Committee and signed by both the Head of CS and Assistant Director for S&L. (H)</p> <p>The Head of CS should produce a concise annual strategy and business plan summarising the key priorities and objectives for the year. This must be agreed with the Assistant Director for S&L and presented to the Education Select Committee. (H)</p> <p>The Head of CS should produce a quarterly written update for the Assistant Director of S&L. This may be a one-page summary but should be in a consistent format so that changes in position may be easily identified. (H)</p>	<p>A new document detailing Governance Arrangements was produced and signed by relevant officers in June 2013. However, this has not yet been presented to the Education Select Committee.</p> <p>The Head of CS has started authoring this document but delays to finalising it have been caused by significant changes in legislation regarding free school meals. The document should be ready for 2014/15.</p> <p>The Head of CS provides verbal, non-written updates to the Assistant Director for S&L on a monthly basis.</p>	<p>A</p> <p>G</p> <p>A</p>
Making a Difference Programme (Mar 2013)	Effective	There were no recommendations from the review.	N/a	G

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(3) Red/Amber/Green (RAG) status is a high level assessment of progress

Management Action Plan – Progress update

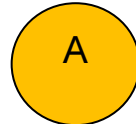
Annex B

Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Review of Payroll (Apr 2013)	Some Improvement Needed	<p>Non compliance of the existing leaver procedures and staff changes should be challenged by Payroll staff and reported to Heads of Service (M)</p> <p>Accounts Receivable (AR) Team should be provided with all supporting documentation for salary overpayments by Payroll when the request to raise an invoice is made (M)</p> <p>Heads of Service to be notified of the debts arising when salary overpayments remain uncollected so as to charge back to their budgets (M)</p> <p>Streamline recruitment processes to prevent processing of incorrect e-suite forms & incorporate the Rapid Improvement Event (RIE) outcome (M)</p> <p>Regular completion of the gross to net pay reconciliation.(M)</p> <p>Personnel files with signed e-suite forms should be readily accessible (M)</p>	<p>Monthly e mail reminder is sent to managers asking them to notify leavers. Employee Services Team is currently undertaking a full review of all forms and processes to streamline their operations.</p> <p>Adequate information is supplied by Payroll to AR Team to raise invoices and closely manage debts >50 days old including recovery through small claims court.</p> <p>Debts arising from salary overpayment that remain uncollected are written back to the original service budgets.</p> <p>New recruitment system went live on 15 October 2013 and the outcomes from the RIE are expected to be delivered.</p> <p>Regular reconciliation of the gross to net pay is carried out on a monthly basis and is up to date as at 30 September 2013.</p> <p>Overhaul of HR filing room and a full audit of missing files to be completed by 31 December 2013</p>	<p></p> <p></p> <p></p> <p></p> <p></p> <p></p>

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Management Action Plan – Progress update






Annex B

Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
ASC Transport (Apr 2013)	Some Improvement Needed	<p>Provide staff a checklist to ensure service users are using non-council funding and engaging available alternate sources of support (family community) prior to the council stepping in to provide transport. (M)</p> <p>Ensuring that the current review process being undertaken includes a consideration of transport options available. (M)</p> <p>Management should draft a “Provision of Transport” policy (M)</p> <p>A standardised system for recording transport costs on AIS should be instituted which facilitates management reporting and that allows comparisons to be made between cases. (M)</p> <p>An SLA similar to that being put in place with Children’s Services should be developed within ASC to guide practitioners accessing the service and to set standards expected of the service. (M)</p>	<p>A group was put together that looked at the requisite policy changes, amendments to procedure and documentation.</p> <p>The group was due to report back by 01/05/2013 with an agreed timeframe to address any outstanding issues. This was delayed due to the departure of the relevant Assistant Director.</p> <p>A procedure is currently being developed basing the new system around assessment of eligibility. The service is working with stakeholders to ensure the transition (with service users previously receiving a free service now being asked to pay) is smooth.</p>	

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Management Action Plan – Progress update






Annex B

Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Children and Families Care Leavers (Apr 2013)	Effective	No high priority recommendations	N/a	
Pension Fund Investments (Apr 2013)	Effective	No High or Medium priority recommendation made.	N/a	
Transfer Of Public Health (Apr 2013)	Effective	No recommendations arising	N/a	
Non Care Accounts Receivable (Apr 2013)	Effective.	N/A	N/a	
Pension Administration (Apr 2013)	Effective	No recommendations arising	N/a	


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Management Action Plan – Progress update

Annex B

Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
SAP Application Controls (Apr 2013)	Some Improvement Needed	<p>Access to the following should be secured/restricted as appropriate</p> <ul style="list-style-type: none"> Se38 and Sa38 transactions Zscs_crb_disc table Trainee Apprentice profiles (H) <p>Developer actions should be totally removed from the production (live) environment. (H)</p> <p>Activate table logging or adapt the change document process to cover master tables in SAP. (H)</p>	<p>Some users still have an operational need to use the Sa38 transaction. As a compensatory control the programs available to run have been limited. Access to Zscs_crb_disc table has been removed from roles not requiring.</p> <p>Apprentice profiles identified have been cleaned, although work is ongoing on ensuring recruiting teams identify apprentices as non standard staff. Developer access is now given as a time limited profile.</p> <p>The SAP technical team is still working with services to determine the impact of logging table activity</p>	 
Accounts Payable (May 2013)	Effective	Library interim account payable processes to be migrated into the central corporate Accounts Payable function (M)	A template has been setup to bring this activity into central AP. There are some difficulties in processing batches with more than 6 line items, although this currently the focus of an improvement exercise..	
Treasury Management (May 2013)	Effective	No high priority recommendations were made.	N/a	
Schools Financial Value Standard Process (May 2013)	Effective	One medium priority recommendation to share learning points from analysis of returns with Babcock 4S and schools. (This is the first year that all maintained schools had to make a submission)	Schools and Learning (Finance) have shared the results with Babcock 4S at the October Schools Budget meeting. The Senior Principal Accountant (Schools Funding) is going to share the analysis with schools in a forthcoming Schools Bulletin.	


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Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Capital Monitoring (May 2013)	Some Improvement Needed	<p>The Head of Property Services should prepare business cases for planned acquisitions that clearly identify specific economic development aims and service needs for these properties, which closely align with a planned investment strategy and a set of investment criteria agreed by Members.</p> <p>Consideration should also be given for the need for a special purpose vehicle (company, etc) to acquire any property assets purchased with an investment purposes. (H)</p>	<p>On 23 July Cabinet agreed an investment strategy for the Council as part of ensuring it maintains its financial resilience, protects its long term financial position and develops alternative sources of income that reduce its reliance on Government grants and Council tax increases. This set out a proposed governance framework including the establishment of an Investment Advisory Board to advise Cabinet on implementation of the investment strategy. It also approved the proposal to establish, subject to a full business case to be agreed at Cabinet, a Property Investment Company. These proposals are currently being developed and tested more fully.</p> <p>All planned acquisitions are subject to Cabinet approval, with each proposal clearly identifying the service needs/economic development benefits. Property Services is currently undertaking exercises that will better inform our understanding of future service need and how these align with the priorities identified in the Council's Strategic Asset Management Plan, which has now been published. Going forward in partnership with our Districts and Boroughs, Government Property Unit, NHS, and emergency services we will identify priority projects that both support economic growth and regeneration and transform public sector service delivery. The financial viability of such projects will always be a key consideration.</p>	

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Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Highways Contract Lot 3 – Highway Construction and Surface Works (May 2013)	Some Improvement Needed	<p>Management should continue to actively liaise with the contractor to ensure that programme slippage is minimised. (M)</p> <p>Management should continue to explore avenues available to minimise the costs associated with both general and hazardous waste materials. Consideration should also be given to the inclusion of a contingency sum within each scheme budget to cover the possibility that hazardous material will be encountered. (M)</p> <p>Management should remind staff of the need to scrutinise rates used in applications for payment to ensure that they are correct. The contractor should also be required to check the rates held on their systems and to confirm that they are in accordance with the agreed 'Schedule of Rates'. (H)</p>	<p>Management are continuing to liaise with the contractor on the subject of waste materials with a view to minimise the potential impacts.</p> <p>Rates have been reviewed and agreed.</p>	

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Report Date	Audit	Last Follow/up	Latest position	RAG
Aug 12	Waste Contract Management	Two Amber rated actions reported to A&G Committee in June 2013: <ul style="list-style-type: none"> Need to resolve long term issues as part of contract variation negotiations ECO Park Deed of variation had not been signed 	The long term issues that needed to be resolved could not be completed until the Eco Park Deed of Variation was signed. Having signed this on 30 Oct. 2013, SCC is expected to commence discussions with SITA during the w/c 11 Nov. This will result in SCC making historical adjustments to contract payments to SITA for which provisions have already been made. The Eco Park Deed of Variation was signed on 30 Oct. 2013.	G
Aug 12	Data Quality - LAC Health and Dental checks	One Amber rated action (related to the delay in reviewing issues related to this indicator) reported to A&G Committee in June 2013	Guildford & Waverley Clinical Commissioning Group leading a review on Children's health, and working with Children's Service commissioning team to assess issues related to statutory health and dental checks for Looked After Children.	G
Aug 12	Integrated Children's System	Reported as Green to A&G Committee in June 2013		G
Aug 12	16-19 Education	Reported as Green to A&G Committee in June 2013		G
Sep-12	Telecare Project Management	Reported as Green to A&G Committee in June 2013.		G
Sep-12	Residential Care Homes - Managing Residents' Monies	Reported as Green to A&G Committee in June 2013		G
Sep-12	Recruitment Procedures	Reported as Green to A&G Committee in June 2013		G
Sep-12	Special Residential Schools - Teachers' additional payments	Reported as Green to A&G Committee in June 2013		G

Oct-12	Local Safeguarding Children Board	<p>Two Amber rated actions reported to A&G Committee in June 2013:</p> <ul style="list-style-type: none"> Final structure of Board not finalised although temporary Board membership has been established Lay membership has not been established. 	<p>A new structure and membership of the Board has been agreed and implemented.</p> <p>There are not currently any lay members on the Board. Discussions are ongoing as to the resolution of this question.</p>	A
Oct-12	Overtime	<p>Three Amber rated actions reported to A&G Committee in June 2013:</p> <ul style="list-style-type: none"> The Finance Dashboard had not yet been implemented. Reporting tools could not be developed until implementation of the Dashboard Revitalised recruitment campaign to address level of reliance on agency staffing in Child Protection 	<p>Roll out was completed on 5th August. Finance continue to support budget holders in understanding and improving the use of their new Dashboard in order to deliver on their budget monitoring responsibilities and inform decision making.</p> <p>To reduce the reliance on agency staff, SCC will be:</p> <ul style="list-style-type: none"> training newly qualified social workers to work in front line teams, including CP in its new academy; reviewing the offer made to CP social workers to now include a relocation allowance; encouraging locums to transfer to a permanent post 9 permanent staff procured through agencies for CP teams; and recruitment staff spending more time in the area offices and paying particular attention to the CP teams. 	G

Oct-12	Performance Management - Data Quality	<p>Two Amber rated actions reported to A&G Committee in June 2013:</p> <ul style="list-style-type: none"> • Need to consider creating separate performance indicators for web hits, emails and phone calls • Delay in reviewing issues relating to the LAC Health and Dental check indicator 	<p>It has been confirmed that the cost of web visits and the combined costs of calls and e mails are monitored and a single KPI is reported at present.</p> <p>Guildford & Waverley Clinical Commissioning Group leading a review on Children's health, and working with Children's Service commissioning team to assess issues related to statutory health and dental checks for Looked After Children.</p>	A
				G
Oct-12	Review of Concessionary Fares	<p>Two Amber rated actions reported to A&G Committee in June 2013:</p> <ul style="list-style-type: none"> • Quarterly review meetings have been arranged to liaise with Library staff and finalise the Memorandum of Understanding • 50% of data still to be reviewed and updated to improve data integrity 	<p>Although quarterly review meetings have been taking place, the Memorandum of Understanding has not been finalised due to retirement of the responsible manager. To be followed up with the current post holder.</p> <p>More than 50% data on the system is correct. However, all the data inherited from the districts and boroughs is unlikely to be cleansed until the full renewal cycle of 5 years is completed from April 2011.</p>	A
Nov-12	Review of Social Media	<p>One Amber rated action (related to the need to develop and implement a policy covering use of Social Media) reported to A&G Committee in June 2013.</p>	<p>The policy covering use of social media is undergoing final corporate branding and should be published by the 8 November 2013. The policy is to be supported by additional toolkits that are to follow.</p>	A

Nov-12	Materials Testing Laboratory	<p>Two Amber rated actions reported to A&G Committee in June 2013:</p> <ul style="list-style-type: none"> • Need to enhance information contained within the ETCi system • 50% of data still to be reviewed and updated to improve data integrity 	ETCi has been updated so that work carried out can be classified more easily and the remaining data reviewed.	G
Nov-12	Follow-up review of Direct Payments Audit	In June 2013 Audit and Governance Committee were advised that the Follow-up audit of Direct Payments had not identified any new recommendations although it was apparent that audit recommendations from the original audit were still outstanding.	A further follow-up audit has identified that the Council is still not fully compliant with its own policy to give all care users at least an annual Social Care Review (SCR), although the position at Surrey compared to other councils nationally is improving in terms of the percentage of cases reviewed. There are still gaps in the review of reconciliations provided by DP users. It has been recommended that the Adult Select Committee receive a regular report on the numbers of SCR performed annually.	A
Nov-12	LASER Contract Governance	<p>Two Amber rated actions reported to A&G Committee in June 2013:</p> <ul style="list-style-type: none"> • Repayment of over-charged management fee still awaited • Appropriate members have not yet had an opportunity to challenge LASER management on the service they provide. 	<p>Management fees have been refunded to the value of £110,958.15 out of the total £115,781.13. The refunds were issued in the form of credits. £4,822.98 is still unclaimed for 17 schools.</p> <p>LASER Representatives attended a meeting of the COSC Performance and Finance Sub-Group on 30 September 2013 and members of the Sub-Group have been invited to a meeting of LASER members on 22 November.</p>	G
Nov-12	Unofficial School Funds	Reported as Green to A&G Committee in June 2013		G
Nov-12	Corporate Purchasing Cards	Reported as Green to A&G Committee in June 2013		G

Dec 12	Capital Programme Management - Schools Basic Need (SBN)	One Amber rated action (related to the need to confirm the anticipated savings can be delivered through the Cluster programme Office) reported to A&G Committee in June 2013	In April 2013 a presentation of the current forecasting and delivery model was made to Cabinet/CLT, at which time we confirmed that we were operating within the MTFP 2013-18 budget envelope. Forecasts have been reviewed for the third time since April and budgets remain within the overall programme budget.	G
Dec 12	Records Management	Reported as Green to A&G Committee in June 2013		G
Dec 12	Superfast Broadband	<p>Four Amber rated actions reported to A&G Committee in June 2013:</p> <ul style="list-style-type: none"> • Clarity required over prioritising service delivery in areas with particular social and economic need • "Infill" Strategy to be available for review in June 2013 • A project evaluation methodology to allow a clearer assessment of VFM was being developed. 	<p>As the project aims to achieve 100% coverage within 12 months, the current deployment plan should achieve this objective.</p> <p>The estimated 1200 premises 'infill premises' are to be identified as deployment progresses. There is no strong evidence this number is inaccurate, although their exact location is not yet clear.</p> <p>An auditable claims process can check spend and there is robust budget monitoring. Take up analysis is underway and this impacts upon overall cost by a gain-share mechanism. A fuller economic impact assessment is likely within 18 months.</p>	<p>A</p> <p>A</p> <p>A</p>
Dec 12	Special Schools - Funding of Residential Provision	<p>Three Amber rated actions reported to A&G Committee in June 2013:</p> <ul style="list-style-type: none"> • New arrangements for funding residential places to be agreed with Special Schools Head teachers • Need to bring funding more in line with what is actually provided • Parameters for a review of 	<p>New funding arrangements have been agreed with Headteachers based on actual, rather than planned, use of residential provision.</p> <p>A consultant has been engaged to undertake the review of residential provision in Surrey's special schools. Recommendations are expected to be made by April 2014, with implementation of new arrangement for the 2015/16 financial year.</p>	A

		Special Educational Needs residential provision have been agreed.		
Dec 12	Illuminated Street Furniture (ISF) contract	Reported as Green to A&G Committee in June 2013		G
Dec 12	Asset Management ICT	Reported as Green to A&G Committee in June 2013		G
Jan-13	TravelSMART Programme	One Amber rated action (related to the need to measure and confirm the value of Work in Progress) reported to A&G Committee in June 2013	TravelSMART is receiving monthly updates on work progression from two sources, May Gurney and the local project team. Accruals are being raised based on the percentage of works completed.	G
Jan-13	Building Maintenance	Two Amber rated actions reported to A&G Committee in June 2013: <ul style="list-style-type: none"> • Need to improve budget setting • Need to have completed the schedule of condition surveys 	Schedule of condition surveys completed now and improvements made in budget setting.	G



AUDIT & GOVERNANCE COMMITTEE
2 December 2013

**Half-year summary of Internal Audit irregularity
investigations and anti fraud measures
April – September 2013**

SUMMARY AND PURPOSE

1. The purpose of this report is to inform members of the Audit and Governance Committee about irregularity investigations and anti-fraud measures undertaken by Internal Audit in the first half of this financial year from 1 April to 30 September 2013.
2. Audit reports following irregularity investigations typically help to provide independent evidence to support a management case against an employee under formal disciplinary procedures, or to help tighten control in areas where weaknesses are identified. Irregularity audit reports are not subject to the same distribution as general audit reports due to their confidential nature. This arrangement is formalised within the Reporting and Escalation Policy, agreed by this committee.
3. Due to the confidential aspects of such investigations, and given that some are ongoing in terms of investigation and/or forthcoming disciplinary hearings, this work is reported in a summarised and thematic fashion to committee rather than on a detailed case-by-case basis.

RECOMMENDATIONS

4. The committee is asked to note the contents of this report.

BACKGROUND

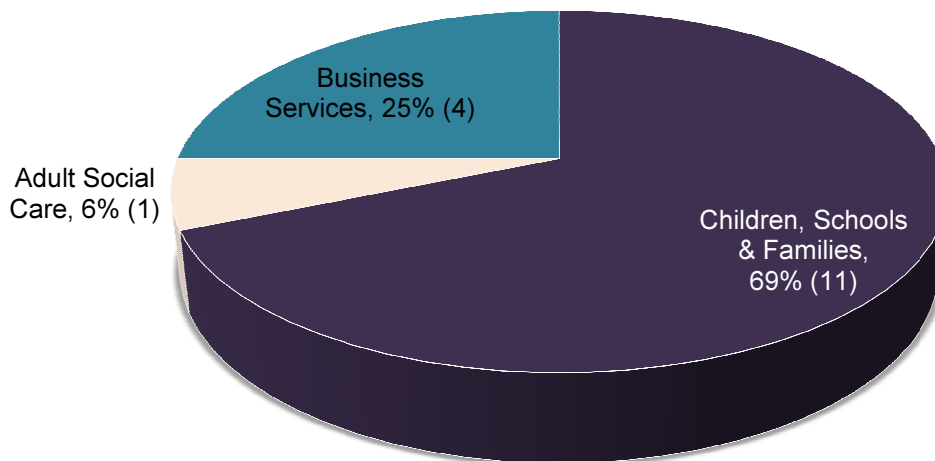
5. The council's Financial Regulations require all matters involving, or thought to involve, corruption or financial irregularity in the exercise of the functions of Surrey County Council to be notified to the Chief Internal Auditor. Internal Audit will in turn pursue such investigations as appropriate. To allow for an adequate resource to investigate alleged fraud and financial irregularity the annual Internal Audit Plan for 2013/14 carries within it a contingency budget for 'Irregularity and Special Investigation Work' of 345 days.
6. This contingency covers work to investigate 'irregularities' (actual or alleged financial impropriety, corruption, and other similar matters) as well as time for Fraud Prevention work, assisting with the Audit Commission's National Fraud Initiative (NFI), reviewing the national Fighting Fraud Locally strategy and using data analytics to test for specific fraud scenarios. This proactive work is considered in more detail in paragraph 27.

7. Special ad hoc reviews are also charged against this contingency if commissioned in-year by members or senior managers and not originally in the agreed annual plan. Examples of such reviews in the first half of 2013/14 include an investigation into the purchase of land by the council; scrutiny of the TUPE transfer arrangements of council maintained school staff to academies; and analysis of external publicity communications expenditure. While often linked to concerns raised by management these reviews may also arise during the course of planned audit work.
8. In the six months since April 2013, 16 investigations commenced excluding ad hoc special reviews. Four of these cases arose due to whistle blowing allegations; 11 were brought to the attention of Internal Audit by management; and one arose as a result of a data match from the NFI exercise.
9. Of the 16 investigations undertaken, six cases have been investigated as possible fraud or theft; three concerned breaches of the Code of Conduct; three involved non-compliance with Procurement Standing Orders; and four were cases of poor control.
10. These 16 investigations are shown diagrammatically in Figures 1 and 2 (below) to identify the Directorates in which the review fell and the broad type of investigation undertaken. Numbers of investigations in each area are shown in parenthesis. A total of 51 days has been used to investigate these cases since April 2013.

SUMMARY OF IRREGULARITIES BETWEEN APRIL AND SEPTEMBER 2013

11. Figure 1 illustrates the proportion of all recorded irregularities across the different Directorates of Surrey County Council.

Figure 1: Summary of investigated irregularities by Directorate, April - September 2013



12. The distribution of investigations across the various Directorates is broadly in line with expectations. The higher proportion of investigations in front-line services reflects the fact that these services typically have more risks associated with access to cash and assets over numerous sites than back-office departments.

13. Figure 2 shows by broad categorisation how the 16 cases of irregularity are defined by typology. In some cases more than one type of irregularity might have been alleged or investigated within one case (for example, both breaching the Council's Procurement Standing Orders and theft of Council assets). Figure 2 therefore shows the primary reason for investigation and more detail is provided on specific cases later in this report.

Figure 2: Summary of irregularities by typology, April - September 2013

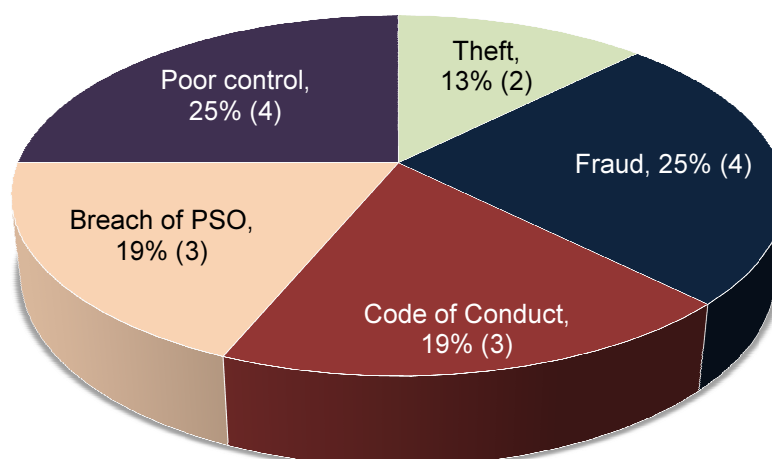


Table 1: Definitions of typologies defining the irregularities investigated 2013/14 to date

Type	Definition
Theft	The theft of assets (most frequently cash) from council property or from clients under the council's care.
Fraud	Attempts to obtain money by deception, including submission of incorrect travel allowance claims and/or through false accounting.
Code of Conduct	Failure (or alleged failure) to comply with council policies (Code of Conduct, Procurement Standing Orders etc) in respect of declaration of a second employment, pecuniary interests, completing contractual obligations or managerial responsibilities, or declaring appropriately possible material conflicts of interest.
Breach of PSOs	Failure by staff or contractors to comply with the Council's Procurement Standing Orders.
Poor Control	Examples where local or corporate arrangements fail to stop inappropriate payments being made or fail to ensure compliance with council policy.

14. To give a better indication of the type of work conducted by Internal Audit in the first half of the financial year the following paragraphs summarise examples of specific investigations (appropriately anonymised). Internal Audit work in this area not only protects the Council's assets and reputation; it acts as a visible deterrent in preventing other irregular activity across the organisation.

Theft

Misappropriation of funds from a school shop

15. The implementation of a new till system in a school shop revealed discrepancies between shop takings and income banked. It was apparent that this shortfall in banking was in excess of £30k and had been going on for some time. The school bursar contacted Internal Audit for advice.
16. Following review of the records, which included fake invoices, Internal Audit concluded that, given the criminal nature of the case, referral to the police was the most appropriate course of action. While there has been no further involvement from Internal Audit an update from the school is being obtained.

Fraud

Whistle blowing about a Business Manager

17. Another example highlighting the role of the police in investigating criminal activities is the case of a school Business Manager whose misconduct was identified after a newly appointed Headteacher reviewed financial processes. Concerns raised included misuse of the school purchasing card, falsified overtime claims, and possible bid-rigging with a building contractor.
18. The initial investigation was temporarily ceased in December 2012 after sufficient evidence was found to refer the case to Surrey Police. In July 2013, however, the internal investigation recommenced alongside the criminal proceedings. Internal Audit contributed to the disciplinary case, which culminated in the dismissal of the Business Manager on the grounds of gross misconduct. Criminal hearings are still pending and a court case is scheduled for December.

Code of Conduct

Officer role as a company director

19. NFI reports revealed a matching address for an officer and a company in receipt of payments from the council. Internal Audit determined that the officer and his partner were directors of the company from which the council had purchased in excess of £70k of services. Despite this, the officer failed to declare any pecuniary interest. On one occasion where the company's services were procured, the officer was placed in the position of direct line manager of his partner, in breach of the Code of Conduct.
20. In addition, the officer secured new employment with another council while on sick leave from Surrey County Council before failing to serve his notice period. As a result of this investigation, the officer's leaving date was brought forward, the final month's salary recalled, and a note placed on file indicating that disciplinary action would have commenced had he remained in the council's employment.

Breach of Procurement Standing Orders

Payments for cleaning services

21. Internal Audit was asked to comment on the propriety of purchasing services from an employee-owned cleaning company. Operating as a sole trader, an informal arrangement with management enabled contracting of small cleaning jobs without any formal tender. Over the course of several years, however, the cumulative payments to the company approached £500k, the value at which Cabinet approval is required.

22. This case demonstrates how the lack of any strategic overview created a situation in which senior managers commissioning cleaning services were inadvertently in breach of the council's Procurement Standing Orders. Internal Audit has requested the vendor is blocked and an appropriate market tender undertaken for these services.

Poor control

Use of staff personal money for client care services

23. Internal Audit investigated an instance of officers in Children's Services using their own personal money to pay for clients' care services and then claiming reimbursement. While there was no indication that this practice was widespread, there was evidence of expenses being reimbursed through direct billing to vendor accounts.
24. Guidance offered multiple alternative routes by which staff may reclaim expenses and there was no explanation for this divergence from normal practice. These local arrangements created an unprofessional relationship between officers and clients and Internal Audit recommended that the service use only agreed methods for reimbursement of expenses.

Direct receipt of sales income by an officer

25. A manager at a youth centre requested the assistance of Internal Audit following the discovery of paperwork that suggested income from DVD sales had been paid directly to a Youth Worker. The DVDs were recordings of stage productions by the youth centre, made available for sale to participants and their parents.
26. The Youth Worker confirmed that all income relating to these sales was made payable directly to her, including by cheque. It appeared, however, that the Youth Worker had acted under the instruction of former management. Although there were no complete records of the total income, there was insufficient evidence to suggest fraudulent behaviour. Internal Audit concluded that poor judgement by former management had created this unusual scenario but a subsequent change in management and cessation of production filming eliminated the risk of this reoccurring.

PROACTIVE FRAUD PREVENTION AND AWARENESS WORK

27. Internal Audit has made continued progress in embedding an anti-fraud culture within the organisation through specific proactive fraud prevention and awareness work.

National Fraud Initiative

28. In July 2013, the Government announced its intention to transfer responsibility for NFI to the Cabinet Office in 2015 following the closure of the Audit Commission.
29. The biennial NFI exercise matches key data sets such as payroll and pensions, vendors, and care data across the public sector to identify fraud and error. The data is matched with records including other public sector payrolls, housing, immigration, and deceased person records.

30. A total of 17,600 data matches were identified at Surrey County Council, detailed across 35 reports of which Internal Audit has completely reviewed 27 to date. Previous NFI exercises have identified illegal workers, duplicate payments and pensions still in payment after death. Findings in the current exercise have been limited but this provides assurance that the processes and procedures in place are minimising losses through fraud and error. Findings include:
- No issues of fraud or error for Care or Insurance data;
 - An overpayment of £250 in respect of a deceased pensioner;
 - Two duplicate payments to vendors totalling £2,000; and
 - Secondary employment of one officer contributing to resignation.

Fighting Fraud Locally

31. The National Fraud Authority launched the Local Government Strategy “Fighting Fraud Locally” in April 2012. A report to this committee in October 2012 recognised a number of key components already in place to support an effective counter fraud culture but also identified several areas for improvement.
32. Work has been undertaken to address these areas for improvement, which includes:
- Updating the Strategy Against Fraud and Corruption, approved by Cabinet in February 2013;
 - Refreshing the Fraud Awareness e-learning package and publicising the new strategy and e-learning on S-net and posters from May to July. While there was a measured increase in the number of views of the associated web pages, only 39 new individuals completed the e-learning. Consideration is currently being given to ways to improve this take-up.
 - Incorporating an assessment of the council’s fraud and corruption risks during preparation of the Internal Audit Plan 2013/14. This includes an allocation of days for anti-fraud and data interrogation, detailed further in paragraph 33; and
 - Working with Human Resources and Organisation Development to review the ‘fraud-proofing’ of policies, ability to risk assess the level of recruitment vetting required, and assessment of the whistle blowing policy against the BSI Code of Practice.

Data interrogation

33. While still in development, the anti-fraud data interrogation technique is based on a fraud scenario model. Systems are reviewed and unusual activities analysed for traits or patterns of behaviour consistent with a fraud scenario. Examples of some of the tests undertaken since April 2013 are detailed below.

Changes to own records by payroll officers

34. Management in Payroll identified a ‘test’ additional payment made to a payroll officer’s pay. Internal Audit determined that the level of SAP access required by payroll officers was such that amendments were possible without any separation of duties. Consequently payroll officers were able to amend their own payroll records. Internal Audit tested all adjustments to pay for payroll staff to ensure no other transactions had been processed and management are currently addressing SAP access levels.

Uplift of net pay using gross pay deductions

35. Internal Audit discovered that a feature in SAP that allows one-off deductions to pay may be manipulated so that, rather than gross pay being reduced, it is actually inflated. This is due to an automatic calculation used by SAP. This potential fraud scenario is currently under further investigation.

Assumed vendor fraud

36. The history of a vendor may indicate fraudulent activity. For example, a vendor that has been dormant and which suddenly has a change of bank details followed by payment of numerous low value invoices may indicate fraud. This fraud would be due to an employee amending the details of the vendor and diverting payments to an account under their control. Analysis identified three vendors with these traits but ultimately there was no evidence of assumed vendor fraud.

Single Person Discount

37. The Audit Commission estimates 4% of Single Person Discount (SPD) claims for council tax are fraudulent, representing a potential loss of income of £3m to Surrey County Council. In light of the fact that borough and district councils, responsible for the billing and collection of council tax, retain on average only 10% of the council tax collected (76% going to the county, 14% to the police), these councils have only limited incentive to invest in recovery of fraudulent SPD claims.
38. The Investment Panel approved an 'invest to save' project in December 2012 and, following a procurement exercise, a contract was signed with Capita in August 2013 on a payment by results basis.
39. Internal Audit is acting as a contract manager for the exercise, which is already underway. Data has been matched for all authorities and letters are being sent to claimants where results suggest they may not be sole occupants. The outcome from the exercise will be reported in the annual report to committee.

IMPLICATIONS

Financial and value for money

40. Public money is safeguarded through Internal Audit investigation of fraud and irregularities, ensuring that perpetrators are appropriately dealt with and recommendations to improve internal control made where necessary.

Equalities

41. There are no known equalities implications in this report.

Risk management

42. Combating fraud will contribute to better internal control and value for money.

WHAT HAPPENS NEXT

43. No specific action is required.

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Sources/background papers: Final irregularity reports, Committee reports, Galileo database

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AUDIT & GOVERNANCE COMMITTEE
2 December 2013

Completed Internal Audit Reports

SUMMARY AND PURPOSE:

The purpose of this report is to inform Members of the Internal Audit reports that have been completed since the last meeting of this Committee in September 2013 - as attached at Annex A.

Although it is not the Committee's policy to review all Internal Audit reports in detail during the meeting, full copies of the reports summarised have been provided to Members of the Committee and are available through the Members' on-line library.

RECOMMENDATIONS:

The Committee is asked to consider whether there are any audit reports or management action plans that it would like to review further and whether there are any matters they wish to refer to the relevant Select Committee.

BACKGROUND:

- 1 At the conclusion of each audit review a report is issued to the responsible manager who is asked to complete an action plan responding to the recommendations.
- 2 The return of a management action plan (MAP), which in the auditor's opinion adequately addresses the report findings and recommendations, signals the end of the audit process. Any follow up work required forms part of future audit plans at the appropriate time.
- 3 There have been 15 audit reports issued since the last report to this Committee in September 2013. The table below lists those audits and shows the audit opinion and number of high priority recommendations included in the Management Action Plan.

	Audit	Opinion	Number of recommendations rated as High Priority
1	Community Enhancement Fund	Some Improvement Needed	0
2	Information Governance in Schools	Some Improvement Needed	0
3	European Grant Funding	n/a	0
4	Energy Management	Some Improvement Needed	1
5	Purchasing Cards - Follow-up audit	Effective	0

6	Insurance	Some Improvement Needed	0
7	Direct Payments - Follow-up audit	Some Improvement Needed	2
8	Streetworks Function	Some Improvement Needed	3
9	Data Centre	Some Improvement Needed	1
10	ASC Safeguarding Assurance Process	Some Improvement Needed	2
11	Children in Care - Health and Dental Checks	Major Improvement Needed	2
12	School Purchasing Cards	Some Improvement Needed	0
13	Libraries Global Transport Van Service	n/a	0
14	Blue Badges	Effective	0
15	Social Care Debt – Credit Balances	Major Improvement Needed	2

- 4 Annex A contains more details of the audits listed above and shows for each the:
- title of the audit
 - background to the review
 - key findings
 - overall audit opinion
 - key recommendations for improvement
- 5 The Committee will be aware that in order to respond to general Member interest in Internal Audit reports it has previously been agreed that a list of completed reports will be circulated to all Members of the County Council on a periodic basis.
- 6 In order to fully discharge its duties in relation to governance the Committee is asked to review the attached list of recently completed Internal Audit reports and determine whether there are any matters that it would like to review further or if it would like to suggest another Select Committee does so.

SELECT COMMITTEE REVIEW:

- 7 The last Completed Audit Reports item was presented at a meeting of the Council Overview and Scrutiny Committee Performance and Finance Sub-Group on 4 November 2013. This report to the Sub-Group included audits 1-9 in the above table.

IMPLICATIONS:

- 8 Financial
Equalities
Risk management and value for money
- 9 There are no direct implications (relating to finance, equalities, risk management or value for money) arising from this report. Any such matters highlighted as part of the audit work referred to in this report, would be progressed through the agreed Internal Audit Reporting and Escalation Policy

WHAT HAPPENS NEXT:

- 10 See recommendations above.

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Sources/background papers: Final audit reports and agreed management action plans

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Completed Audit Reports (August – October 2013)

Annex A

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Community Enhancement Fund	<p>The Community Enhancement Fund (formerly Community Pride) was established in 2010 with the aim of providing members with funding to undertake "projects in their local area to improve the street scene and make a visible difference to the lives of the people they represent".</p>	<p>The amount available through the CEF has been set at £5,000 per member giving a budget for 2013/14 of £405,000. This funding is routed to members via the 11 Local Committees' (LCs). The outturn for 2012/13 showed a total spend of £530,291 against the available sum of £557,093 and there was a fairly even split between over, under and balanced spending LCs when viewed in total.</p> <p>In an effort to maximise the impact of this funding it was agreed by LC chairmen that any uncommitted amounts as at 31st October 2012 would be transferred to the control of the local maintenance engineer who would identify and programme in suitable works to be completed before the end of the financial year. Whilst this audit found the spend to be in line with the stated aims of the CEF, the auditor was concerned over the reporting arrangements which varied widely from LC to LC with very little information being provided in public meetings as to where money was being spent</p>	Some Improvement Needed	<p>It is acknowledged that the sums involved are not material in the overall picture of LC and SCC managed expenditure. Nevertheless, as public funds are involved and are being managed by the elected members for the benefit of their constituents it is recommended that LCs adopt a more open approach to the reporting of information relating to the use of the CEF by provision of regular reports to their meetings. As a minimum this should include:</p> <ul style="list-style-type: none"> • brief description of the scheme being funded; • amount of contribution; • funding member, and • overall cost of the scheme. <p>(M)</p> <p>Management should continue to monitor spend of CEF in order to ensure that it is directed in the most beneficial way and in line with the original aims for the fund. (M)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Information Governance in schools	<p>Surrey maintained schools are subject to the requirements of the Data Protection Act 1998. Informal research with school business managers in autumn 2012 indicated that the eight principles that underpin the Act may not be consistently complied with across the county. A recent failure to adhere to the Act at a Surrey school has been reported to the Information Commissioner. The outcome of this was not known at the time of the audit</p>	<p>The majority of schools had a data protection policy and other associated documents; examples included Acceptable Use/Code of Conduct policies; Data Privacy Notices; Consent Forms for pupils' use of IT equipment and other local system forms. However there was a lack of consistency across the schools sampled.</p> <p>Generally the schools appeared to be following the principles of the Data Protection Act. Though to a greater or lesser extent there were operational practices noted that showed that security of information was a risk.</p> <p>Feedback from the schools on the audit visits was generally positive and the recommendations made by the auditor were seen as helpful.</p>	Some Improvement needed	<p>The recommendations related to providing more information and guidance from the centre (M).</p> <p>It was noted that a series of seminars have been provided for schools highlighting security of information since the review was completed (the auditor attended one that was fully subscribed)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
European Grant Funding	<p>The 2013/14 Internal Audit annual plan included a review based upon an question posed by the Cabinet Member for Transport, Highways & Environment, who enquired about the level of European Grant funding received by Surrey County Council ('the council') relative to local authority neighbours in the south-east. His concern, based upon discussions with his political peers in these authorities, was that the council may be in receipt of less income through this revenue stream than it could be. A project board was established to review the position, which included Internal Audit and member representation.</p>	<p>Key findings of the review were:</p> <ul style="list-style-type: none"> • The Council should take a pragmatic approach to being part of the EU in order to maximise funding opportunities; • The Council should bid for EU funds with the same enthusiasm and professionalism as for trading or commercial bidding; • Directorates and members of the Council need to be better aware of opportunities for EU monies being available; • The Council needs to have proper understanding of the requirements and criteria for EU funding in order to establish proper governance arrangements; and • The European Affairs function should sit in a department of influence as close to the corporate centre as possible to offer a genuinely cross-Council service. 	<p>Not Applicable</p> <p>This review formed a position statement following the completion of Project Board work</p>	<p>Subject to further discussion and approval with members and senior officers, the fundamental recommendations emerging from the review were:</p> <ul style="list-style-type: none"> • To endorse the work of the European Affairs Manager to date, the programme of work thus far, and recognise the historical funding secured to date; • To recommend that the Council does more of the same, which carries resourcing implications; • To recommend that the Council develops a transparent process to enable this to be implemented; and • To recommend that the Council makes its EU-related activity more visible <p>A pilot stage to develop these recommendations further was agreed with the Cabinet Member on 16 July 2013.</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Energy Management	<p>The Authority spent £6.32m and £4.55m on electricity and gas respectively in 2012/13, mainly via a contract with LASER, a regional local authority energy purchasing consortium. These arrangements aim to secure substantial savings through aggregated and advance purchasing of energy.</p> <p>The Authority aims to reduce its carbon footprint from energy substantially over the next few years and has been investing in energy efficiency schemes. In 2012/13, capital energy saving investment was £6.05m, of which £3.52m was on schools</p>	<p>Several of Surrey's environmental targets linked to energy are not being achieved. The data used to monitor the achievement of some targets may also need reviewing to ensure that it is fully representative.</p> <p>Comparisons of energy consumption and the cost at building level have now commenced, although there is insufficient information to compare some types of buildings.</p> <p>The build up of energy invoices is complex and errors are not unknown. The prices charged are checked by LASER but not SCC.</p> <p>Lighting energy efficiency schemes are costing more than anticipated due to the poor condition of many fixtures. Also, where asbestos is found during the scheme, this impacts upon the budget for energy investment. Electrical Engineer resources, although recently increased, have not yet resulted in consistent evaluation of completed projects.</p> <p>The completion of the Carbon Reduction Commitment return and the Authority's annual report on Green House Gas emissions are technically complex, burdensome and required to tight deadlines, both around the end of July each year.</p>	Some Improvement Needed	<p>To discuss and agree with members a revised set of carbon omission and energy reduction targets. Staff may also need to revisit the basis of monitoring these targets. (H)</p> <p>The Procurement and EMT should continue to develop energy benchmarking data, for building managers and budget holders, along with some interpretation to help better management of energy expenditure. (M)</p> <p>The Energy Management Team should undertake an annual exercise to test check a small sample of LASER invoices. (M)</p> <p>The EMT should prepare payback on investment KPIs for all of its energy efficiency lighting schemes in the last three years to assess whether expected payback periods are reasonable, the impact of asbestos and the right types of investment are being considered. (M)</p> <p>The Energy Manager should project plan the completion of all CRC submission tasks and work for the Green House Gases report 2013/14, in detail for the 2014 deadlines. (M).</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Purchasing Cards (follow up)	A previous audit report issued in November 2012 gave an audit opinion of Major Improvement needed and made a number of recommendations on the use and approval of purchasing cards. A new set of Rules and Guidance for the use of purchasing cards at Surrey County Council became live at the beginning of April 2013. The main improvement was the need for line managers/budget holders to approve any expenditure each month by completing a review and entering the approval on the payment system rather than signing the printed statement as before.	<p>The revised system still enables cardholders to make purchases on their own volition, but now all purchases must be approved by a line manager or equivalent who has to endorse the purchase on the First Data system before further administrative requirements are completed centrally.</p> <p>The centrally based Compliance Team in Shared Services sends reminders to ensure entries on the system are up to date and complete. The Team will monitor a month's expenditure (two months post expenditure) and contact individuals where there is a need for further explanation. Examples of recorded challenges provided assurance that inappropriate expenditure should be noted and challenged.</p> <p>The Team has a strong escalation policy and can suspend cards if there are breaches of the rules including where managers fail to complete their monitoring.</p>	Effective	Procurement management to ensure revised Procurement Standing Orders emphasise Purchasing Card Rules and Guidance (M) .

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Insurance	<p>Insurance is a key risk management tool for most organisations. SCC self insures against claims up a £1.2m cumulative. SCC then relies on commercial insurance cover against potentially larger losses on public and employers' liability and property risks.</p> <p>Around 90% of the insurance claims made against the Authority are highways-related. The highways budget for such claims in 2013/14 is £785k.</p>	<p>Processes for ensuring that conditions of insurance are being met need enhancing.</p> <p>Some intranet pages relating to insurance are now unavailable.</p> <p>Although there are some indications of strong performance by the Insurance function on claims handling, there are relatively few key performance indicators measures formally in place.</p> <p>Risks leading to Highways compensation claims are being identified but it is unclear what corrective action is taken on these issues by way of response. May Gurney have been implementing some changes in road maintenance practice ahead of policy changes, with additional potential liability for the contractor.</p> <p>Service Risk registers often do not fully record risks that are or could be managed via insurance.</p>	Some Improvement Needed	<p>Consider what confirmations of compliance with conditions of insurance should be obtained each year. (M)</p> <p>Develop enhanced web pages on the SNET and the SCC external website that provide explanatory and support materials on SCC's insurance arrangements and its use as a risk management tool. (M)</p> <p>Highways issues resulting in additional compensation claims should be used to enhance the Highways Risk Register and to identify the responses required. (M)</p> <p>All claims resulting from May Gurney implementing changes to SCC Policy ahead of schedule to be passed to May Gurney for prompt settlement. (M)</p> <p>The Insurance Team should work with the Risk and Resilience Forum and relevant risk reps to advise on service risks where insurance could be used to facilitate risk management. (M)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Direct Payments Follow Up	<p>Direct Payments (DPs) are financial payments made to individuals who have been assessed as eligible to receive support from Surrey County Council. The payment replaces directly commissioned services. This money is then used to purchase support that the client considers most appropriate to meet their assessed social care needs.</p> <p>This report follows up the two previous reviews, both of which had attracted the audit opinion of Major Improvement Needed.</p>	<p>The number of overdue (over 1 year since last) social care reviews (SCR) has fallen from 32% to 17% - this still fails to meet policy which says review should be no less than annual (0% overdue). It was noted that although Surrey is still failing to achieve the recommended level, the council has improved significantly at a time when nationally councils are getting worse.</p> <p>The reconciliation of direct payments is still not completed in a timely manner in a number of cases. If the reconciliations are not completed by the service user subsequent controls (maximum balance, check for inappropriate transactions etc.) are ineffective.</p>	Some Improvement Needed	<p>Management must seek to achieve the target of all service users receiving a SCR at least annually (H)</p> <p>There should be regular reporting to ASC Select Committee to allow monitoring of the number of overdue social care reviews (H)</p> <p>Management must either invest further resources in chasing late reconciliations, taking more serious action against failures to complete required paperwork and ensuring that adequate support is available to service users struggling to complete their reconciliations, or alternative action is required. Management could, for example, consider outsourcing the reconciliation element of DP management. (H)</p> <p>By reducing the frequency of reconciliation required for lower risk (low value, stable care packages) DPs the staff could focus on the higher risk reconciliations.</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Streetworks Function	<p>Utility works in the public highway (street works) must be carried out in accordance with the requirements of the New Roads & Street Works Act 1991 (NRSWA) and associated legislation. Utility companies have the right to use the streets for maintenance & provision of services & are required to inform SCC of any works. In turn, SCC maintains a register of all works. Utility companies have to re-instate the highway to appropriate standards following completion of their works and are inspected by SCC. If the work is found to be defective, the relevant utility company is responsible for rectification work.</p>	<p>The Street Works Team was affected by its directorate's re-organisation completed in March 2012. This resulted in the funding for additional resources being approved for 12 months by the Cabinet in June 2012 with appointments being completed in November 2012. The new Traffic and Street Works Manager joined the Council on 1 September 2012.</p> <p>Local procedures are based on Department for Transport guidance. While some procedure notes have been completed, others are still outstanding.</p> <p>In February 2013, the Cabinet gave its approval to introduce a Permit Scheme in late 2013.</p> <p>The budgets are coded to a single cost centre and have not been reviewed for some time to take account of the shortfall in income in light of improved quality of work and the cost of the coring work done by the Materials Laboratory Team.</p> <p>Although charges are raised in line with inspection work undertaken by the team, debt management is not very robust due to poor liaison between the Street Works Team and the Debt Recovery Team.</p>	Some Improvement Needed	<p>The budgets for the Team should be reviewed in line with the introduction of the proposed changes (i.e. Permit Scheme) and reset on a zero based budget basis to determine the actual staffing and other requirements of the team (H).</p> <p>The realistic income achievable including Coring Income for defective work should be re-evaluated. The cost and income for coring activities should sit within the Street Works budget (M).</p> <p>A Service Level Agreement should be drawn up and agreed between the Materials Laboratory Team and the Street Works Team specifying all the requirements that need to be met to ensure the completion of Street Works Team's investigatory inspections (H).</p> <p>The spreadsheets maintained by the team for the inspection charges raised should be reviewed regularly to ensure that they contain adequate details with the use of control totals to ensure accuracy and transparency (M).</p> <p>Debt recovery arrangements between the Street Works Team and the Income Management Officers should be reviewed as a matter of priority. (H).</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Data Centre	<p>As part of the SCC IT infrastructure upgrade and modernisation programme, IMT gained Cabinet approval for the creation of a modern 'fit for purpose' data centre. Fit for purpose in this instance refers to the placement, design, power, fire detection/prevention and cooling infrastructure. The modernisation programme also required further investment in order to equip the data centre with equipment suitable to support SCC's future goals and IT related objectives.</p>	<p>SCC has procured an excellent facility for the provision for data processing services. The DHCP servers are a critical infrastructure element enabling users to log onto the network; that at the time of this review had not been moved to the new environment.</p> <p>The focus of the project has been primarily to meet the current and future needs of the council but also to develop partnership workings and deliver savings across public sector entities. This model of working does bring additional complexity. In response to this evolving complexity an ongoing level of scrutiny of benefits realised should be exercised, particularly where those benefits presuppose partnership buy in.</p> <p>The data centre is highly resilient, however it is noted that end users of disaster recovery services need to engage more with IT via their business continuity plans to ensure that their requirements are both communicated and technically possible.</p>	Some Improvement Needed	<p>The DHCP server is replicated to another site and fail-over provision is installed as soon as possible. (H)</p> <p>Until such time as the potential to provide services to partners is no longer an ongoing concern, the Council Overview and Scrutiny Committee should be appraised as to the uptake of services by partners. (L)</p> <p>The Business Continuity Management System Project requires top management support in order improve and enhance business continuity planning. (M)</p> <p>In order to ensure that growth of IT usage at the Primary data centre does not outstrip capacity provision at the backup data centre an annual assessment of the available capacity should be undertaken. It is envisioned that this would be a desktop review as opposed to a stress test. The results from this annual assessment should be reviewed by the Head of IMT. (M)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
ASC Safeguarding Assurance Process	Surrey Safeguarding Internal Procedures exist to enable all Surrey County Council (SCC) Adult Social Care (ASC), or Integrated Health and Social Care Teams who work with adults at risk and their carers to be able to be able to recognise and respond proportionately to instances of harm and to address effectively as part of their core business. These are backed-up by a Quality Assurance Framework covering Safeguarding activities in the Personal Care and Support (PC&S), Service Delivery and Commissioning services.	<p>Corrective action had been taken on 13 of 44 (29.5%) issues identified in audits undertaken by Safeguarding Advisors.</p> <p>In three of the four locality teams visited, less than half of the cases recorded as 'Closed' on the Safeguarding Activity Log had corresponding data on AIS/Wisdom.</p> <p>There is no requirement for the manager of the team being audited to agree the findings with the Safeguarding Advisor. Audit templates do not distinguish between findings being treated as 'lesson learned' or highlighting where corrective action is required and, in the latter case, the timescale for completion</p> <p>No articulated system was identified which details the nature and frequency of reporting of assurance activity to the PC&S Leadership Team</p> <p>The Auditor has not seen evidence of Safeguarding assurance work in Service Delivery.</p>	Some Improvement Needed	<p>The Safeguarding Adults Senior Manager should consider implementing checks to ensure corrective actions noted in audits have been completed. (H)</p> <p>The Safeguarding Adults Senior Manager should remind teams of the importance of accurately recording case closures, and consider further monitoring to ensure improvement. (H)</p> <p>The Safeguarding Adults Senior Manager should consider amending audit templates in order to capture:</p> <ul style="list-style-type: none"> • the agreement of the manager of the team being audited with the findings; • lessons learned; • specific corrective actions required; and, • the timescales in which those actions must be completed. (M) <p>The Safeguarding Adults Senior Manager should consider agreeing an articulated reporting framework with PC&S Leadership Team. (M)</p> <p>The Safeguarding Adults Senior Manager should consider, based on levels of risk, extending assurance work to cover Safeguarding processes in Service Delivery. (M)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Health & Dental Checks – Children in Care (follow up)	<p>As corporate parent for Looked After Children (LAC), SCC has a duty to ensure their well-being. Ensuring that these children have regular health and dental checks is part of the statutory exercise of this duty. Success is measured by a performance indicator which tracks the percentage of LAC who have received a health and dental check each year. In 2012, Internal Audit undertook a review of the quality of the indicator data. The resulting report (audit opinion of Major Improvement Needed) expressed concerns about the robustness of performance management governing the indicator, and concluded that published performance data could not be consistently evidenced.</p>	<p>The Department for Education no longer require reporting on this indicator. The manner in which the indicator is calculated masks a difference in completion rates between health and dental checks.</p> <p>Health checks for 24 of the 86 files tested could not be validated (28%). In the last audit, the result of the same test was 20%. As such, reported health check completion is less evidencible than previously.</p> <p>Significant delays were noted between the time CSS were notified of a completed health check and their receiving the corresponding paperwork. However, the auditor is aware that, once the audit sample list was known, Team Information Officers were able to request and receive summary documents for 14 LAC from the LAC Co-ordinator at short notice. This inclines the auditor to consider that the flow of information in the partnership is not as efficient as it could be.</p>	Major Improvement Needed	<p>CSS should consider reporting performance on LAC health and dental checks separately, rather than exclusively using the existing combined indicator. (M)</p> <p>CSS should consider using the current review of health services for LAC being led by the Guildford and Waverley Clinical Commissioning Group (with input from the CSS Commissioning team) to ensure the efficient flow of all information related to health checks. (H)</p> <p>CSS should consider revising its reporting of health checks to only indicate a positive once all accompanying documentation has been received. (H)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
School Purchase Cards	There are historical examples of inappropriate use of cards at schools. A sample of schools was selected to review local controls to ensure the risk of financial loss was low	<p>This review found no evidence of fraudulent use of the cards. There were however a couple of examples of cards being used for the benefit of the school after the cardholder had left the school. It was seen that a number of schools needed to document stronger controls in the use of the card including evidence of compliance in line with the controls.</p> <p>Unlike the system for purchasing cards within the council, there is no overview of card expenditure across all schools.</p> <p>Where appropriate, schools visited by the auditor were provided with specific documented audit recommendations. The corporate banking team have been asked to pursue an overview programme they and internal audit can review of card expenditure at individual schools</p>	Some Improvement Needed	<p>Corporate banking team to obtain access to software available from HSBC (M)</p> <p>Internal Audit to publish a summary of findings in the School's Bulletin (M)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Library Service Global Transport Van Service	<p>The outsourced Libraries Global Transport Van Service moves stock between Surrey Libraries and provides some other services. SCC agreed to extend this contract to 1 April 2013, rather than re-tender in April 2012. Proposals to expand specific types of ad hoc services means the transport service will also need to be more flexible.</p>	<p>Contractor has yet to complete the contractual requirement for it to complete a cost reduction review. There are some proposals for a far more flexibly delivered library service which will require a much more flexible library transport service.</p> <p>Benchmarking the cost of library transport may identify options for joint provision or aggregated tendering to further reduce costs.</p>	N/a – Position Statement.	<p>Library Service to request that the current contractor provides its own further detailed options for reducing the cost of the Service and facilitating increased flexibility in the contract should further Community Link Libraries be developed. (M)</p> <p>The Procurement Category Specialist should liaise at an early stage with ESCC Libraries service on any mutual benefits of joint procurement or direct delivery of a library transport vans services. (M)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Blue Badges	<p>The Blue Badge scheme is for drivers or passengers with severe mobility problems. It allows them to park close to where they need to go. 50,000 Surrey residents with severe mobility problems are currently issued with Blue Badges.</p> <p>Due to the difficulties of parking in Surrey and the cost involved there is an incentive to misuse or fraudulently apply for/display Blue Badges.</p>	<p>Audit testing suggested that risks relating to data security and fraud are well managed. The Blue Badge Improvement Service system provides a secure system for recording user details, checking details in the event of suspected misuse and a range of anti-fraud controls.</p> <p>The National Fraud Initiative check of Blue Badge data has identified a number of data quality issues but no fraudulent usage.</p>	Effective	Five low priority recommendations were made

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Social Care Debt – Credit Balances	<p>The current level of social care credit balances is in the region of £933,000 of which approximately £207,511 are static balances held on deceased client's accounts. The remainder represents the timing difference in the collection of client's pension and benefit monies and the payment of their care charges. This review looked at credit balances on deceased client's accounts.</p>	<p>The auditor has established that social care debt reported to the Adult Social Care Select Committee is reported net of the credit balances that are held on SAP. As a result, debt is understated by approximately £550,000.</p> <p>In 2010 a specific suspense account was created to hold monies of clients or representatives who could not be contacted. Of concern is that the balances in the account totalling £95,597 have not been investigated. 66% of the balances are for clients who died more than five years ago and the oldest balance dates back to 2002. The auditor was unable to evidence active management of the account.</p> <p>The largest 10 balances on deceased client accounts were investigated. Findings show there has been little or no activity. Where there has been activity recorded on AIS it is unclear where copies of the correspondence is stored.</p> <p>While officers are keen to clear the balances they are unclear on the procedures and their responsibilities. Guidance is unavailable and officers are using their own local processes.</p>	Major Improvement Needed	<p>Reporting on Social Care Debt to the ASC Select Committee must include a regular update on gross credit balances. (M)</p> <p>A systematic approach should be adopted to manage deceased client credit balances. All balances including those in the suspense account must be investigated (H).</p> <p>Explanatory notes/copies of correspondence should be recorded on AIS or WISDOM. (H)</p> <p>The Personal Care and Support and ASC Finance teams should work together to produce clear guidance for managing credit balances including an escalation process for cases where the next of kin or beneficiaries cannot be traced. (M)</p> <p>If it is not possible to trace the next of kin or executors, balances of less than or equal to £500 should be transferred to the home's welfare fund. Where the deceased died without a will or any living relatives individual balances over £500 should be referred to TSoL. (M)</p>

¹ Audit Opinions

Effective	Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Some Improvement Needed	A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Major Improvement Needed	Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
Unsatisfactory	Controls evaluated are not adequate, appropriate, or effective to provide reasonable assurance that risks are being managed and objectives should be met.

² Audit Recommendations

Priority High (H) - major control weakness requiring immediate implementation of recommendation

Priority Medium (M) - existing procedures have a negative impact on internal control or the efficient use of resources

Priority Low (L) - recommendation represents good practice but its implementation is not fundamental to internal control



Audit & Governance Committee
2 December 2013

RISK MANAGEMENT HALF YEAR REPORT

SUMMARY AND PURPOSE:

This half-year risk management report has been produced to enable the committee to consider the risk management activity from April 2013 to date. It also presents the latest Leadership risk register.

RECOMMENDATIONS:

Members are asked to:

- a) consider the contents of this report and confirm they are satisfied with the risk management arrangements; and
- b) review the Leadership risk register (Annex B).

BACKGROUND:

1. The terms of reference of the Audit and Governance Committee include the requirement to monitor the effective development and operation of the council's risk management arrangements.
2. This report summarises the risk management activity from April 2013 to date.

ACTIVITY:

3. Annex A shows the separate risk activity that has taken place over the period April – November 2013.

Risk arrangements

4. Increased scrutiny and challenge of the Leadership risk register and the Directorate risk registers through the Strategic Risk Forum (SRF) is improving referencing and co-ordination of risks, especially between directorate and service levels. Common themes are regularly identified, discussed and escalated as necessary.
5. The SRF is provided with a monthly report on the status of risk registers on the snet, which highlights where directorate risk leads may need to take action. The Risk and Governance Manager is keeping the risk management snet pages up to date and ensures risk registers received from risk representatives are uploaded in a timely manner.

6. A monthly risk update is presented to the Continual Improvement Board (CIB), which is chaired by the Strategic Director for Environment and Infrastructure. The Chief Finance Officer is a member of the CIB and provides an update on the work of the risk groups, proposed changes to the Leadership risk register and any emerging risks. Significant issues are then reported to the Corporate Leadership Team by the Strategic Director for Environment and Infrastructure.

Business Continuity

7. The new Business Impact Analysis and Business Continuity Plan templates developed by the Emergency Management Team are enabling a more co-ordinated approach to analysing recovery from potentially disruptive events. Business resilience reviews are currently being undertaken with priority 1¹ services to identify any gaps and increase resilience in key service areas.
8. Workplace recovery strategies are also being developed for fully serviced accommodation buildings, starting with County Hall. These will ensure critical services and relevant staff are prioritised in the event of an incident.

Insurance

9. The council's insurance is procured every five years through the Official Journal of the European Union (OJEU) process to provide insurance cover for all risks under a five year 'Long Term Agreement'. The majority of the council's insurance policies carry a £100k excess per claim and an insurance fund is in place to provide funds from which to pay claims falling within the excess.
10. All public and employers liability claims falling within the excess are handled in house by the Insurance Services team (within the Financial Strategy and Reporting team, Finance Service). Claims which are valued at or above £75k are notified to the council's insurers, and handled by the in house team in conjunction with the external panel solicitors. The team, in supporting all services also represents the council at Inquest hearings and provides general advice and risk management support to services.
11. The Insurance Services team is audited regularly. This year, there has been the annual audit of its claims handling services by the council's main insurer, Travelers, which led to an 'Excellent' rating of 95%. There has also been an external, actuarial audit of the insurance fund which found the reserves to be set at the right level. Internal Audit have also recently completed a 'Review of Insurance 2013/14,' which concluded with an audit opinion of Some Improvement Needed and no high priority recommendations.
12. The Insurance Services team report regularly on claims trends to Highways (90% of claims are highways related), the Head of Risk Management for Children Schools and Learning and the Health and Safety Representative of the Surrey Fire and Rescue Service. This year in excess of 2500 claims have been handled by insurance services from January to date, which exceeds the number of claims for the whole of 2012. 85% of the claims received by the Insurance Services team are declined on the basis either of the special defence available in Highway claims, or failure by the claimant to establish any negligence or breach of the council's statutory duties.

¹ Priority 1 areas are - Emergency Management Team; Communications; Coroner; Customer Services; Registration; Highways; Adult Social Care – Service Delivery, Personal Care and Support, Mental Health; Childrens and Safeguarding; IMT; Property Services; Public Health.

Risk groups

Strategic Risk Forum

13. The SRF² has met five times between April-November 2013. The meetings have been split between:
- reviewing directorate and leadership risks and proposing changes to the Leadership risk register; and
 - developing a risk culture plan and ways to assess the current risk culture across the organisation.
14. The SRF meetings are well attended, involve lively and engaging discussions on risk and provide a forum for sharing best practice and ideas.

Council Risk and Resilience Forum (CRRF)

15. There have been two formal meetings of the CRRF³ and three interactive workshops. The objectives of the workshops are to update risk representatives on risk and resilience events and policy changes, and also help services to validate particular areas of their business continuity plans through interactive scenarios. The themes of the workshops have been property and workplace recovery, provider resilience and risk culture.
16. Attendance at the CRRF meetings and workshops has improved over the year and feedback from the CRRF members has confirmed that the current arrangements are effective and will continue during 2014.

LEADERSHIP RISK REGISTER:

17. The Leadership risk register (Annex B) is owned by the Chief Executive and shows the council's key strategic risks. The register is reviewed by the Strategic Risk Forum and then changes are proposed to the Continual Improvement Board.
18. Since the last meeting of the committee, the following risks have been updated:
- Partnership Working (L16) – risk description and controls updated;
 - Information Governance (L11) – controls updated; and
 - Major Change (L2) – risk description and controls updated.

IMPLICATIONS:

Financial

Ineffective risk management arrangements may lead to increased costs or inefficiencies due to poor controls or lack of timely action.

Equalities

There are no direct equalities implications of this report.

Risk management

Embedded risk management arrangements will lead to improved governance and effective decision-making.

² Strategic Risk Forum membership is - Chief Finance Officer (Chair), directorate risk leads, Chief Internal Auditor, Deputy Head of HR, Head of Emergency Management, Risk and Governance Manager.

³ Council Risk and Resilience Forum membership is - Deputy Head of Emergency Management (Chair), Risk and Governance Manager, risk and business continuity representative.

REPORT AUTHOR: Cath Edwards, Risk and Governance Manager

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Sources/background papers: Risk Management annual report

Strategic risk:

- Strategic Risk Group meetings
- Risk updates to Continual Improvement Board, including the Leadership Risk Register

Operational risk:

- Council Risk and Resilience Forum meetings
- Council Risk and Resilience workshops
- Health & Safety operations team meeting
- Central Joint Safety Committee meetings

Risk reporting:

- Risk updates and Leadership risk register reported to Audit and Governance Committee

Support and integration:

- Monthly catch ups between Risk and Governance Manager and Emergency Management Team
- Regular meetings with directorate and service risk and business continuity representatives
- Facilitation of internal audit risk workshop
- Development of treasury management risk register
- Business continuity exercises
- Business continuity exercise worksheets and summary of responses
- Business resilience reviews
- Business continuity surgeries
- Member induction and training

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Leadership risk register as at 28 October 2013

Owner: David McNulty

Ref	Directorate register ref	Description of the risk	Inherent risk level (no controls)	Controls	Risk owner – Officer	Risk owner – Member	Residual risk level (after existing controls)
L14	ASC5 BUS17,21, 22,23 CAC1 CSF4,16,22 EAI1,9	Future Funding - Erosion of the council's main sources of funding: <ul style="list-style-type: none"> council tax – through legislative controls on levels of increase central government grants – through further austerity cuts, policy changes and diversion of grants to LEP's and failure to generate new income streams e.g. trading lead to lack of financial resilience and failure to deliver statutory and essential services.	High	- More robust quarterly monitoring to Corporate Board and Cabinet of actual funding (eg council tax and business rate collection levels) achieved through close working with district and borough colleagues - Continued horizon scanning of the financial implications of existing and future government policy changes - Development of alternative / new sources of funding (e.g. bidding for grants). Notwithstanding actions above, there is a high risk of central government policy changes /austerity measures impacting on the council's long term financial resilience.	Corporate Leadership Team / Sheila Little	Cabinet / David Hodge	High
L1	ASC2,5 BUS9 CAC8,19 CSF4,16,22 EAI1	Medium Term Financial Plan (2013-18) - Failure to achieve the MTFP which could be as a result of: <ul style="list-style-type: none"> not achieving savings additional service demand and/or over optimistic funding levels lead to lack of financial resilience and failure to deliver statutory and essential services.	High	- Monthly reporting to Corporate Board and Cabinet on the forecast outturn position will be clear on the impacts on future years and enable prompt management action (that will be discussed with informal Cabinet/Corporate Leadership Team). - As recommended in the Chief Finance Officers statutory budget report (Sec25), the review of the MTFP was carried out in quarter 1 of 2013/14. - Clear management action reported promptly detailing alternative savings / income if original plans become non deliverable or funding levels alter in year - Increased risk contingency (up from £8m to £13m) for 2013/14. - Monthly tracking of actual demand compared to budgeted. - Monthly formal budget reports will focus on funding levels comparing actuals to forecasts. Finance to sustain pro-active horizon scanning for insight into potential funding change.	Corporate Leadership Team / Sheila Little	Cabinet / David Hodge	High

Leadership risk register as at 28 October 2013

Owner: David McNulty

Ref	Directorate register ref	Description of the risk	Inherent risk level (no controls)	Controls	Risk owner – Officer	Risk owner – Member	Residual risk level (after existing controls)
L7	BUS12 EAI2	Waste - Failure to deliver key waste targets (including key waste infrastructure) leads to increased cost to residents and tax payers and impacts on the environment.	High	- Strong resourcing and project planning monitored by the Waste Board - Further work with the Districts and Boroughs continue, to review waste plans to achieve the targeted increase in recycling. - Notwithstanding the controls above, there is still a risk that delivery could be delayed by external challenge and levels of recycling are strongly influenced by district and borough collection arrangements which are not within SCC's direct control. Although the council continues to work in partnership to achieve the desired outcome.	Trevor Pugh	John Furey	High
L15	ASC5 CSF4,16	Welfare Reform - Multiple central government welfare reform changes impact adversely on Surrey residents and put additional pressure on all public services.	High	- Effective horizon scanning to ensure thorough understanding of intended changes - Implementation of a welfare reform programme including districts and boroughs covering: <ul style="list-style-type: none"> • Advice and information • Financial resilience • Emergency assistance • Localisation of council tax support • Housing and homelessness • Employment training and support - Taking opportunities to influence central government e.g. via the LGA.	Sarah Mitchell and Nick Wilson	Cabinet / Mary Angell and Mel Few	High
L16	ASC9 BUS22,23, 24 CEO13 CSF8,20,23 EAI3	Partnership working Failure or breakdown of: (a) a significant partnership (where the council has entered into a formal partnership) or (b) a partner (other public bodies eg NHS) leads to service failure and delivery of savings due to increased reliance on partners to deliver services.	High	a) Leadership and managers recognise the importance of building and sustaining good working relationships and having early discussions if these falter. (b) Contracts are managed effectively through strong governance and early warning mechanisms are put in place. - Intelligence on partners is shared and areas of risk identified as a consequence.	Corporate Leadership Team / Susie Kemp	Cabinet	High

Leadership risk register as at 28 October 2013

Owner: David McNulty

		(c) A breakdown in partnership working, or the failure of a key partner, results in our inability to co-ordinate and integrate health and social care services, reducing our collective impact on improving health outcomes, failing to develop a sustainable financial model across health and social care, and damaging the reputation of all partners.		(c) The council will maintain a regular ongoing dialogue with partners to ensure collective delivery of health outcomes with regular meetings. - Additional support will be provided where possible/appropriate to ensure development of sustainable financial model. - Regular discussions at Health and Wellbeing Board around priorities focusing on resources required to deliver. - Assistant Chief Executive chairing SCC-wide Strategic Health Board.			
L11	ASC12 BUS26 CEO7 CSF18	Information Governance - Failure to effectively act upon and embed standards and procedures by the council leads to financial penalties, reputational damage and loss of public trust.	High	- Encrypted laptops - Secure environment through the Egress encrypted email system - Internal Audit Management Action Plans in place that are monitored by Audit & Governance Committee and Select Committees - Twice-yearly communications campaign linked to known peaks for breaches, and a refreshed and re-launched information security e-learning package. - Despite the actions above, there is a continued risk of human error that is out of the council's control.	Corporate Leadership Team	Denise Le Gal	High
L4	ASC19, 22 BUS20,26	IT systems - major breakdown and disruption of systems leads to an inability to deliver key services	High	- Additional resilience has been brought about by the go-live of the Primary and Secondary Data Centres. - Design and implementation of a new 64 bit Citrix farm is in progress that will bring resilience and performance enhancements. - Work in progress to increase the performance of login/logout times. - The new UNICORN Network will provide further resilience going forwards.	Julie Fisher	Denise Le Gal	High
L3	ASC18 CAC8, 18, 19 CEO3 EAI4,5,7	Business Continuity, Emergency Planning - Failure to plan, prepare and effectively respond to a known event or major incident results in an inability to deliver key services	High	- The Council Risk and Resilience Forum reviews, moderates, implements and tests operational plans. - Close working between key services and the Emergency Management Team to update plans and share learning - Continued consultation with Unions and regular communication to staff. - External risks are assessed through the Local Resilience Forum.	Corporate Leadership Team	Denise le Gal / Helyn Clack	Medium

Leadership risk register as at 28 October 2013

Owner: David McNulty

Ref	Directorate register ref	Description of the risk	Inherent risk level (no controls)	Controls	Risk owner – Officer	Risk owner – Member	Residual risk level (after existing controls)
L2	ASC4,9,20 BUS2 CEO8 CSF4,20 EAI2,3,10	Major change affects staff motivation and delivery of services - Staff do not feel engaged or able to support proposed change, affecting timescales, delivery and outcomes of the change	High	- Communication, consultation and engagement is a priority for the Council with an emphasis placed on thoroughly addressing the concerns of staff and their representatives - Training and development, where appropriate, supports the changes affecting staff. - Questions in the Staff Survey provide a measure of the staff satisfaction with the council and its management of change. - Staff are encouraged to get involved in finding innovative solutions to redesign services.	Corporate Leadership Team	Cabinet	Medium
L5	ASC7 CSF6,16	Safeguarding - avoidable failure in Children's and/or Adults care leads to serious harm or death	High	- Appropriate and timely interventions by well recruited, trained, supervised and managed professionals, with robust quality assurance and prompt action to address any identified failings.	Sarah Mitchell / Caroline Budden	Mel Few/ Mary Angell	Medium

Key to references:
 ASC = Adult Social Care
 BUS = Business Services
 CAC = Customers and Communities
 CEO = Chief Executive's Office
 CSF = Children, Schools and Families
 EAI = Environment and Infrastructure

Movement of risks

Ref	Risk	Date added	Residual risk level when added	Movement		Current residual risk level
L1	Medium Term Financial Plan	Aug 12	High	-	-	High
L2	Major change programmes	May 10	High	Jan 12	↓	Medium
L3	Business Continuity and Emergency Management	May 10	Medium	Aug 12	↓	Medium
L4	IT systems	May 10	Medium	June 13	↑	High
L5	Safeguarding	May 10	Medium	-	-	Medium
L6	<i>Resource Allocation System in adults personalisation</i>	<i>May 10</i>	-	<i>Aug 12</i>	*	-
L7	Waste	May 10	High	-	-	High
L8	<i>Integrated Childrens System</i>	<i>May 10</i>	-	<i>Feb 11</i>	*	-
L9	<i>NHS reorganisation</i>	<i>Sep 10</i>	<i>High</i>	<i>May 13</i>	*	-
L10	<i>2012 project management</i>	<i>Sep 10</i>	-	<i>Aug 12</i>	*	-
L11	Information governance	Dec 10	High	-	-	High
L12	<i>LLDD budget transfer</i>	<i>May 11</i>	-	<i>Mar 12</i>	*	-
L13	<i>2012 command, control, coordination and communication</i>	<i>Dec 11</i>	-	<i>Sep 12</i>	*	-
L14	Future funding	Aug 12	High	-	-	High
L15	Welfare reform	Feb 13	High	-	-	High
L16	Partnership working	June 13	High	-	-	High

* Removed from the risk register

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Audit & Governance Committee
2 December 2013

Review of the Investment Panel

Purpose of the report: To review the new structure, membership and procedures of the Investment Panel and report to Council Overview & Scrutiny Committee on findings.

Introduction:

1. This report reviews the new terms of reference and operating arrangements for the Investment Panel (the Panel). It considers the effects of changes to the Panel's scope and position in the council's governance framework on its structure, membership and procedures.

Recommendations:

2. It is recommended that Audit & Governance Committee:
 - a) notes the recent changes to arrangements for the Panel; and
 - b) reports its findings to Council Overview & Scrutiny Committee.

Investment Panel

Background

3. Surrey County Council established Investment Panel in 2010 in response to a serious governance failure in relation to a major investment. The Panel's remit was to review the robustness of the business cases supporting proposals for capital investment and invest to save projects prior to decision by Cabinet or Cabinet Member in conjunction with the Leader.
4. In the summer of 2013, the council strengthened its governance arrangements, including the role and scope of the Continual Improvement Board¹ (CIB), which is chaired by the Strategic Director for Environment & Efficiency. Investment Panel is now a sub-group of CIB.

¹ Continuous Improvement Board comprises: Strategic Director for Environment & Infrastructure (Chair), Chief Finance Officer, Head of HR and OD, Head of Policy and Performance, directorate representatives

5. The Panel has not and does not approve business cases. It assures Cabinet, or Cabinet Member and the Leader that the business case supporting a proposal is sound.

Investment Panel's terms of reference and operating arrangements

6. Annex 1 sets out the Panel's terms of reference. In summary, these cover to:
 - review and challenge business cases for schemes relating to approved capital programme items, revenue invest to save proposals and major revenue IT projects to ensure proposals for decision by Cabinet or Cabinet Member in conjunction with the Leader are sufficiently robust and
 - provide oversight of the council's whole capital programme and major revenue investments.
7. The Investment Panel does not consider the council's commercial investments. Item 13 on this agenda, the Governance Update Report, outlines the governance arrangements for the council's new trading strategy, which includes input from the Investment Advisory Board.
8. A member of CIB chairs the Panel. Its membership also includes the Chief Finance Officer and Deputy Director of Business Services and the heads of service for property, internal audit and IMT, plus two front line service heads. This expanded membership reflects the Panel's increased scope and strengthens overall governance by incorporating a wider perspective. Panel members apply their professional knowledge, expertise and judgement to review and challenge business cases to ensure each proposal for decision by Cabinet or Cabinet Member in conjunction with the Leader has a sound basis.
9. To help ensure consistency, currency and relevance the Panel agrees its evaluation criteria and exemption policy at the start of each financial year.
10. Key elements of the evaluation criteria include the following:
 - Has the project had the necessary sign off before submission?
 - Are the project's aims and intended outcomes clear?
 - Has there been sufficient option appraisal?
 - Is the preferred option affordable?
 - Does the preferred option demonstrate value for money to the council?
 - Does the business case fully set out the implications and risks of the preferred option?
 - Does the business case set out milestones against which the preferred option can be monitored?

11. Exemptions from business case review apply to:
 - schemes funded by and for a third party such as a Diocese run school
 - schemes determined by local committees
 - grant funded schemes awarded on a bid basis where the council has already set out its business case in its funding bid
 - highways and property maintenance programmes and
 - Low value IT Change projects.
12. Business case review exemptions apply to highways and property maintenance programmes and smaller scale IT change projects because prioritisation criteria exist within the relevant services to manage the budgets for this work. To allow the exemption, Capital Working Group² (CWG) considers and approves the prioritisation criteria before the start of each financial year and agrees a schedule to report to the Panel on how it has applied the criteria. This gives the Panel oversight of these programmes without bringing numerous smaller scale jobs for its consideration.
13. The Panel only considers business cases where there is evidence of prior review by the appropriate Strategic Finance Manager or Senior Principal Accountant. Only business cases the Panel considers to be sufficiently sound proceed to Cabinet (schemes above £1 million) or Cabinet Member in conjunction with the Leader (schemes between £100,000 and £1 million) for decision whether to release money to enable work on the schemes to start. The Chief Finance Officer can approve capital schemes of less than £100,000 value.
14. The next stage is procurement, including decisions about route to market and contract award.

Capital programme schemes

15. The panel considers business cases that form a part of the council's main capital programme that has been approved in principle by the cabinet.
16. CWG conducts the initial review of proposals to determine whether they should be presented to Cabinet for decision to identify schemes in the Medium Term Financial Plan (MTFP) capital programme.
17. The Panel reviews the robustness of the scheme's business case before Cabinet or Cabinet member in conjunction with the Leader decide whether the council should begin work on a scheme identified in the overall capital programme. Finance provides support to the service preparing the business case to ensure the option appraisal is appropriate and the payback period for savings or income generation business cases is acceptable.

² Capital Working Group comprises: Chief Executive (Chair), Strategic Director for Children, Schools and Families, Strategic Director for Environment and Infrastructure, Strategic Director for Business Services, Chief Finance Officer, Head of Property Services, two directorate representatives

18. Following cabinet or cabinet member approval, the panel will monitor the progress of projects against agreed milestones, which will include budget.

Revenue invest to save items

19. The council has an Invest to Save fund from which services can borrow funds to enable investment in more efficient working practices, processes and systems that produce cashable savings. The savings produced are used to meet service efficiency targets and repay the Invest to Save Fund. Before a scheme receives the appropriate approval from the Cabinet, Cabinet Member for Business Services in conjunction with the Leader or the Chief Finance Officer, the Investment Panel reviews the robustness of each scheme's business case to ensure it is sound.
20. In a similar way to capital schemes, Finance provide support to the service preparing the business case and ensure the option appraisal and the payback period are appropriate.
21. The Panel will review the balance and commitments against the council's Invest to Save fund on a quarterly basis.

Revenue IT change projects

22. The Investment Panel will also review the robustness of business cases for major revenue IT change projects prior to decision to proceed by Cabinet, Cabinet Member in conjunction with the Leader or the Chief Finance Officer.
23. The Head of IMT uses criteria agreed annually with CWG to decide priority for revenue change projects falling below the £50,000 threshold.

Conclusions:

24. The changes to the Panel's terms of reference and operating arrangements strengthen overall governance by:
- ensuring capital, revenue investment and major revenue IT change project proposals put forward for decision by Cabinet or Cabinet Member in conjunction with the Leader have a sound business case
 - bringing a wider professional perspective to the Panel and its consideration of proposals and
 - placing more reliance on evidenced review and input by relevant finance officers.

Financial and value for money implications

25. The revised terms of reference and operating arrangements for the Panel aim to improve financial management and value for money by ensuring business cases for all proposals the Panel considers has input by relevant finance officers and evidence of review by senior finance officers.

Equalities implications

26. None.

Risk management implications

27. The revised terms of reference and operating arrangements for the Panel aim to improve risk management by ensuring investment proposals for decision by Cabinet or Cabinet Member in conjunction with the Leader have a sound business case.

Implications for the council's priorities or community strategy

28. None.

Next steps:

29. The Panel has begun to operate under the new arrangements. Pending comments from the Committee or the Council Overview and Scrutiny Committee, the Panel will continue to establish the procedures described in this report.

Report contacts:

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Sources/background papers:

Annex 1 – Investment Panel terms of reference, November 2013

Investment Panel Terms of Reference November 2013

Overview of purpose of Investment Panel:

- A1.1 To help ensure value for money by providing assurance by reporting to Continual Improvement Board (CIB), Corporate Board and Members that robust strategic and full business cases (SBC and FBC) support proposals for:
- new capital projects;
 - invest to save bids;
 - major revenue projects, including IT change projects and;
- A1.2 To strengthen governance arrangements and embed consistent standards.
- A1.3 To provide objective, professional review and challenge of business cases.
- A1.4 To review progress of capital schemes against agreed milestones

General role:

- A1.5 The Panel uses its collective professional knowledge and judgement to review and challenge business cases to ensure proposals for Cabinet or Cabinet Member decisions are sufficiently robust.
- A1.6 The Panel takes an overview of the whole capital programme and major revenue investments and considers the impact of the scale and scheduling of proposed schemes on the Council's capacity to deliver its highest priority schemes.
- A1.7 The Panel liaises with the Capital Working Group, Investment Advisors' Board, Models of Delivery Board and Productivity & Efficiency Panel to share intelligence about the robustness, performance and progress of schemes, projects and programmes.
- A1.8 The Panel reports significant issues to CIB.

Role of Investment Panel members

- A1.9 Panel members use their individual professional knowledge, expertise and judgement to review and challenge business cases to ensure the Council achieves value for money from its capital investments and major revenue projects.
- A1.10 Panel members use their individual professional knowledge, expertise and judgement to monitor and review performance of the capital programme.

Specific roles and responsibilities of Investment Panel

- A1.11 The Panel primarily assesses the robustness of business cases using its agreed evaluation criteria to help ensure the Council achieves value for money.

A1.12 The Panel monitors and reviews the overall progress of the Council's capital and major revenue projects. This includes monitoring progress against milestones and post completion reviews to show how far projects realised their intended benefits.

A1.13 The Panel identifies process or practice improvements in business case development, capital scheme management, project implementation and post completion reviews.

A1.14 The Panel provides guidance, feedback and training on business case development.

Membership

A1.15 The Panel's core members are:

- Member of CIB (Chair)
- Chief Finance Officer and Deputy Director of Business Services
- Chief Property Officer
- Chief Internal Auditor
- Head of IMT
- Two front line service directorate representatives drawn from Council Performance Team (CPT)

A1.16 The Principal Accountant - Capital Programme acts as Technical Secretary to the Panel. Finance provides business support and Minutes Secretary.

A1.17 Panel quorum is four members.

A1.18 Panel members must arrange appropriate substitutes when they are unable to attend. Substitutes must be a member of CPT.

A1.19 The broader proposed remit of the Panel means less of its business would be relevant to the Cabinet Member for Assets and Regeneration Programmes. In the interests of expediency, the Chief Property Officer would discuss capital programme and innovative capital investment matters with the Cabinet Member for Assets and Regeneration Programmes before Panel meetings and debrief following the meeting.

Meetings

A1.20 The Panel meets monthly in advance of regular budget monitoring reports to Corporate Board to ensure timely consideration of business cases in advance of Cabinet meetings.

A1.21 The Chair approves the agenda. The Secretary circulates the agenda and papers at least five working days before the meeting.

A1.22 The Secretary invites relevant project sponsors and Finance, Property, IMT and other relevant professional support to meetings to present business cases.

A1.23 The Chair will ensure the Technical Secretary arranges the reporting of project progress against agreed milestones.

A1.24 The Technical Secretary will report the balance and commitments against the council's Invest to Save fund on a quarterly basis.

A1.25 After each meeting, the Chair approves meeting notes and actions. The Secretary circulates notes and actions the next working day.

Evaluation criteria and exemptions

A1.26 The Panel agrees at the start of each financial year its evaluation criteria and exemption policy.

A1.27 The Panel will apply the following agreed evaluation criteria to ensure consistency in reviewing business cases.

- Has the project had the necessary sign off before submission?
- Are the project's aims and intended outcomes clear?
- Does the proposal comply with the Council's agreed corporate and financial strategies?
- Does the project deliver the corporate and service policy aims?
- Does the business case consider all relevant options?
- Is the preferred option affordable?
- Does the preferred option demonstrate value for money to the council?
- Does the business case set out fully the implications and risks of the preferred option?
- Does the business case set out milestones against which the preferred option can be monitored?

A1.28 The Panel will apply the following policy to exempt any schemes from business case review.

- Capital schemes where Surrey County Council carries out work funded by, and on behalf of a third party e.g. extending a Diocese run school.
- Capital schemes determined by local committees.
- Grant funded schemes awarded on a bid basis where the council has already set out the business case in its funding bid. Finance will have agreed the bid and
- Highways and property maintenance programmes and smaller scale IT change projects where prioritisation criteria exist within the relevant services to manage the budgets for this work.

A1.29 To allow exemption from business case review based on prioritisation criteria, the Panel considers and approves the prioritisation criteria for the service before the start of each financial year and agrees a schedule for the service to report on how it has applied the criteria for that year. This will give the Panel oversight of these programmes without bringing numerous smaller scale jobs under its consideration.

Procedure

A1.30 For capital spending, Capital Working Group (CWG) reviews the robustness of all high level business cases. The business cases include support from Finance in preparing the options appraisal and high level costings. A service will present its business case to CWG explaining:

- the need for capital investment
- options for resolving the issue
- high level costings and
- funding available such as revenue, developers' contributions (Section 106, Community Infrastructure Levy) or grants, including whether the grant requires competitive bidding and if so, the awarding body's success criteria.

A1.31 Business cases considered sufficiently sound by CWG will progress to Cabinet for decision whether to include it in the capital programme.

A1.32 The Panel receives business cases for review. This includes evidence that the relevant Strategic Finance Manager (or Senior Principal Accountant) has reviewed the business case and supports its progression to the Panel for review.

Where a business case is not robust, the Panel rejects it and provides feedback, so the service might resubmit an amended proposal. Business cases rejected by the Panel as being insufficiently sound do not proceed to Cabinet or Cabinet Member for decision.

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AUDIT & GOVERNANCE COMMITTEE

2 December 2013

GOVERNANCE UPDATE REPORT

SUMMARY AND PURPOSE:

The purpose of this report is to provide a half year update on the internal control environment areas within the 2012/13 Annual Governance Statement and the governance arrangements during 2013/14.

RECOMMENDATIONS:

The Committee is asked to:

- a) Confirm they are satisfied with the ongoing governance work; and
- b) Refer any concerns to the Cabinet or relevant Cabinet Member.

INTERNAL CONTROL ENVIRONMENT:

- 1 The 2012/13 Annual Governance Statement (AGS) identified a number of areas within the internal control environment that require strengthening in order to enhance the overall governance arrangements.

Capital Monitoring

- 2 'As the council looks to borrow to invest significantly over the next 3-4 years in property for service provision, investment and regeneration purposes, it is important that this is in line with a clearly articulated and agreed strategy and that there is appropriate governance around such capital spending decisions.'

- 3 On 23 July 2013 Cabinet agreed an investment strategy for the Council as part of ensuring it maintains its financial resilience, protects its long term financial position and develops alternative sources of income that reduce its reliance on Government grants and Council tax increases. This set out a proposed governance framework including the establishment of an Investment Advisory Board to advise Cabinet on implementation of the investment strategy. It also approved the proposal to establish, subject to a full business case to be agreed at Cabinet, a Property Investment Company (see paragraph 14).

Project Management

- 4 'There should be an increased focus on strong project management as an important tool in delivering change across the council. This should emphasise the strong importance of stakeholder engagement; ensure robust business cases with a strong rationale; and require proper tracking of envisaged benefits to ensure their realisation.'
- 5 A follow-up audit before the end of the year will assess progress.

Commercial Services

- 6 'Governance around the four trading activities within Commercial Services (Education catering; Civic catering; Building cleaning; Maintenance of gym and other school equipment) should be strengthened and include greater visibility of the business plan and proper monitoring and scrutiny of performance against that plan.'
- 7 The agreed Management Action Plan set timescales for implementation of the recommendations by the mid-point of financial year 2013/14. The Head of Service for Commercial Services had informed Internal Audit that governance arrangements have been drafted and will be taken to the Children & Education Select Committee shortly. As such a follow-up to this audit has been scheduled for December 2013.

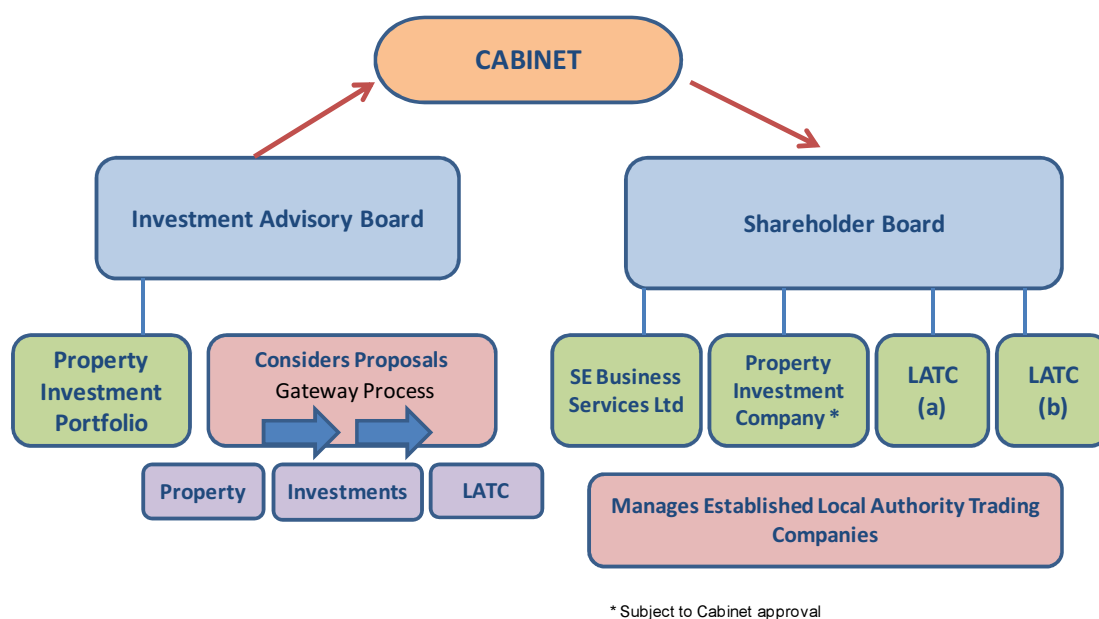
Direct Payments (DPs)

- 8 'Social care reviews should be conducted at least annually in accordance with stated policy and DP account reconciliations should be completed in a timely manner and refer to the associated support plan that details the purpose the DP has been agreed for.'
- 9 A follow-up audit has been completed and its findings were reported in September 2013. This showed that progress has been made in reducing the number of overdue social care reviews. Whilst the council is still not compliant with national guidance or its own policies it should be noted that a shortfall in social care reviews is a national problem with approximately one third of service users nationally not getting at least an annual review. By comparison, between April 2012 and September 2013 the council has moved from 32% of DP recipients overdue for review to 17% overdue. Although it is necessary to comply with policy and guidance it is important to acknowledge the progress Surrey is making against a national backdrop of other councils backsliding in this area. Problems persist in the reconciliation of DP accounts: 34% of DP recipients were found to be failing to meet their responsibilities, with approximately £4,000,000 paid out to a group of 386 service users over 12 months who failed to return any paperwork accounting for their spend.

2013/14 GOVERNANCE ARRANGEMENTS:

- 10 The Corporate Leadership Team (CLT) focus on strategic issues through leadership boards, which enable them to co-ordinate and lead on the delivery of the Corporate Strategy. In particular, the Continual Improvement Board (see annex A) takes a lead on risk and governance and receives updates from the Strategic Risk Forum and the Governance Panel as appropriate.
- 11 The 2012/13 Annual Governance Statement (AGS) identified a number of areas of focus for the 2013/14 year to ensure continual improvements in governance:
 - Sustainability through the Corporate Strategy and Medium Term Financial Plan;
 - Continued collaboration with partners; and
 - Internal engagement across the organisation.
- 12 A recent financial resilience review by Grant Thornton looked at the council's financial performance, strategic financial planning, financial governance and financial control. The external auditor's 2012/13 Annual Audit Letter concluded that *'the council's current arrangements for achieving financial resilience are adequate or better.'*

- 13 The Corporate Strategy and the Medium Term Financial Plan (MTFP) are tracked through regular monitoring reports to senior management and members. There are also case studies to evidence the achievement of priorities and these are published in the Chief Executive's six-month progress report and the Annual Report. The People Strategy has recently been refreshed to ensure consistency with the updated Corporate Strategy and MTFP.
- 14 Partnership working is increasing and proportionate governance arrangements are being put in place. For example, memorandums of understanding are in place with district and borough councils and a Public Service Transformation Network statement of intent. The council's new trading strategy is also ensuring effective governance arrangements are in place for all trading activities (see diagram below and annex A).



- 15 The council is ensuring sustained culture change by strengthening its capacity and capability to innovate. The council's approach to innovation (Shift) has been applied to a number of projects to act as a catalyst for different models of delivery and achieving the Corporate Strategy.

IMPLICATIONS:

Financial

- 16 There are no direct financial implications of this report.

Equalities

- 17 There are no direct equalities implications of this report.

Risk management

- 18 Sound governance and internal control leads to improvements in council performance.

WHAT HAPPENS NEXT:

Governance update reports will be provided to future Committee meetings.

REPORT AUTHOR: Ann Charlton, Chair of Governance Panel

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Sources/background papers: 2012/13 Annual Governance Statement, governance review working papers, internal audit working papers, 2012/13 Annual Audit letter, Cabinet reports.

Continual Improvement Board

Purpose: To provide leadership, challenge, oversight and early consideration of issues relating to and underpinning the delivery of the Corporate Strategy, Medium Term Financial Plan and the development of corporate policy.

Membership:

Strategic Director for Environment and Infrastructure (Chair)
Chief Finance Officer and Deputy Director for Business Services
Head of Human Resources and Organisational Development
Head of Policy and Performance
Heads of Service/Assistant Directors from Adult Social Care; Childrens, Schools and Families; Environment and Infrastructure; and Customers and Communities.

Investment Advisory Board

Purpose: To strategically manage the overall portfolio of investments and advise Cabinet.

Membership:

Leader of the Council
Deputy Leader
Cabinet Member for Business Services
Cabinet Member for Assets and Regeneration Programmes

Supported by: Chief Executive, Strategic Director for Business Services, Chief Property Officer, Monitoring Officer (Head of Legal and Democratic Services) and the Chief Finance Officer.

Shareholder Board

Purpose: To influence and inform the development and implementation of the council's approach to trading.

Membership:

Leader of the Council (Chair)
Chief Executive
Up to 3 Cabinet Members

Supported by: Chief Finance Officer and Head of Legal and Democratic Services

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**Audit & Governance Committee
2 December 2013**

14

**AUDIT AND GOVERNANCE COMMITTEE:
ANNUAL REPORT 2012/13**

PURPOSE OF REPORT:

For Members to consider and comment on the 2012/13 annual report of the Audit & Governance Committee.

INTRODUCTION:

The Audit & Governance Committee is accountable to full Council. An annual report is a useful way to develop understanding of the committee's role and functions and to demonstrate its impact.

The annual report attached as Annex A is presented to Members for comment and endorsement. It is intended that the report will be commended to County Council on 11 February 2014.

RECOMMENDATION:

Members are asked to endorse the 2012/13 annual report of the Audit & Governance Committee.

Financial and value for money implications

1. None

Equalities Implications

2. None

Risk Management Implications

3. None

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Sources/background papers: None

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Audit and Governance Committee

Annual Report: 2012/13

INTRODUCTION

Welcome to the second Annual Report of the Audit & Governance Committee. The committee members believe that an annual report to full Council is a useful way to develop understanding of the committee's role and functions. The Committee is accountable to full Council and welcomes scrutiny of its effectiveness in fulfilling its terms of reference and its impact on the improvement of governance, risk and control within the authority.

This report covers the work of the Audit & Governance Committee during the period **October 2012 – September 2013**. In addition to a summary of work undertaken, the report includes details of committee membership, officer support to the Committee and how the Committee has engaged with others.

Nick Harrison
Chairman
Audit & Governance Committee

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1 THE ROLE OF THE AUDIT & GOVERNANCE COMMITTEE

Cipfa (the Chartered Institute of Public Finance and Accountancy) defines the purpose of an audit committee as:

“...to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority’s financial and non-financial performance to the extent that it affects the authority’s exposure to risk and weakens the control environment, and to oversee the financial reporting process”

14

Fundamental to the work of the Committee is having a clear understanding that the role of the committee is primarily concerned with assuring itself, and advising the Cabinet and County Council as necessary, that the Council’s policies are being implemented and has in place systems which provide adequate controls over the Council’s resources and assets to prevent the risk of loss through fraud and corruption. It is not the role of the Audit and Governance Committee to be responsible for or manage the arrangements themselves.

Key to the role of an audit committee is that it should be independent of the Cabinet and Scrutiny (Select Committee) functions of the authority, have clear reporting lines and rights of access to other committees (primarily the Cabinet and County Council) and that its members should be properly trained to fulfil the role. The terms of reference for the Audit and Governance Committee are as follows:

Regulatory Framework

- To monitor the effective development and operation of the risk management and corporate governance arrangements in the council
- To monitor the effectiveness of the council’s anti-fraud and anti-corruption strategy
- To monitor compliance with the council’s corporate governance framework and advise or make recommendations to the Cabinet or County Council as appropriate
- To review the Annual Governance Statement and commend it to the Cabinet
- To conduct an annual review of the effectiveness of the system of internal audit
- To make proposals to appropriate Select Committees on suggested areas of scrutiny

Audit Activity

- To consider the Chief Internal Auditor’s annual report and opinion, a summary of internal audit activity and the adequacy of management responses to issues identified
- To approve the annual Internal Audit & Inspection plan
- To consider periodic reports of the Chief Internal Auditor and internal audit activity
- To consider and comment upon the reports of the external auditor, including the annual audit letter

Accounts

- To consider and approve the annual statement of accounts for Surrey County Council, the firefighters' pension fund accounts and the Surrey Pension Fund accounts
- To review the Council's Treasury Management strategy and consider periodic reports of treasury management activity
- To undertake statutory functions as required on behalf of the fire fighters' pension schemes*.

* This is not a normal function of an audit committee but is the most convenient way of undertaking a function that cannot be dealt with by the Cabinet.

Ethical Standards

- To monitor the operation of the Member's Code of Conduct
- To promote advice, guidance and training for Members and co-opted Members on matters related to the Code of Conduct.
- To ensure the Council's complaints procedures operate effectively.
- To grant dispensations to Members (including co-opted members) from requirements relating to interests set out in the Members' Code of Conduct.

2 MEMBERSHIP OF THE COMMITTEE

The Audit & Governance Committee is composed of six elected Members from across the political spectrum. Following the election, the Committee saw half its membership change, although stability was maintained with the retention of the existing Chairman and Vice-Chairman.

The Chairman of the Audit & Governance Committee is the Leader of the Residents' Association/Independents Group and the Council's Constitution specifically sets out that the role of Chairman may be filled by a Member from one of the minority groups. CIPFA recommend that in order to promote objectivity and increase an audit committee's standing in the eyes of the public, the chairman should not be a member of the executive and the committee should be independent from the scrutiny function.

It is also recommended as good practice to have an audit committee which has a good depth of knowledge and experience. The current Audit & Governance Committee has a membership drawing from chartered accountancy, the actuarial profession, risk management and experience in local authority leadership. The Committee is also politically balanced.

Current Membership:

- Nick Harrison, the Leader of the Residents' Association/Independent Group of councillors, has been a member of the Audit & Governance Committee since 2005, and Chairman since 2009. To help maintain the Audit & Governance Committee's independence, Nick Harrison is not a member on any of the Council's scrutiny committees. He is a member of the Member Conduct Panel.
- Bill Barker, a member of the Conservative Group, has been a member of the Audit & Governance Committee since 2005. He was Vice Chairman of the Committee for 2005/06 and then reappointed as Vice Chairman of the Committee in 2009. Bill Barker is also a member of the Surrey Pension Fund Board and the Health Scrutiny Committee.
- Tim Evans, a member of the Conservative Group, has been a member of the Audit & Governance Committee since May 2013. He is also a member of the Health Scrutiny Committee.
- Will Forster, a member of the Liberal Democrat Group, has been a member of the Audit & Governance Committee since May 2013.
- Denis Fuller, a member of the Conservative Group, has been a member of the Audit & Governance Committee since 2009. Denis Fuller is also the Vice Chairman of the Children and Education Select Committee.
- Tim Hall, a member of the Conservative Group, has been a member of the Audit & Governance Committee since May 2013. Tim is also Vice-Chairman of Planning & Regulatory Committee and a member of Health Scrutiny Committee.

Members until May 2013:

- Stephen Cooksey, a member of the Liberal Democrat Group, was a member of the Audit & Governance Committee from 2009.
- Tony Elias, a member of the Conservative Group, was a member of the Audit & Governance Committee from 2009.
- Mel Few, a member of the Conservative Group, was a member of the Audit & Governance Committee from 2009.

Attendance

Attendance at Audit & Governance Committee has been good, as evidenced below:

Member	Total expected attendances	Total attendances	Percentage
Nick Harrison	7	7	100%
Bill Barker	7	7	100%
Tim Evans	2	2	100%
Will Forster	2	2	100%
Dennis Fuller	7	5	71%
Tim Hall	2	2	100%
Stephen Cooksey	5	5	100%
Tony Elias	5	3	60%
Mel Few	5	5	100%

3 OFFICER SUPPORT TO THE COMMITTEE

The Section 151 Officer

The Section 151 Officer, Sheila Little, has provided key support to the Audit & Governance Committee. The Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and requires one officer to be nominated to take responsibility for the administration of those affairs. CIPFA best practice states that a core Chief Finance Officer responsibility within an authority is the support of the audit committee.

The Section 151 Officer or her representative Kevin Kilburn, with the support of the Financial Reporting Team, has provided reports and training in relation to the Statement of Accounts, external audit activity and financial management. They have attended every Audit & Governance Committee meeting and ensured that the Committee has received the information and advice that it needs to do its job effectively.

Chief Internal Auditor

The Chief Internal Auditor, is a role defined by CIPFA as ‘...a senior manager with regular and open engagement across the authority, particularly with the Leadership Team and with the Audit Committee’. At Surrey County Council, the Chief Internal Auditor, Sue Lewry-Jones has supported the Audit & Governance Committee in relation to internal audit activity and the regulatory framework. The Chief Internal Auditor sits within the Policy & Performance Directorate and reports to the Head of Policy & Performance.

Risk & Governance Manager

The Risk & Governance Manager, Cath Edwards, is the Council’s lead officer for coordinating risk management arrangements and monitoring the annual review of governance. The Audit & Governance Committee have received regular reports on governance action plans and reviewed the Leadership Risk Register at each meeting.

Pension Fund & Treasury Manager

Phil Triggs was appointed as Strategic Manager - Pension Fund and Treasury and started in his post in October 2012. The Committee is responsible for reviewing the Council’s Treasury Management strategy on an annual basis as well as approving the Surrey Pension Scheme accounts. Until May 2013, the Strategic Manager – Pension Fund & Treasury also brought regular reports to the Committee on Pension Fund investments. These reports are now considered by the Surrey Pension Fund Board which was established as of 21 May 2013.

External Audit

Grant Thornton is the County Council’s appointed external auditors and operates under the Audit Commission Act 1998 and a code of practice approved by Parliament. The appointed auditor for Surrey County Council is Andy Mack and his primary responsibility is to give his opinion on whether the Council’s accounts give a true and fair view of the Council’s financial transactions. Grant Thornton also annually assesses the council’s arrangements for securing economy, efficiency and effectiveness in its use of resources.

4 SUMMARY OF WORK CARRIED OUT BY THE COMMITTEE

A summary of the key work undertaken by the Committee during 2012/13 is highlighted in the table below. The Committee has considered a number of items on a standing basis as well as some ad hoc special items.

Regulatory Framework

Item	Summary and outcomes
Risk Management	<p>On a six-monthly basis, the Committee has considered the development and operation of the Council's risk management arrangements. The Committee has also reviewed the Leadership Risk Register at every meeting.</p> <p>The Committee has commended the Risk Management Policy Statement and Strategy to Council for inclusion in the Constitution. This was agreed by Council on 15 October 2013.</p> <p>The Chairman has written to the Cabinet Member for Environment & Transport to raise his concern about an outstanding Strategic Director risk register.</p>
Governance	<p>The Committee twice reviewed the Council's governance arrangements.</p> <p>The draft Annual Governance Statement was commended to Cabinet for publication with the Council's Statement of Accounts. Cabinet approved the Annual Governance Statement on 23 July 2013 and authorised the Leader and Chief Executive to sign for inclusion in the Statement of Accounts. The Committee will continue to monitor the governance environment and report to Cabinet where appropriate.</p> <p>The Committee also approved the updated Code of Corporate Governance and recommended it to County Council for inclusion in the Constitution. This was agreed by Council on 15 October 2013.</p>

Audit Activity

Item	Summary and outcomes
Internal Audit Activity	The Committee has twice reviewed the work and performance of Internal Audit during 2012/13. It has also considered the Audit Plan for 2013/14.
Internal Audit Reports	<p>The Committee had a standing item to review the findings of Internal Audits and consider if there were any issues it wished to review in more detail or refer onto Select Committees.</p> <p>Among the outcomes from these reports were:</p> <ul style="list-style-type: none"> • Members raised their concerns about the Telecare audit at Council Overview & Scrutiny Committee. • A process for handling internal audit reports at Select Committees was agreed. • The Committee recommended to Head of Corporate Purchasing that where managers are failing to follow Purchasing Card guidelines, consideration be given to removing cards from use in that department. • The Chairman wrote to the Cabinet Member for Transport, Highways and Environment and Cabinet Member for Schools and Learning about concerns over Transport for Education.

Irregularities	<p>Twice during the year, the Committee received an update on irregularity investigations by Internal Audit.</p> <p>The Committee also considered the work of Internal Audit in countering, and raising awareness of the risk of, fraud across the Council.</p>
Public Sector Internal Audit Standards	The Committee adopted the Public Sector Internal Audit Standards (PSIAS) as best practice for the delivery of a quality Internal Audit Service at Surrey County Council.
Public Effectiveness Review of the System of Internal Audit	<p>The Committee sponsors an annual review on the effectiveness of the Council's system of internal audit. For 2012/13, the review was undertaken by an external assessor (appointed through CIPFA).</p> <p>The review concluded that internal audit in the Council is well led and is given a high priority by those charged with good governance who acknowledge that improvements have been made in the service over recent years. The report also included a number of recommendations to ensure compliance with the PSIAS for 2013/14.</p>
External Audit	The Committee met with its external auditors at each formal meeting. Over the course of the year, the Committee received the External Audit Plan for the County Council and the Surrey Pension Fund; it reviewed the proposed fees; and considered its findings. The Committee specifically considered the work undertaken on the certification of claims and returns and the results of the review of the Council's arrangements for securing financial resilience.

Accounts

Item	Summary and outcomes
Surrey County Council and Surrey Pension Fund Local Government Pension Scheme Accounts 2012/13	The Committee approved the Council's statement of accounts and the Pension Fund accounts for audit. Following the external audit, the Committee considered the auditor's results and approved the Council's letters of representation from the Chief Finance Officer & Deputy Director for Business Services.
Treasury Management	<p>On two occasions, the Committee reviewed treasury management activity.</p> <p>On 1 February 2013 the Audit & Governance Committee joined the Council Overview & Scrutiny Committee to consider the Treasury Management Strategy, which formed part of the Business Planning 2013 – 2018 papers. On 12 February, the Committee endorsed the decisions made with Council Overview and Scrutiny Committee</p> <p>In June 2013, the Committee considered and adopted the Treasury Management Risk Register.</p>
Pension Fund Investments	Until the establishment of the Surrey Pension Fund Board, the Committee regularly monitored and ratified the decisions of the Investment Advisory Group of the Surrey Pension Fund.

Babcock 4S Ltd	The Committee twice met with representatives of Babcock 4S and the Council's Schools and Learning Service to review the company's reports and financial statements.
Self-assessment on issues raised in 'Financial Sustainability of Local Authorities'	The Committee considered two recent publications on financial sustainability and good governance in local authorities. It analysed the Council's performance against the issues raised within the two reports.
Progress Reports	The Committee received updates on the Funding Strategy, improvements to the closing process, and work undertaken to identify the extent of a potential overstatement of the Council's creditors as identified by the external auditor's Annual Governance Report.

Ethical Standards

Item	Summary and outcomes
Granting Dispensation	<p>The Committee agreed a new process for handling applications for dispensation under the new standards regime.</p> <p>This process for granting dispensations is now included in Part 6 of the Constitution of the Council.</p> <p>This was followed by the Committee granting all County Councillors a dispensation to enable them to participate in and vote at the Council budget meeting on 12 February 2013.</p>
Ethical Standards Annual Review	The Committee has reviewed the operation of the Council's Code of Conduct for its Members, training on the Code of Conduct and the Council's arrangements for dealing with complaints that members have breached the Code of Conduct.
Complaints Performance	The Committee has received an overview of the council's complaint policy, procedures and reviewed performance in 2012/13.
Whistle-blowing	The Committee received a regular update on whistle-blowing activity.

5 ENGAGING WITH OTHERS

Engaging with the Leadership

The Chairman of the Audit & Governance Committee has had regular meetings with senior managers across the Council during 2012-13. This included 6-monthly meetings with the Head of Communications and '3 Way Governance' meetings with the Section 151 Officer and Head of Policy & Performance before each Audit & Governance Committee meeting. The Chairman has also met with the Chief Executive on a regular basis and Leader as and when the need has arisen.

The Cabinet Member for Business Services, whose portfolio includes corporate governance, audit and risk assurance, has attended the majority of Audit & Governance Committee meetings during 2012-13. The Leader of the Council and the Council's Chief Executive attended the Audit & Governance Committee on 24 June 2013 to present the Annual Governance Statement. The Annual Governance Statement is the Council's comprehensive assessment of the governance arrangements and the internal control environment across all Council activities for the financial year ending 31 May 2013. It is signed and jointly owned by both the Chief Executive and Leader.

The Chairman of the Member Conduct Panel, David Munro (who is also an ex-officio member of the Committee), joined the Audit & Governance Committee meeting on 2 September 2013 for consideration of an Annual Review of Ethical Standards. Audit & Governance Committee has responsibility for monitoring the operation of the Code of Conduct and promoting advice and training on the Code, while the Member Conduct Panel deals with specific allegations of Member misconduct. The Chairman of the Audit & Governance Committee and the Chairman of the Member Conduct Panel are working closely to ensure that the two bodies have a joined-up approach to Member Conduct matters.

Making recommendations

The Committee has made a number of formal recommendations to Cabinet and the Council as well as drawing attention to matters of concern, without formal recommendation.

All recommendations, referrals to other individuals and bodies, and other actions (including requests for further information) are followed up through the use of a recommendations tracker which is reviewed at every meeting of the Audit & Governance Committee.

Wider Council engagement

Since 2009, an Audit & Governance Committee Bulletin has been produced. The Bulletin was originally introduced to help keep Members up-to-date with issues relevant to the Committee's remit between meetings. Over time the Bulletin has evolved to include more information such as updates from the Council's Finance, Policy & Performance and Adult Social Care services, as well as linking to useful websites. To help raise the profile of the Committee's work, the Bulletin is now published alongside agendas on the public website and is available on notice boards in County Hall.

Over the coming year, the Committee will raise the profile of its work further with the Council through inclusion within the Regulatory Committees Bulletin, to be circulated by email on a quarterly basis.

Public Engagement

A new Visitor's Guide was introduced during the year to give members of the public a better understanding of the Committee's terms of reference and how they can get involved.

6 TRAINING

Training and informal briefing sessions are offered to Members of the Committee to help develop them in their role. Throughout 2012/13 the following training or briefing sessions were held:

- **Induction**
A general induction to the terms of reference of the Committee was held following the elections and Annual Council meeting.
 - **Statement of Accounts 2012/13**
Officers took Members through the accounting policies and regulations so that they were able to scrutinise the accounts effectively at Committee.
-

7 NEXT YEAR'S FOCUS

The Audit & Governance Committee will continue to focus on reviewing and challenging the Council's arrangements with regards to risk management, corporate governance, internal and external audit and treasury management into 2013/14. It will also assess its own effectiveness once the new membership is settled and then report back to Council.

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AUDIT & GOVERNANCE COMMITTEE 2 December 2013

Progress Report – Property Asset Management System (PAMS)

PURPOSE OF THE REPORT: Progress Update

The purpose of this report is to provide an update on progress of the implementation of the Property Asset Management System (PAMS) that was introduced to the Committee in February 2013.

RECOMMENDATIONS:

The Committee is asked to:

- a) Note the progress made against the implementation plan and recognise the achievements to date.
- b) Note the revised project timescale for completion by 31 March 2014.
- c) Agree to receive a final update on the system once fully implemented in May 2014.

BACKGROUND:

Property Asset Management System (PAMS), and is an externally hosted web based system, called Atrium Property.

The Atrium system was procured jointly with Hampshire County Council and is being implemented in collaboration with them. The innovative Framework contract is open to in excess of 50 public sector organisations in the southeast including all SE7 partners and associated district and borough councils.

To date, three other local authorities have purchased Atrium through the Framework and are implementing the system designed and implemented by Surrey and Hampshire County Councils as lead partners.

The governance for the project is through a Surrey CC Project Board and a joint Surrey CC/Hampshire CC Programme Board with a small Project Team that work collaboratively to design and implement the system.

In June 2013, Atrium Software Limited were acquired by Manhattan Software Group a world leader in real estate and facility management software. This builds upon the resilience of the Atrium system.

INTRODUCTION:

PAMS provides a fully integrated property information system that will facilitate partnership working, bringing together property asset data, financial information, maps, spatial information from CAD plans, and document management. Good quality, consolidated property information is recognised as the key tool in driving value from the council's property assets and improving customer service.

The implementation of PAMS is across a number of phases which suits the modular based system and covers the full range of property management activities. The phases are based on joint agreed priorities for both Surrey and Hampshire County Councils. Details of all Phases and the modules within them can be seen in Appendix A.

At the time of the last update to Committee in February 2013, the project team were working on Phase 1A, and progressing phase 1B with a go live date scheduled for 2nd April 2013. The next section details progress since that last report.

PROGRESS:

Summary

The implementation of the Atrium system has been successful with the go-live date of 2nd April 2013 being met.. However, planning and implementing PAMS in partnership with Hampshire County Council has given rise to a number of challenges.

The timelines and priorities around deliveries of the two authorities started to diverge quite early on, and means that of the two partners we are the only one which is currently working with a live system.

For Surrey, benefits have already been achieved from the roll out of the functionality of Property Master Data, Property Helpdesk, Reactive, Planned and Cyclical Maintenance. The two main reactive maintenance contractors are now also using the system to pick up orders, process works and apply for payment through an end-to-end electronic procure to pay process. This has enabled us to improve service to our customers by freeing up more time for the Help Desk staff to take calls and has decreased the time taken from reporting a fault to the delivery of the service.

Greater visibility of project progress, and the use of workflow notifications and approvals, has enabled greater financial control over maintenance budgets. Progress of works can be monitored easily through detailed system-held information rather than on separate spreadsheets.

As part of this project, the opportunity was taken to review Property's business processes alongside the implementation of the new system. This has meant that embedding the system into these new processes has taken more time than originally estimated and thereby has contributed to a delay in the delivery of later phases and their functionality. However, it was recognised the importance of ensuring that what is delivered becomes the new business as usual not just a new system to use.

Despite the challenges to align the timescales and priorities between Surrey and Hampshire, we have forged a strong partnership bond at the project level. As a result Surrey has been able to move forward in implementing major areas of functionality of the new system where Hampshire has chosen not to at this time.

Overall, the Project is at an amber status as project timescales have slipped. Updated timescales taking us through to the end of the project have now been agreed with Hampshire CC and can be seen in Appendix A. The full implementation is planned for completion by 31 March 2014. Costs have been re-cut to allow for the changed delivery model and are still within agreed tolerances for the lifespan of the project. The benefits are already being realised, and these will increase over time as more of the system goes live and usage becomes embedded across the service.

The next section goes on to provide detailed progress under the following headers:-

1. Deliveries to-date
2. Current Work
3. Future deliveries
4. Benefits realisation

1. Deliveries to-date

The following table details the PAMS deliveries to date:

Stage	PAMS Module	Deliverable
1(a)	N/A	Base implementation of Development, UAT, Live and Training Platforms
1(a)	System Admin	Training for system administrators and key project staff
1(a)	System Admin	User management (setting up user authentication and roles)
1(a)	Portfolio Inventory	Property master data (Sites, Land, Buildings, Rooms).
1(a)	Portfolio Inventory	Procurement master data (including vendors and general ledger codes)
1(a)	Portfolio Inventory	Deployment of Budget Structure
1(a)	Occupancy Management	Property Help Desk/Request Management
1(a)	Works Delivery	Reactive Maintenance
1(b)	Works Delivery	Planned Programme Maintenance (Contracts & Projects)
1(b)	Works Delivery	Cyclical maintenance (Contracts & Projects)
1(b)	Works Delivery	SAP integration (Interface with SAP Finance and Payments system)
1 (b)	Works Delivery	Contractor Portal

1 (b)	Works Delivery	Asset/plant inventory loaded and used for managing cyclical maintenance inspections
1 (b)	Works Delivery	Schools Buyback – records held for each school in scheme
1 (b)	Planning & Performance	Set up of maintenance programmes
2	Works Delivery	Resource Management – recording operative time against activities
1(b)	Advanced Reporting	Advanced Reporting tools training received

As well as the deliverables listed above there have been other activities delivered that are a result of the shared nature of the system. A SE7 Service Panel has been created and processes defined to ensure there is coordination of changes to the system as new partners come on board.

The Surrey CC project team have also hosted demonstrations of the PAMS system for prospective partners who may be participating in the framework contract.

2. Current Work

The following deliverables are currently being progressed and will be rolled out through the next three-month period.

Stage	PAMS Module	Deliverable
2	Planning & Performance/Works Delivery	Project Management and Procurement for Construction Projects
2	Occupancy Management	Non-schools Customer Portal – access for customers to report building faults
2	Atrium Portal	Access to selected property information through a portal
2	Estates Management	Landlord/Tenant management (Managing rents, leases and other agreements, calculation and billing of service charges).
2	Estates Management	Recording of property acquisitions & disposals
2	Estates Management	SAP integration (Interface with Finance for collection and payment of rent & service charges)
2	Asset Assessment	Condition and other building surveys
2	Asset Assessment	Education Sufficiency & Suitability (inc. Calculation of net capacity assessments)
2	Asset Assessment	Health & Safety/Compliance - Asbestos, Legionella, DDA, Fire Safety, structural inspections, Electrical testing (specialist surveys)

3	Portfolio Inventory	Storing of building manuals and other reference files.
	Portfolio Inventory	GIS Integration with existing property data sets
	Portfolio Inventory	CAD floor plan integration (Interface for spatial data)

3. Future Deliveries

These remaining areas will go-live by the end of March 2014.

Stage	PAMS Module	Deliverable
3	Estates Management	Valuations
2	Estates Management	Business Rates and Council Tax
3	Planning & Performance	Performance Monitoring & Benchmarking (Inc. NaPPMI KPIs, whole life costing).
3	Works Delivery	Managed building related contracts. (Inc. Cleaning, Grounds Maintenance,
3	Works Delivery	Tree management.

4. Benefits Realisation

Some of the key benefits of PAMS are:

- A single source of accurate property information with potential for shared use of property data with partners
- Lower system maintenance costs, smarter procurement and various process efficiencies
- More efficient customer call handling (Helpdesk)
- Improved project and budget management including rents payable and receivable (in line with Internal Audit recommendations)
- Better assessment of property performance and tracking of vacant space, supports Asset Management planning
- Greater integration with Geographic Information System (GIS)

Benefits already being realised are:

- Improved call handling by the Property Help Desk who now use a single system to record details and place orders
- Automated electronic notifications to staff and customers at key work/approval stages thus creating a single audit trail and speeding up the process.
- Main Contractors using the system to receive orders and apply for payment – this means more efficient paperless processing
- Greater detail and ability to record and report building faults and associated financial tracking

CONCLUSION:

A Phase 1B Go-Live was achieved as planned with the main property asset register, maintenance modules and Property Help Desk going live on 2nd April 2013.

The full implementation of PAMS will deliver benefits that will improve customer service and help drive value from property assets. Benefits are already being achieved from the modules implemented so far.

Having a single source for the majority of property information will improve the efficiency of day to day property management.

The Project is currently at an amber status as project timescales have slipped since the delivery of phase 1B. Updated timescales taking us through to the end of the project have been agreed with Hampshire CC and can be seen in Appendix A.

The Committee are asked to note that the full implementation is planned for completion by 31 March 2014.

Financial:

There are no direct financial implications of this report. All financial implications of the PAMS project and any impact on the 2013/14 budget have been considered in the business case and are funded from the “invest to save” budget.

The project is on track with allocated budget of £90k. Spending is in line with that budget and not predicted to overspend. Current actual expenditure is £42.5k

Equalities:

There are no direct equality implications.

Risk Management:

Risks on the project are managed by the IMT Project Manager, in conjunction with the Senior User in Property Services, and through project governance and are recorded in the project Risk Register.

NEXT STEPS:

The PAMS implementation will continue, with Hampshire CC, through the planned phases (Annexe A). We are currently in Phase 2 and the functionality in that phase will be implemented by 31 January 2014.

To achieve future deliverables, work packages will be completed as defined in the PAMS project plan and appropriate staff will be trained.

Surrey and Hampshire County Councils will work with other interested local authorities that wish to buy from the contract and manage this through a newly formed Service Panel to ensure activities are coordinated.

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Sources/background papers: Annexe A PAMS Implementation Timeline

Audit & Governance Committee

PAMS Implementation Update - Timeline

www.surreycc.gov.uk

