

Notice of Meeting

Audit & Governance Committee



Date & time
Thursday, 29 May
2014
at 10.00 am

Place
Ashcombe Suite,
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: 24 MARCH 2014

(Pages 1
- 20)

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 (22 May 2014).
2. The deadline for public questions is seven days before the meeting (22 May 2014).
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

5 RECOMMENDATIONS TRACKER

(Pages
21 - 40)

To review the Committee's recommendations tracker.

6 EXTERNAL AUDIT - AUDIT PLAN SURREY PENSION FUND

(Pages
41 - 56)

Grant Thornton's Audit Plan outlines its audit strategy and plan to deliver the audit of the Pension Fund's 2013/14 financial statements.

7 COMPLETED INTERNAL AUDIT REPORTS

(Pages
57 - 98)

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 March 2014.

- 8 INTERNAL AUDIT ANNUAL REPORT 2013/14** (Pages 99 - 154)
- This report summarises the work of Internal Audit for the period 1 April 2013 to 31 March 2014, identifying the main themes arising from the audit reviews and the implications for the County Council. The Chief Internal Auditor reports key findings and recommendations arising from audits undertaken as part of regular reporting to this Committee on completed audits.
- 9 FULL-YEAR SUMMARY OF INTERNAL AUDIT IRREGULARITY INVESTIGATIONS AND ANTI-FRAUD MEASURES (APRIL 2013 - MARCH 2014)** (Pages 155 - 174)
- 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 between 1 April 2013 and 31 March 2014. This report complements and builds upon the half-year irregularity report presented to Audit and Governance Committee on 2 December 2013.
- 10 RISK MANAGEMENT ANNUAL REPORT** (Pages 175 - 200)
- This annual risk management report enables the committee to meet its responsibilities for monitoring the development and operation of the council's risk management arrangements. It also presents the latest Leadership Risk Register.
- 11 CODE OF CORPORATE GOVERNANCE** (Pages 201 - 220)
- The purpose of this report is to provide the Committee with an update on the changes made to the Code of Corporate Governance.
- 12 2013/14 ANNUAL GOVERNANCE STATEMENT** (Pages 221 - 228)
- This report presents the Annual Governance Statement, which provides an assessment of the council's governance arrangements for the financial year ending 31 March 2014.
- The annual review of governance and publication of an Annual Governance Statement is a statutory requirement of the Accounts and Audit Regulations 2011.
- 13 PROPERTY ASSET MANAGEMENT SYSTEM IMPLEMENTATION UPDATE** (Pages 229 - 234)
- The purpose of this report is to update the committee on progress with the joint Surrey CC and Hampshire CC implementation of the Manhattan Atrium Property Asset Management System (PAMS).
- 14 BRIEFING ON CIPFA'S 2013 EDITION OF AUDIT COMMITTEES: PRACTICAL GUIDANCE FOR LOCAL AUTHORITIES AND POLICE** (Pages 235 - 244)
- This briefing asks the committee to note the publication of CIPFA's revised and updated 2013 edition of *Audit Committees: Practical Guidance for Local Authorities and Police* and recommends that the committee undertakes a self-assessment of its effectiveness and a training needs analysis.

MOBILE TECHNOLOGY AND FILMING – ACCEPTABLE USE

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Thank you for your co-operation

MINUTES of the meeting of the **AUDIT & GOVERNANCE COMMITTEE** held at 10.00 am on 24 March 2014 at Committee Room C, 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 Tim Hall

Apologies:

Mr Will Forster

In Attendance

Denise Le Gal, Cabinet Member for Business Services

Cath Edwards, Risk & Governance Manager
Cheryl Hardman, Regulatory Committee Manager
Sue Lewry-Jones, Chief Internal Auditor

75/14 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies for absence were received from Will Forster. Hazel Watson substituted for Will Forster.

76/14 MINUTES OF THE PREVIOUS MEETING: 2 DECEMBER 2013 [Item 2]

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

77/14 DECLARATIONS OF INTEREST [Item 3]

There were none.

78/14 QUESTIONS AND PETITIONS [Item 4]

There were none.

79/14 RECOMMENDATIONS TRACKER [Item 5]**Declarations of Interest:**

None.

Witnesses:

Cath Edwards, Risk & Governance Manager

Kevin Kilburn, Deputy Chief Finance Officer

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

Key Points Raised During the Discussion:

1. In relation to R3/12 (Adult Social Care: Direct Payments), the Chairman informed the committee that he had reviewed the officer report to Adult Social Care Select Committee on Social Care Debt: Credit Balances. The report suggested that improvements had been made over the past year. As this is an ongoing problem, the committee would keep the issue under review. Members raised concern that direct debit payments had fallen slightly. It was felt that while it could not be made mandatory to repay debts via direct debit, a higher proportion of clients could be encouraged to set up direct debits. A report on social care debt was requested for the next meeting of the Audit & Governance Committee, with a focus on the use of direct debits (**Recommendations tracker ref: A1/14**).
2. In relation to A55/12 (Finance Dashboard), the Chairman reminded the committee that a second presentation on the finance dashboard had been arranged for Monday 31 March.
3. In relation to A33/13 (Ethical Standards), it was felt that the necessity for further information or reminders to Members should be reviewed.
4. In relation to A35/13 (Council Tax collection rates), the Deputy Chief Finance Officer updated the committee. He explained that an officer from Surrey County Council and Mole Valley District Council had been asked to review the reasons for the poor response to the request for monthly monitoring information on council tax and business rates collection. They concluded that the format of information the County Council was asking for could not easily be taken from existing sources of information. In some circumstances it required additional analysis and re-keying, so was seen as an additional burden. A new format was developed and the Surrey Treasurers have approved this in

principal, although on a quarterly rather than monthly basis. The district and boroughs revenue managers are meeting in early April to determine how to enact this revised format.

5. In relation to A40/13 (tree stumps), Members considered whether a policy on tree stumps needed to be developed. The Chairman suggested that the development of such a policy would be the responsibility of the Environment & Economy Select Committee and the relevant portfolio holder. He offered to pass the letter from the Cabinet Member for Transport, Highways and the Environment to Hazel Watson (**Recommendations tracker ref: A2/14**).
6. In relation to A41/13 (Fraud Guidance), officers confirmed that fraud at Academy Schools and the auditing of those schools was the responsibility of the Academies, with oversight from the Department for Education and not from the County Council. Members requested that references to the police within Babcock 4S' guidance to schools be made more robust, particularly with regard to fraud (**Recommendations tracker ref: A3/14**).
7. In relation to A45/13 (attendance figures), Members raised concerns about the low level of attendance by Priority 1 services at meetings and workshops arranged by the Council Risk and Resilience Forum. The Risk & Governance Manager assured the Committee that improving attendance by Priority 1 services was a focus for the Forum. The Emergency Management Team is helping services to understand about the importance of business continuity planning on an individual basis but attendance at meetings and workshops continues to be poor. Feedback is being sought to understand the reasons behind poor attendance. The Risk Management Annual Report in May 2014 would include feedback data. The Risk & Governance Manager confirmed that those officers invited to attend meetings and workshops were at the operational risk level and so not senior managers. She also confirmed that previously meetings had been held at County Hall but that from this year the venue was being rotated around various locations in Surrey. The Chairman asked that the committee's concern be noted and asked that the Risk & Governance Manager and the Chief Finance Officer address poor attendance as a priority (**Recommendations tracker ref: A4/14**).

Actions/Further information to be provided:

The recommendations tracker to be updated to reflect the discussion, as noted above.

RESOLVED:

- a. That the recommendations tracker was noted and the committee agree to remove pages 22-26 of the tracker as the actions were completed.

Committee Next Steps:

None.

80/14 EXTERNAL AUDIT - AUDIT PLAN FOR SURREY COUNTY COUNCIL (YEAR ENDED 31 MARCH 2014) [Item 6]

Declarations of Interest:

None.

Witnesses:

Andy Mack, Engagement Lead (Grant Thornton)

Kathryn Sharp, Audit Manager (Grant Thornton)

Kevin Kilburn, Deputy Chief Finance Officer

Nikki O'Connor, Finance Manager (Assets & Accounting)

Key Points Raised During the Discussion:

1. The Engagement Lead introduced the Audit Plan for Surrey County Council.
2. In response to a question over whether agreement has now been reached on the correct accounting for Academy Schools, the Audit Manager informed the Committee that a consultation document on the proposed accounting treatment had just been published. The final Guidance will not be published until 2015/16. However, Grant Thornton was happy with Surrey's approach to accounting for Academy Schools. The Finance Manager (Assets & Accounting) informed the Committee that this year an additional disclosure note would be included in the Accounts for schools which are not on the balance sheet. She explained that the asset values of those schools which had just become Academies had only recently been re-valued, but a desk-top review to re-value schools which had previously had Foundation status was being undertaken. The inclusion of this disclosure note was not a requirement in the Code of Practice at present. In response to a further question, the Finance Manager (Assets & Accounting) also explained that the County Council owns the land for community and voluntary aided schools but not for academies, foundation schools or voluntary controlled schools.
3. Members asked how materiality is measured. The Engagement Lead explained that there are two ways to measure materiality: through the use of a numerical calculation; through including context, eg what is particularly sensitive such as the remuneration of senior officers.
4. The Engagement Lead clarified that the risks identified in the Audit Plan are not specific to Surrey but are general for all local authorities of this size and focus on the material items in the accounts.
5. The Engagement Lead explained that the term 'foreseeable future' generally equates to 12 months from the date of the published opinion. However, the Audit would be broader than that, testing resilience over a three to five year period.
6. The Engagement Lead clarified that the impact of the 2013/14 changes to the Local Government Pension Scheme in relation to the audit for 2013/14 referred to automatic enrolment and amendments to IAS19 which will impact the pension scheme disclosures in the Statement of Accounts.
7. It was confirmed that the Audit Plan is very similar to the previous year's plan. There is continuity year on year as the work builds on the work previously undertaken and the material items continue to be the same.

8. As the Plan stated that it would follow up progress the Council has made in implementing the recommendations raised in Grant Thornton's 2012/13 Financial Resilience Report, the Chairman requested a reminder of what the recommendations were and what progress had been made. The Deputy Chief Finance Officer reminded Members that the recommendations concerned the adequacy of planning assumptions over the longer term given the scale of the challenge faced by the local authority sector and the general understanding of the financial environment. Steps forward have been taken in both areas and officers await the outcome of the 2013/14 review to see if the auditors agree that progress has been made.

Actions/Further information to be provided:

None

RESOLVED:

That the Committee notes the work that Grant Thornton plans to undertake to deliver the audit and issue its value for money conclusion.

Committee Next Steps:

The Committee will receive the findings of Grant Thornton's audit in July 2014.

81/14 EXTERNAL AUDIT - CERTIFICATION OF CLAIMS AND RETURNS [Item 7]

Declarations of Interest:

None.

Witnesses:

Andy Mack, Engagement Lead (Grant Thornton)
Kathryn Sharp, Audit Manager (Grant Thornton)

Kevin Kilburn, Deputy Chief Finance Officer

Key Points Raised During the Discussion:

9. The Audit Manager introduced the report, explaining that Grant Thornton had certified two claims and returns for the financial year 2012/13. These were for the Teachers Pensions Return and Walton Bridge.
10. Members queried the terminology of honoraria in schools. The Deputy Chief Finance Officer confirmed that schools are not allowed to pay honoraria. They are allowed to pay recognition awards. There had been a box on the pensions form which allowed schools to erroneously categorise payments as honoraria. This has now been removed.

Actions/Further information to be provided:

None.

RESOLVED:

That the Committee notes the findings from Grant Thornton's work.

Committee Next Steps:

None.

82/14 EXTERNAL AUDIT - GRANT THORNTON FINANCIAL RESILIENCE REPORT [Item 8]

Declarations of Interest:

None.

Witnesses:

Andy Mack, Engagement Lead (Grant Thornton)

Kathryn Sharp, Audit Manager (Grant Thornton)

Key Points Raised During the Discussion:

1. The Audit Manager introduced Grant Thornton's national report on Financial Resilience and highlighted the inclusion of Surrey County Council as a good practice case study.
2. Members asked if Grant Thornton had any innovative ideas with regard to additional sources of revenue. The Chairman informed the Committee that Grant Thornton had produced a separate report on alternative delivery models. It was requested that this be circulated to members of the Committee (**Recommendations tracker ref: A5/14**).
3. The committee congratulated the authors of the report for a well-written and clear document.
4. Members queried why it appeared that unitary councils and metropolitan district councils appeared to have higher levels of amber and red ratings. It was suggested that many of those Councils were located in the North of England and that this may have skewed the results.
5. In response to a question, the Audit Manager explained that transparency in reporting savings was listed as a risk because of the challenges associated with identifying savings to specific departments and the potential for departments to report on savings that have been achieved but were not planned for which can potentially mask the non-achievement of planned savings.
6. Members queried if there was anything further that could be done to prevent capital programme underspends. The Engagement Lead explained that this was a perennial problem in local authorities. It can take time to implement schemes. This year, the flooding will have further delayed some schemes.

Actions/Further information to be provided:

The Grant Thornton report on alternative delivery models to be circulated to the Committee.

RESOLVED:

That the Committee notes the findings of Grant Thornton's review and the citing of Surrey County Council as a good practice case study.

Committee Next Steps:

None.

83/14 STREAMLINING AND SIMPLIFYING THE STATEMENT OF ACCOUNTS [Item 9]

Declarations of Interest:

None.

Witnesses:

Nikki O'Connor, Finance Manager (Assets & Accounting)

Key Points Raised During the Discussion:

1. The Finance Manager (Assets & Accounting) introduced the report on streamlining and simplifying the Statement of Accounts. This had been requested at the previous meeting of Audit & Governance Committee and was a recommendation from Grant Thornton in their Audit Findings report for 2012/13.
2. Members agreed that the aim of streamlining and simplifying the Accounts was a good one.
3. In response to query about the proposed removal of the Heritage Assets Disclosure Note, officers clarified that the balance of the Heritage Assets would still be disclosed on the face of the balance sheet and only the specific disclosure note would be removed. The note was mainly a narrative and as the balance on the balance sheet was immaterial there was not felt the need to include a specific disclosure note on this amount. It was noted that the disclosure notes on fixed assets still remained substantial.
4. Members queried whether the presentation of the Statement of Accounts would be reviewed to make it more attractive to read. The Finance Manager (Assets & Accounting) explained that the streamlining and simplifying process would be iterative, over a number of years. The first task was to 'de-clutter' and there were plans to try to improve comprehensibility and use more graphical/visual representations in the future but that it was unlikely that this would be addressed this year. The intention was for there to be an ongoing process of improvement.
5. Officers informed Members that proofreading a lengthy document in a short period of time was challenging but that there would be an additional level of checking before the Statement of Accounts is published for 2014/15.
6. Officers confirmed that having an audited set of accounts earlier in the financial year would allow them to be included in the Annual Report of the Council which would be presented to the Committee in July.
7. Officers would work closely with Grant Thornton when reducing the Financial Instruments Note.
8. Members expressed some concern about removing the Trust Funds Disclosure Note as it offered an opportunity to record stewardship of those funds. The Finance Manager (Assets & Accounting) explained that Grant Thornton had highlighted that note as one which could be removed. None of the figures in the note related to the Council's accounts and so could be confusing. Other local authorities take varied approaches to trust funds. Hertfordshire's approach was cited, which was to not include a full note but to signpost to the trust funds.

Actions/Further information to be provided:

None.

RESOLVED:

That the suggested changes to the disclosure notes be adopted for the 2013/14 Statement of Accounts, subject to the re-inclusion of a note signposting readers to trust funds for whom the Council acts as a trustee.

Committee Next Steps:

None.

84/14 2013/14 REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT [Item 10]**Declarations of Interest:**

None.

Witnesses:

Sue Lewry-Jones, Chief Internal Auditor

Key Points Raised During the Discussion:

1. The Chief Internal Auditor introduced the report and highlighted recommendation 19 from the 2013/14 review of Internal Audit's effectiveness. The required assurance mapping exercise would be a large piece of work which would identify where senior management can obtain assurance that controls to mitigate risks are in place. The Chief Internal Auditor explained the "Three Lines of Defence" model for sourcing of assurance – ranging from key financial systems controls through to independent external reviews. The assurance map should not be owned by Internal Audit but by CLT and so buy-in would be sought. It was also intended that this not become a massive future house-keeping chore. Members suggested that the Chief Internal Auditor would need support to undertake this work.
2. There was a discussion with regard to Cabinet awareness of internal audit investigations. While Members felt that Members should take responsibility for knowing what is happening in their portfolio services, officers said that they would look at how improvements could be made to the briefing of Cabinet Members (**Recommendations tracker ref: A6/14**).
3. There was some concern expressed about eligible audit reports not being considered by select committees. The Chairman confirmed that a process was in place to encourage select committees to look at reports with an audit opinion of 'unsatisfactory' or 'major improvement needed' and also at reports with high priority recommendations. However, he cited the election of the new Council and the need for committees to re-establish themselves as a reason why some audit reports had not been taken to select committees. He also pointed out that select committees are free to set their own agenda. He said that there would be concern if eligible audit reports are not now scrutinised by a select committee during 2014/15.
4. The Chairman clarified that, unless confidential, Audit Reports were subject to the Freedom of Information Act. A summary of the reports is already in the public domain through the Audit & Governance Committee papers and if there are particular concerns a full report could be brought to committee.

5. Members asked why more time had been requested for Heads of Service to brief their Portfolio Holder and Strategic Director before Internal Audit reports are circulated. The Chief Internal Auditor explained that one Head of Service had requested this. The request would be considered but Heads of Service are usually expected to brief relevant people before the sign-off on the Management Action Plan.

Actions/Further information to be provided:

The Chief Internal Auditor to look at how improvements could be made to the briefing of Cabinet Members about internal audit investigations.

RESOLVED:

That the Committee notes the findings of the 2013/14 Review of Effectiveness of the System of Internal Audit.

Committee Next Steps:

None.

85/14 COMPLETED INTERNAL AUDIT REPORTS [Item 11]

Declarations of Interest:

None.

Witnesses:

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

Key Points Raised During the Discussion:

1. The Chief Internal Auditor introduced the report and highlighted the follow-up review of Care Homes – Managing Residents' Monies which now had an audit opinion of 'effective'. She also informed the committee that all reports with high priority recommendations were being reviewed by select committees which suggests that the process is now working.
2. A Member suggested that the recorded financial return from the smallholding portfolio was small. The Chairman informed the Committee that a Member Reference Group from Environment & Transport Select Committee would be considering the smallholdings (rural estate) audit report as part of its work. Members requested to see the terms of reference for that Group (**Recommendations tracker ref: A7/14**).
3. There was a suggestion that local authority appointed governors could be a useful source or audience for audit-related activities. However, the Chairman noted that once an individual is appointed to a governing board, they have the same powers and duties as other governors. They should not necessarily be targeted with or for particular information.
4. Members enquired whether it was possible to get rid of the trust funds for which it acts as trustee. The Deputy Chief Finance Officer informed the Committee that a couple of trust funds had been transferred to Surrey Community Foundation. That body was able to administer the funds better to ensure that the aims of the trust are met.

5. The Lead Auditor clarified that complaints from Adult Social Care were not being under-recorded or under-reported to CLT. The discrepancies were due to a timing issue. Complaints were not uploaded to the Performance Plus system until they were resolved which led to some discrepancies between information on the ASC master complaints spreadsheet and the report to CLT.

Actions/Further information to be provided:

None.

RESOLVED:

That the Committee notes the report.

Committee Next Steps:

None.

86/14 INTERNAL AUDIT PLAN 2014/15 [Item 12]

Declarations of Interest:

None.

Witnesses:

Sue Lewry-Jones, Chief Internal Auditor

Key Points Raised During the Discussion:

1. The Chief Internal Auditor introduced the report and tabled a revised version of the Internal Audit Plan (attached as Annex 1). The revisions enabled the inclusion of the Property Investment Strategy in the Plan as it is of high interest to the organisation. To accommodate this, a reduced number of days has been allocated to Contract Reviews and to Irregularity and Special Investigations including Fraud Prevention.
2. The Chief Internal Auditor confirmed that she expected to be sufficiently resourced to deliver the Internal Audit Plan. In response to questions about the need to replace senior auditors, the Chief Internal Auditor informed the Committee that she had successfully recruited a skilled Auditor to fill the current vacancy, who would be starting on 7 April 2014. Diane Mackay, Audit Performance Manager, would be leaving at the end of April 2014. She had a huge amount of knowledge, especially on Highways issues. The Chief Internal Auditor had responded as soon as she had received the letter from Diane Mackay signalling her intention to retire. Recruitment to fill this upcoming vacancy was underway, with interviews taking place over the course of the current and following week. There may be a lag on the implementation of the Plan but this could be managed and it was anticipated more traditional financial audit work would be undertaken in the second part of the year. If necessary, agency staff could be brought in to support these more traditional audits. Other mitigating actions include cross-skilling other members of the team, ensuring a proper handover, and the collation of the senior auditors emails in Galileo in order to retain corporate memory.

3. In response to a query about whether any issues arising from the recent floods are reflected in the Plan, the Chief Internal Auditor clarified that the Plan just indicates an intended work plan. However, it was understood that different factors can affect the Plan during the course of the year. For example, Operation Horizon will have been affected by the floods. Discussions will be held with the relevant Head of Service as to how this will affect the timing of the audit. The Chief Internal Auditor also highlighted the proposed audits of Business Continuity Planning and Emergency Management. This had been requested by the relevant Head of Service but it had emerged that a Member Reference Group may be looking at these areas. If this is the case then Internal Audit will not want to duplicate the work. She requested that Members feed any information they have about upcoming audit areas to her.
4. The Chief Internal Auditor confirmed that the budget allocation to Internal Audit was mainly for staff costs, although some was for resources such as stationery and IT. The budget had been adjusted downwards from 2013/14 in response to the service running at a slight surplus.

Actions/Further information to be provided:

None.

RESOLVED:

That the Committee APPROVES:

- i. The Internal Audit Charter
- ii. The Internal Audit Strategy
- iii. The Internal Audit Reporting and Escalation Policy
- iv. The Internal Audit Quality Assurance and Improvement Programme
- v. The 2014/15 Internal Audit Plan.

Committee Next Steps:

Completed audit reports will continue to be presented to the Committee throughout the year and an update on performance against the 2014/15 Plan will be reported to the Committee in December.

87/14 TRANSPORT FOR EDUCATION: MAP PROGRESS [Item 13]

Declarations of Interest:

None.

Witnesses:

Sue Lewry-Jones, Chief Internal Auditor
Siva Sanmugarajah, Lead Auditor

Tracey Coventry, Transport Co-ordination Team Manager
PJ Wilkinson, Assistant Director for Schools & Learning

Zully Grant-Duff, Chairman of Children & Education Select Committee, was in attendance

Key Points Raised During the Discussion:

1. The Chairman reminded the committee that the Chairman of Children & Education Select Committee had been asked to monitor the progress of the Transport for Education Management Action Plan. The Chairman of Children & Education Select Committee confirmed that she had met with officers to understand the background to the audit and the progress that has been made since. She had requested that officers prepare a context briefing for the Committee which was attached to the agenda papers. The Assistant Director for Schools & Learning and the Transport Co-ordination Team Manager acknowledged the cost, complexity and challenges associated with Transport for Education, particularly for SEN. The Assistant Director for Schools & Learning disagreed with the audit recommendation that SEN officers be present at the annual review by the schools of the SEN children which covers their payment. This review was between the school and the child's parents and would be time-consuming for SEN officers to be present at each one. The Transport Co-ordination Team Manager highlighted the introduction of a new Transport system which was to go live in April 2014. This would be more fit-for-purpose, simpler and quicker to use. There would be better reporting of financial data to services. Staff could therefore concentrate on route reviews, retendering etc to bring costs down.
2. Members queried how parents could input information such as children being in hospital, therefore avoiding transport being provided unnecessarily. The Transport Co-ordination Team Manager informed the committee that a 'general communication form' would be expected from the Schools & Learning Service. However, the driver will also often be aware of any upcoming changes and can also feed this back to the Transport Co-ordination Centre (TCC). If a child is sick before school that would have to be dealt with once known. Where a child needs to leave school during the day, transport will be arranged if the case officer requests it.
3. The Chairman asked what the alternative to SEN officers being present at SEN reviews would be in order to achieve the same required outcome. The Assistant Director for Schools & Learning suggested that the status quo was an alternative option. The Transport Co-ordination Team Manager also highlighted the change to the current system which has made an end date for transport provision a mandatory field. The TCC can regularly run a report with upcoming end dates and send it to SEN officers to see if transport has been reviewed. The Assistant Director for Schools & Learning confirmed that transport would stop at the end date unless a request is put in for the transport to continue. There was some concern expressed by members of the Committee and the Chairman of Children & Education Select Committee that the introduction of an end date was simplistic and would not deliver the necessary outcome. Officers suggested that complexity can make people disengage and that simple rules were more enforceable.
4. Officers confirmed that transport was provided to Surrey pupils rather than to schools. Therefore pupils attending academy schools and even those at a school outside Surrey could be eligible. Mainstream policy is to not pay for transport if there is a closer school with space.

5. The Chairman of Children & Education Select Committee suggested commissioning officers to conduct a pilot process review of one quadrant to identify what can be done to improve the system, how risks can better controlled etc. The Assistant Director for Schools & Learning suggested that a complete solution was probably unlikely but that improvements could probably be identified from a pilot review. The Committee was supportive of this. The Assistant Director for Schools & Learning volunteered the South East area for a pilot review but requested that it begin work after 1 September 2014 when the new Special Educational Needs Code of Practice comes into force (**Recommendations tracker ref: A8/14**).

Actions/Further information to be provided:

Officers from Environment & Infrastructure and Children, Schools & Families directorates to jointly conduct a pilot process review of Transport for Education in the South East area after 1 September 2014.

RESOLVED:

That the Committee notes the actions taken/planned by officers to address the concerns raised in the audit review completed in March 2013.

Committee Next Steps:

None.

88/14 LEADERSHIP RISK REGISTER [Item 14]

Declarations of Interest:

None.

Witnesses:

Cath Edwards, Risk & Governance Manager

Key Points Raised During the Discussion:

1. The Risk & Governance Manager introduced the report and informed the committee that some of the committee's proposed amendments from the last meeting were already in place in the Risk Register and other changes were being proposed to the Continual Improvement Board next week. For example, it was being proposed that L4 IT Systems be changed to a Cyber Risk. This had been agreed with the Head of IT. It would still be rated a high risk although discussions would take place later on to consider if the risk rating can be reduced.
2. Risk L17 (Supply Chain/Contractor Resilience) had been an emerging risk for a while at directorate level but had now been escalated to the Leadership Risk Register. Procurement was classifying suppliers with the Emergency Management Team.

Actions/Further information to be provided:

None.

RESOLVED:

That the Committee notes the report.

Committee Next Steps:

None.

Dennis Fuller left at 1.10pm.

89/14 WHISTLE BLOWING UPDATE [Item 15]

Declarations of Interest:

None.

Witnesses:

Abid Dar, Equality & Diversity Manager

Jackie Brazier, Senior HR Advisor – Employee Engagement and Relations

Key Points Raised During the Discussion:

1. The Senior HR Advisor introduced the report.

Actions/Further information to be provided:

None.

RESOLVED:

- i. That the Committee notes the progress outlined in the report.
- ii. That the Committee approves the promotional activities and preventative measures in section 8 of the report.
- iii. That it approves future reporting to the Committee on whistle-blowing being conducted on an annual basis in March.

Committee Next Steps:

None.

90/14 DATE OF NEXT MEETING [Item 16]

The date of the next meeting was noted.

Meeting ended at: 1.15 pm

Chairman

Internal Audit

Surrey County Council

DRAFT Internal Audit Plan 2014/15

	Risk Score*	Audit Days 2014/15	Audit (2013/14 Audit Days)
Corporate Governance Arrangements			
CRSA and S151 responsibilities	MAN	75	(40)
Risk Management	MAN		
AGS - Internal Audit Opinion	MAN		
Information Governance	MAN		
Organisational Ethics	MAN		
Key Financial and Non Financial Systems			
SAP Application controls - policy, roles and access	99	200	(200)
Accounts Payable	99		
Capital Expenditure Monitoring	97		
Payroll	97		
Accounts Receivable	96		
Revenue Budget Control	94		
Treasury Management	94		
General Ledger	93		
Financial Assessments and Benefits	90		
Pension Administration	85		
Pension Fund Investments	77		
Grants			
Government Grants	MAN	30	(20)
EU Grants	MAN		

*MAN = Mandatory

Internal Audit

Surrey County Council

DRAFT Internal Audit Plan 2014/15

	Risk Score*	Audit Days 2014/15	Audit Days (2013/14)
Contract Reviews		135	(120)
Agency Staff Contract	82		
Contract Management Framework - Procurement Savings	79		
Highway Contract – Safety Defects and Inspections	79		
Superfast Broadband	77		
Bus Operating Contracts	75		
Walton Bridge Final Account	74		
Adult Social Care		135	(135)
LA Trading Company - ASC	89		
Deputyship	86		
Better Care Fund	85		
AIS Care assessment process	82		
Telecare	79		
ASC Commissioning Procurement Portal	77		
Care Bill Preparedness	74		



DRAFT Internal Audit Plan 2014/15

	Risk Score*	Audit Days 2014/15	Audit Days (2013/14)
Business Services		230	(298)
Carbon Reduction Scheme & GHG	MAN		
Public Service Network	80		
Management of CITRIX systems	79		
UNICORN	79		
Apprenticeship Scheme	79		
Absence Management	77		
Property Investment Strategy	76		
Property Asset Management (PAMS)	76		
Managed Print Service	76		
LA Trading Company - Governance arrangements	76		
Grants to Voluntary Bodies	75		
Customers and Communities		55	(75)
SFRS Operational Assurance Process	78		
Community Learning	76		
Domestic Abuse	75		



Internal Audit

Surrey County Council

DRAFT Internal Audit Plan 2014/15

	Risk Score*	Audit Days 2014/15	(2013/14 Audit Days)
Chief Executive's Office		115	(75)
Health and Wellbeing Board	80		
Business Continuity Planning	78		
VCFS Framework	78		
Public Health	77		
Emergency Management	76		
Member Interests	75		
Children's Schools and Families		230	(230)
Schools compliance	88		
School Planning/Admissions	82		
Children's Safeguarding QA process	78		
Corporate Parenting Board	78		
Foster Care	78		
Local Safeguarding Boards	75		
Looked After Children - Personal Monies	75		
Direct Payments (Children's)	75		



Page 18



Page 18

DRAFT Internal Audit Plan 2014/15

	Risk Score*	Audit Days 2014/15	(2013/14 Audit Days)
Environment and Infrastructure			
Operation Horizon	80	100	(130)
Transportation Co-ordination Centre - new system	79		
Streetworks Permit Scheme	79		
Waste Management and Minimisation	79		
Local Sustainable Transport Fund	77		



Follow-up Audits including:

- Social Care Debt
- Looked After Children – Health & Dental Checks
- Special Schools – In-house Residential
- Transport for Education

60 (50)

ANNEX E

Surrey County Council

Internal Audit

DRAFT Internal Audit Plan 2014/15

	Risk Score*	Audit Days 2014/15	(2013/14 Audit Days)
Client Support and Service Liaison		156	(136)
Innovation Support/Follow-up		30	(50)
Irregularity and Special Investigations including Fraud Prevention		335	(345)
NFI - Support to Other LAs			
Irregularity Contingency			
Anti Fraud and Data Interrogation			
NFI Data Matching Exercise			
Internal Management, Corporate Support and Organisational Learning		294	(294)
Audit & Governance Support			
Member support			
Audit Planning			
Audit Management			
Corporate Support Activities			
Total Audit Days		<u>2180</u>	<u>(2228)</u>

*MAN = Mandatory



**Audit & Governance Committee
29 May 2014**

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 **Annex A**, and the Committee is asked to review progress on the items listed.

The Committee's information bulletin which was circulated by email on 12 May 2014 is attached as **Annex B**.

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>Direct Payments</p> <p>Adult Social Care Select Committee reviewed the Direct Payments audit report and has continued to monitor the situation and to lead improvements to the assessment process. Internal Audit is also monitoring progress on the Management Action Plan to address the Direct Payments audit findings.</p> <p>Social Care Debt</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> <p>On 6 March 2014, Adults Social Care Select Committee reviewed the Social Care Debt: Credit Balances Internal Audit report as part of a wider look at social care debt. The Chairman reported back to committee on 24 March 2014.</p> <p>A report on social care debt, along with the findings of an ongoing audit of social care debt is on the agenda for 31 July 2014.</p>

Audit & Governance Committee Recommendations Tracking

Recommendations (ACTIONS)

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
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.
A35/13	02/12/13	Recommendations Tracker	The Chairman agreed to write to the Leader of the Council about concerns over the sharing of data on Council Tax and Business Rates collection	Chairman	<p>A letter was sent to the Leader of the Council, dated 19 December 2013. A response was received dated 7 January 2014.</p> <p>On 24 March 2014, the committee was updated on an officer review of the poor response to the request for monthly data. A new, quarterly format had been developed and would be considered by borough and district revenue managers in April 2014.</p>

Audit & Governance Committee Recommendations Tracking

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
A3/14	24/03/14	Recommendations Tracker	References to the police within Babcock 4S' guidance to schools be made more robust, particularly with regard to fraud.	Chief Internal Auditor	<p>Internal Audit have requested that the following two paragraphs be included under the existing information in Section 2.17 Fraud (Surrey Scheme for Financing Schools)</p> <p style="color: blue;">“School staff should notify Surrey County Council Internal Audit (Telephone 020 8541 9190) of any matter coming to their attention that involves or is thought to involve corruption or financial irregularity. In addition the council expects the police are made aware of, and investigate independently, any offence where material financial impropriety may have occurred.</p> <p style="color: blue;">The link to the council's strategy against fraud and corruption and the confidential hotline telephone number for whistleblowing can be found in Section D of the Schools' Finance Manual”.</p> <p>Before amending the Scheme, the LA must consult every maintained school and then seek the approval of the Schools Forum. It is anticipated that this additional wording will be considered by the Schools Forum at their next meeting in early July.</p>
A6/14	24/03/14	2013/14 Review of the Effectiveness of the System of Internal Audit	The Chief Internal Auditor to look at how improvements could be made to the briefing of Cabinet Members about internal audit investigations.	Chief Internal Auditor	The Chief Internal Auditor to report back.

Audit & Governance Committee Recommendations Tracking

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
A8/14	24/03/14	Transport for Education – Management Action Plan Progress	Officers from Environment & Infrastructure and Children, Schools & Families directorates to jointly conduct a pilot process review of Transport for Education in the South East area after 1 September 2014.	Assistant Director for Schools & Learning Transport Co-ordination Centre Manager	To be scheduled after 1 September 2014.

Completed Recommendations/Referrals/Actions – to be deleted

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
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	<p>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.</p> <p>The 2013/14 Annual Governance Statement will be considered at the meeting on 29 May 2014.</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. The Committee was invited to attend a presentation being given on 30 January 2014 to Council Overview and Scrutiny Committee on the Finance Dashboard. Given the small numbers who were able to attend the presentation, a further presentation was arranged for 31 March 2014.</p>
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	The areas for improvement were considered during the discussion on Grant Thornton's Financial Resilience Report on 24 March 2014. Progress on the areas for improvement will also be picked up as part of the annual audit programme.

Audit & Governance Committee Recommendations Tracking

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
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 to declare gifts and hospitality in the lead up to Christmas.	Monitoring Officer	On 24 March 2014, it was suggested that the necessity for further information or reminders to Members be reviewed. This has been done and an email reminder of Member's responsibilities on registering interests was circulated to all Members on 13 May 2014.
A46/13	02/12/13	Risk Management Half Year Report	The risk descriptions and controls for Risk L1 (Medium Term Financial Plan), Risk L4 (IT Systems) and Risk L7 (Waste) to be developed.	Risk and Governance Manager	The Risk and Governance Manager updated the Committee on 24 March 2014.
A49/13	02/12/13	Progress Report – Property Asset Management System (PAMS)	To receive a final update on PAMS once fully implemented in May 2014.	Performance Manager	A report is on the agenda for 29 May 2014.
A1/14	24/03/14	Recommendations Tracker	A report on social care debt to be scheduled for 29 May 2014. To include a focus on direct debits.	Strategic Finance Manager, Adult Social Care	A report is on the agenda for 29 May 2014.

Audit & Governance Committee Recommendations Tracking

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
A2/14	24/03/14	Recommendations Tracker	To forward the letter from the Cabinet Member for Transport, Highways and the Environment on tree stumps to Hazel Watson.	Chairman	The Chairman forwarded this on 7 April 2014.
A4/14	24/03/14	Recommendations Tracker	The Risk & Governance Manager and the Chief Finance Officer to prioritise the improved attendance at Council Risk and Resilience Forum meetings by Priority 1 services and report back to the committee.	Risk & Governance Manager Chief Finance Officer	This is addressed in the Risk Management Annual Report which is on the agenda for 29 May 2014.
A5/14	24/3/14	External Audit – Grant Thornton Financial Resilience Report	The Grant Thornton report on alternative delivery models to be circulated to the Committee.	Grant Thornton	The report was circulated to the committee by email on 27 March 2014.
A7/14	24/03/14	Completed Internal Audit Reports	The terms of reference for the Environment & Transport Select Committee Member Reference Group which will be looking at the smallholdings (rural estate) audit report to be circulated to Audit & Governance Committee.	Regulatory Committee Manager	The terms of reference for the Member Reference Group was circulated with the May edition of the Committee bulletin.

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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.

Contents	Page No.
1. Update from previous Audit & Governance Committee meetings	1
2. Internal Audit update	3
3. Social Care Debt update	3
4. Further information	6
5. Updates from other Committees	8
6. Upcoming	9
7. Committee Contact Details	10

Update from previous Audit & Governance Committee meetings

Environment & Transport Select Committee: Countryside Management Member Reference Group	<p>On 24 March 2014, the Audit & Governance Committee asked to see the terms of reference of the Countryside Management Member Reference Group when informed that the Group would be considering the smallholdings (rural estate) audit report as part of its work. The terms of reference are attached below.</p> <p>The Scrutiny Officer has confirmed that the smallholdings (rural estate) will be covered under the objective 'advising on how the rest of the property portfolio should be managed'. He has also confirmed that the audit report has been circulated and considered as part of the methodology of the project.</p>
Alternative Delivery Models	<p>On 24 March 2014, the Committee requested sight of the Grant Thornton report on alternative delivery models in local government. This is attached below.</p>

<p>The waiving of Procurement Standing Orders</p>	<p>On 31 March 2014, the Committee received a presentation on data analytics. During the session, Members requested information on procedures for waiving Procurement Standing Orders. Gary Kandinsky, Lead Auditor has sent the following response:</p> <p>“Please find attached, an extract from the Procurement Standing Orders (PSOs) that relates to the procedural need for waivers, their routing; and the limitations on those requests.</p> <p>Waivers and emergencies</p> <p>These Orders are mandatory and must be adhered to at all times, so Waivers are only granted in exceptional circumstances and cannot be given if they would contravene the Public Contracts Regulations 2006 or any other applicable legislation.</p> <p>In any remaining exceptional circumstances you must obtain approval in writing prior to progressing with your purchase, as follows:</p> <p>Where the aggregate purchase value is for less than £100,000 a Procurement Category Manager or above may grant a waiver to these Orders. This will be very much the exception; opportunities must normally be advertised to the market via the Buying Solutions Team in Shared Services.</p> <p>Where the aggregate value of the purchase is for £100,000 or more the Procurement Review Group (PRG) must ratify the waiver. In certain circumstances the PRG may refer the waiver request to the Cabinet for further approval. No waiver is granted retrospectively; this is viewed as non-compliance with these Orders and is reported to PRG.</p> <p>It is important to note that a waiver can only be made with respect to these Orders. A waiver cannot be made with respect to the council’s obligations under the Public Contracts Regulations 2006 or any other legislation.</p> <p>Procurement maintains a log of all waivers approved by Procurement and by PRG”.</p>
<p>Useful resources</p>	<p>At the session on data analytics, Lyle Lumsden, IMT Auditor, mentioned some relevant resources which the committee may wish to access.</p> <p>Report to the Nations on Occupational Fraud and Abuse by the Association of Certified Fraud Examiners is an American publication.</p> <p>The National Fraud Authority's Annual Fraud Indicator Report 2013 is a UK publication which details public sector fraud exposure.</p>

Internal Audit update

Current Audits	<p>The following audits are currently in progress:</p> <ul style="list-style-type: none"> • Accounts Payable • Revenue Budget Control • Capital Expenditure Monitoring • Finance Dashboard • Risk Management • Short Stay Schools • Social Care Debt • Operation Horizon • AIS assessment process
Staffing	<p>Elaine Hughes joined the team on 7th April as an Auditor on the Corporate and Environment team. Elaine is an experienced auditor and had previously worked on the Internal Audit team as an agency member of staff.</p> <p>Diane Mackay, Audit Performance Manager retired on 30 April after 23 years in Internal Audit in Surrey County Council. Following a successful recruitment process it is anticipated that Diane's successor will be in place from 9th June.</p>

5

Social Care Debt update

The Adult Social Care Select Committee received a social care debt update at its meeting on 6 March 2014.

Current Debt Summary:

5. The below table sets out the current debt position as at 31 January 2014, comparing it with that at the start of the financial year and in July (previous report to this Committee).

Note:		Debt > 1 month, £m:			
		Apr-13	Jul-13	Jan-14	
1	Secured	7.3	6.87	6.68	
2*	Unsecured (no specific reason identified)	3.06	2.81	2.23	
a	2a	Under query	1.24	0.71	0.46
b	2b	Query resolved, requiring adjustment	0.01	0.11	0.03
c	2c	Probate*		0.33	0.29
d	2d	Instalments	0.36	0.44	0.33
e	2e	Deferred payment applications	0.35	0.22	0.31
		Charging orders		0.23	
	2f_1	External CoP / Deputyship*			0.34
g	2g*	Total unsecured debt subject to a recovery 'block'	1.96	2.04	1.75
3		Legal	1.87	1.98	1.91

	4*	ASC Deputyship	0.7	0.90	1.45
		Unsecured debt outstanding	7.59	7.73	7.34
		Total	14.89	14.60	14.02
Charges posted	5	Charges posted in month - not yet due	2.72	2.66	2.90
Total debt	6	Total debt including charges posted in month	17.61	17.26	16.92
		Gross debt accounting credit balances	18.22	17.86	17.42
	6a	Total live credit balances	-0.53	-0.53	-0.43
		Total deceased credit balances	-0.08	-0.07	-0.07
% collected	7	% received of amount billed (12 mth avg)	96%	96%	100%
DD collections	8	% payments collected by DD	64%	63%	63%
Legal Referrals	9	Number of cases referred - in month	1	2	2
		Total Number - to date	185	193	207
	10	Value of debt at date referred - in month	0.16	0.15	0.04
		Total Value - to date	5.1	5.42	5.6
Current Legal Cases	11	Number of 'open' cases	56	59	65
	12	Current value of 'open' cases	1.96	1.98	1.96
Legal Recovery	13a	Number of cases resulting in recovery	86	89	95
	13b	Value of debt collected	2.48	2.54	2.83
	13c	Value of debt secured by charging order	0.16	0.16	0.18
	13d	Value of debt due by instalments	0.04	0.05	0.02
	13e	Value of debt no longer in dispute	0.44	0.39	0.44
	13f	Overall value of legal recovery action	3.12	3.15	3.47
	13g	Legal costs / expenses (external)	-0.16	-0.19	-0.19
	13h	Net recovery - Legal cases	2.96	2.96	3.28
Write-Offs	14	Number of cases		25	41
	15	Value of debt		0.03	0.1
	*	Unsecured debt not subject to Legal action			
	2*	Unsecured (no specific reason identified)	3.06	2.81	2.23
	2g*	Total unsecured debt subject to a recovery 'block'	1.96	2.04	1.75
	4*	ASC Deputyship	0.7	0.90	1.45
		Total Unsecured debt not subject to Legal action	5.72	5.75	5.43

* N/A for April

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 put appropriate arrangements in place to manage the finances of persons who lack mental capacity
- 4* 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.
 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 full report can be found with the papers for [Adult Social Care Select Committee on 6 March 2014](#).

Further information

5

<p>Final local government finance settlement 2014 – 2015</p> <p>5 February 2014</p>	<p>Local government Minister Brandon Lewis has announced the final local government finance settlement for 2014 to 2015 in a written ministerial statement to the House. The Local Government Finance Report (England) 2014 to 2015 and the Referendums Relating to Council Tax Increases (Principles) (England) Report 2014 to 2015 set out the individual settlement funding assessments, tariffs and top ups, and the basis of their distribution and the council tax referendum principles for 2014 to 2015.</p>
<p>The IFS Green Budget 2014</p> <p>February 2014</p>	<p>The Institute for Fiscal Studies (IFS) and Oxford Economics suggest that the UK may be able to reduce austerity measures shortly after the election in 2015 'if the most optimistic forecasters prove correct'. The report warns that the NHS faces an 'unprecedented squeeze' over the next five years given the likely demand arising from an ageing population. Finally the report says that the complex business rates system is unfair, lacks transparency and is in urgent need of an overhaul. It believes that the 'temporary tinkering' of business rates by the Government is storing up more problems and creating uncertainty for companies.</p>
<p>Councils' centrally managed spending</p> <p>February 2014</p>	<p>New research by the Audit Commission has found central management costs in councils have risen by 10 per cent over the past decade, with some failing to properly scrutinise their spending. The research highlighted that while spending on corporate and democratic management reduced by 13 per cent from 2003/04 to 2012/13, central support services such as HR and finance increased by 10 per cent in the same period. The Audit Commission showed there are 'gaps and inconsistencies' in how councils record their spending, which is hindering attempts to identify savings.</p> <p>LGA response - Cllr Peter Fleming, Chair of the Local Government Association's Improvement Board, said "Councils have been innovative in keeping these costs down and different approaches have led to local variations in the way these costs are categorised and reported. This simplistic attempt to compare one authority with another has resulted in a misleading picture from which little can be learned."</p>
<p>Local government pension scheme regulations</p> <p>11 March 2014</p>	<p>Local Government Minister Brandon Lewis has published new Local Government Pension Scheme (LGPS) regulations in which new rules from next month will see councillors excluded from the LGPS. The regulations on the transition to the new scheme will introduce a new defined benefit based on career average salary rather than final pay, and higher retirement age. The changes are being implemented by the Public Service Pensions Act following negotiations between the government and trade unions.</p> <p>LGA response – LGA chair Sir Merrick Cockell has said, "It is perplexing that ministers who have been busy adding to the workload of councillors by transferring functions from central to local government are now arguing that those same councillors – and the Mayor of London – should be classed as volunteers. Fair remuneration is important so that people from all walks of life can afford to stand for office".</p>
<p>Local Government Procurement</p> <p>13 March 2014</p>	<p>The Communities and Local Government Committee's report has said councils needed to collaborate more to save cash; that some were 'over-zealous' in applying EU regulations; and that contract management needed to improve. The committee said local government spends around £45 billion – a quarter of its total annual expenditure - on procuring goods and services, and £1.8 billion could be saved if collaboration was the 'default option'. The report has called on the LGA to develop best practice guidance on collaboration to help support councils to pool spend in areas such as IT, energy and construction and to disseminate guidance on how local authorities should use procurement to deliver social, economic and environmental best value.</p>

<p>Dying to improve: The demise of the Audit Commission and other improvement agencies</p> <p>March 2014</p>	<p>This report by the Institute for Government (IFG) claims that the government's 'insanely ambitious' timescale to wind up the Audit Commission will spread many of its functions across Whitehall. The IFG has warned the closure of the commission, which will be completed by the end of March 2015, removes the important principle of independent appointment of auditors to local government. The abolition of the commission mirrors the fate of other improvement agencies including the National Police Improvement Agency and the NHS Modernisation Agency.</p>
<p>2014 Budget</p> <p>19 March 2014</p>	<p>On 19 March 2014, the Chancellor, George Osborne, delivered his fifth budget. The budget focused on reforming savings and pensions and trying to stimulate growth. It included the following key announcements for local government:</p> <ul style="list-style-type: none"> • £140m will be made available for repairs and maintenance to damaged flood defences; • A new £200m fund will be made available specifically for filling potholes; • Most public sector pay rises will be limited to 1%; • An extra £150m has been given to support people with a new Right to Build their own homes and the 'Help-to-buy' scheme has been extended until 2020. <p>A full budget briefing by the Corporate Policy and Performance Service can be seen here:</p>
<p>New local audit steps move £1.2bn savings closer</p> <p>21 March 2014</p>	<p>The Local Government Association (LGA) is to take over the statutory functions of the Audit Commission after the Commission is abolished in April 2015. The LGA will set up a new company to deliver the Audit Commission's contracts until 2017 when a local framework of auditing will be introduced. CIPFA (Chartered Institute of Public Finance and Accountancy) is to take over the Audit Commission's counter-fraud work. The government claims the decision to close the Audit Commission has already led to savings of over £400 million.</p>
<p>Local government bonds agency could save £1.5bn</p> <p>21 March 2014</p>	<p>A new municipal bond agency would save £1.5bn in borrowing costs, according to the LGA's latest analysis. Councils currently borrow from the Public Loans Board, but eighteen councils have signed up to the proposed new scheme. To prove that they are credit worthy councils could be required to set out spending plans four years in advance. The Treasury maintains that the Public Loans Board remains the cheapest source of finance for local government.</p>
<p>Local audit fees cut following new contract awards</p> <p>28 March 2014</p>	<p>The Audit Commission has announced that new outsourced audit contracts could save local authorities as much as £80m by the end of the decade as a result of lower fees. Based on the latest figures a total of 30m will be saved through lower costs over the period to 2017, and this could rise to 80m if an option to extend the agreements to 2020 is picked up. London boroughs can expect to save £1.4m to 2020 as a result, county councils will see fees fall by £1m, district will benefit by £400,000 and NHS trusts by £300,000.</p>
<p>Get in on the Act: The Local Audit & Accountability Act 2014</p> <p>March 2014</p>	<p>The LGA has published a summary of the key features of the Local Audit & Accountability Act for local government, the impact of the provisions and the work the LGA undertook to influence the legislation.</p>

<p>Government seeks views on administration of business rates system</p> <p>10 April 2014</p>	<p>The government has launched a discussion paper on the administration of the business rates system and is seeking views from businesses and local authorities. The review will aim to consider how the business rates system in England is administered by the Valuation Office Agency and local authorities. Announced at the Autumn Statement 2013, the review will focus on five elements of the system:</p> <ul style="list-style-type: none"> • How property is valued • How often property is valued • How business rates are set • How business rates are collected • and how information about ratepayers and business rates is used.
<p>Council Tax bills waived until flood victims return home</p> <p>11 April 2014</p>	<p>Local Government Minister Brandon Lewis has announced that the government will extend the Council Tax discount to all flood victims for as long as they are unable to return to their homes. In February the government said it would fund a three month Council Tax discount for every affected household, and with this new announcement support will be extended for as long as people require. This is expected to amount to £6 million of support, which is £2 million more than was originally set aside.</p>
<p>More complaints please!</p> <p>14 April 2014</p>	<p>This report by the Public Administration Select Committee says that complaints should be welcomed as a way of improving services and increasing citizens' trust in public services. It warns against a reluctance of citizens to make complaints and defensiveness of public services faced with complaints. Key recommendations are that the Government should create a single point of contact for citizens to make complaints and create a consistent approach to complaints across government.</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:

<p>Cabinet</p>	<p>At its meeting on 25 February 2014, the Cabinet considered the following reports:</p> <ul style="list-style-type: none"> • Monthly Budget Monitoring Report • Icelandic Bank Deposit <p>At its meeting on 25 March 2014, the Cabinet considered the following reports:</p> <ul style="list-style-type: none"> • Medium Term Financial Plan 2014-2019 • Monthly Budget Monitoring Report • Surrey Better Care Fund <p>At its meeting on 22 April 2014, the Cabinet considered the following report:</p> <ul style="list-style-type: none"> • Flash Outturn Report for 2013/14 and Proposed Carry Forward Requests for 2014/15
<p>Council Overview & Scrutiny Committee</p>	<p>At its meeting on 5 March 2014, Council Overview & Scrutiny Committee considered the following reports:</p> <ul style="list-style-type: none"> • Budget Monitoring Report and Quarterly Business Report • New Models of Delivery Programme/Local Authority Trading Company Update <p>At its meeting on 2 April 2014, Council Overview & Scrutiny Committee considered the following report:</p> <ul style="list-style-type: none"> • Budget Monitoring Report

Adult Social Care Select Committee	<p>At its meeting on 6 March 2014, Adult Social Care Select Committee considered the following reports:</p> <ul style="list-style-type: none"> • Progress of Recommendations Arising from the Serious Case Review – Gloria Foster • Internal Audit Review of Social Care Debt – Credit Balances • Income/Debt Update Report • Budget Update
Communities Select Committee	<p>At its meeting on 20 March 2014, Communities Select Committee considered the following reports:</p> <ul style="list-style-type: none"> • Audit Report – Adult & Community Learning 2013/14
Environment & Transport Select Committee	<p>At its meeting on 23 January 2014, Environment & Transport Select Committee considered the following reports:</p> <ul style="list-style-type: none"> • Proposals for the Development of a Longer-Term Approach to the Management of Highways - Briefing <p>At its meeting on 13 March 2014, Environment & Transport Select Committee considered the following reports:</p> <ul style="list-style-type: none"> • A Longer-Term Approach to the Management of Highways
Surrey Pension Fund Board	<p>At its meeting on 14 February 2014, Surrey Pension Fund Board considered the following reports:</p> <ul style="list-style-type: none"> • Manager Issues and Investment Performance • Actuarial Valuation 2013: Outcome • Pension Fund Risk Register • Pension Fund Business Plan 2014/15 • Revised Statement of Investment Principles • Key Performance Indicators • Review of Pension Abatement Policy • Pension Fund Administration Strategy • Investment Strategy Review

Upcoming

The next meeting of the Audit & Governance Committee is on 29 May 2014. The following items are on the agenda:

- Code of Corporate Governance
- Annual Governance Statement
- Annual Risk Management Report
- Annual Internal Audit Report
- Full Year Summary of Internal Audit Irregularity and Special Investigations
- Completed Internal Audit Reports
- Self-assessment on Issues Raised in ‘Financial Sustainability of Local Authorities’
- Social Care Debt
- PAMS Final Update
- Self Assessment of Audit & Governance Committee

Committee Contacts

5

Nick Harrison - Committee Chairman
Phone: 01737 371908
nicholas.harrison@surreycc.gov.uk

Cheryl Hardman – Committee Manager
Phone: 020 8541 9075
cherylh@surreycc.gov.uk



Audit & Governance Committee
29 May 2014

External Audit – Audit Plan Surrey Pension Fund

Purpose of the report:

Grant Thornton's Audit Plan outlines its audit strategy and plan to deliver the audit of the Pension Fund's 2013/14 financial statements.

Recommendations:

It is recommended that:

1. The Audit and Governance Committee note the work that Grant Thornton plans to undertake to deliver the audit.

Introduction:

2. International Standard on Auditing (ISA) 260, as well as other ISAs, prescribe matters which external auditors are required to communicate with those charged with governance (the Audit & Governance Committee).
3. The Audit Plan outlines Grant Thornton's audit strategy and plan to deliver the audit, while the Audit Findings Report will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Financial and value for money implications

4. The work that Grant Thornton plans to undertake is included within its 2013/14 audit fee.

Equalities and Diversity Implications

5. There are no equalities and diversity implications in respect of the plan.

Risk Management Implications

6. None.

Next steps:

Grant Thornton will report the findings from its audit to the Audit & Governance Committee in July 2014.

Report contact: Kathryn Sharp, Senior Audit Manager, Grant Thornton

Contact details: Kathryn.E.Sharp@uk.gt.com



The Audit Plan for Surrey County Council Pension Fund

DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

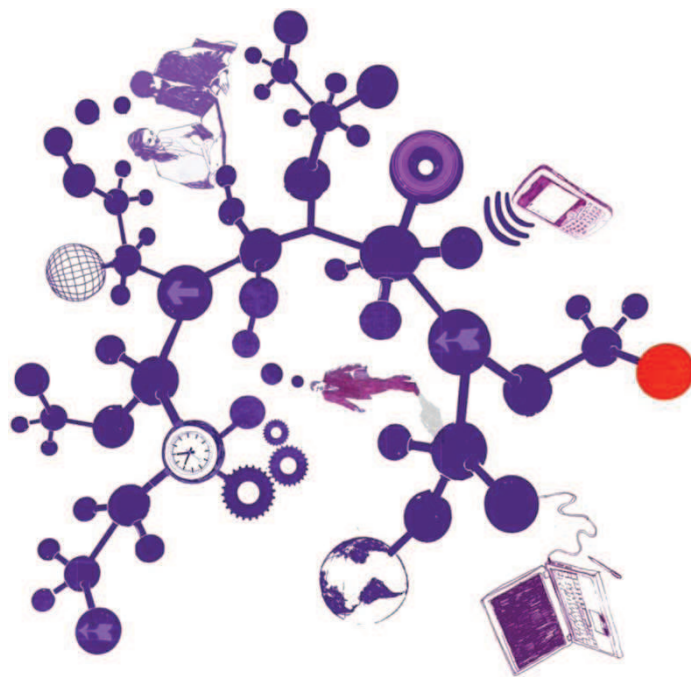
Year ended 31 March 2014

May 2014

Darren Wells
Engagement Lead
T 01293 554120
E darren.j.wells@uk.gt.com

Kathryn Sharp
Manager
T 01293 554086
E kathryn.e.sharp@uk.gt.com

Gillian Cottrell
Executive
T 01293 554050
E gillian.cottrell@uk.gt.com



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Section	Page
1. Introduction	4
2. Developments relevant to your fund and the audit	5
3. Our audit approach	6
4. Significant risks identified	7
5. Other risks	8
6. Interim work	10
7. Logistics and our team	11
8. Fees and independence	12
9. Communication of audit matters with those charged with governance	13

Introduction

Purpose

This Audit Plan highlights the key elements of our 2013/14 external audit strategy for the Surrey County Council Pension fund. We have compiled it based on our audit risk assessment and discussion of key risks with management. We report it to the Audit and Governance Committee for consideration in accordance with International Standard on Auditing (UK & Ireland) 260.

Our responsibilities

As external auditors we are responsible for performing the audit in accordance with ISAs (UK & Ireland), and to give an opinion on the Pension Fund financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Communicating the results of audit work

The findings from our interim work are communicated in this plan, and any findings from the final accounts audit will be reported following the completion of the final accounts work. Page 11 of this plan includes the timescale for the audit and audit reporting.

We look forward to working with the Pension Fund officers during this year's audit.

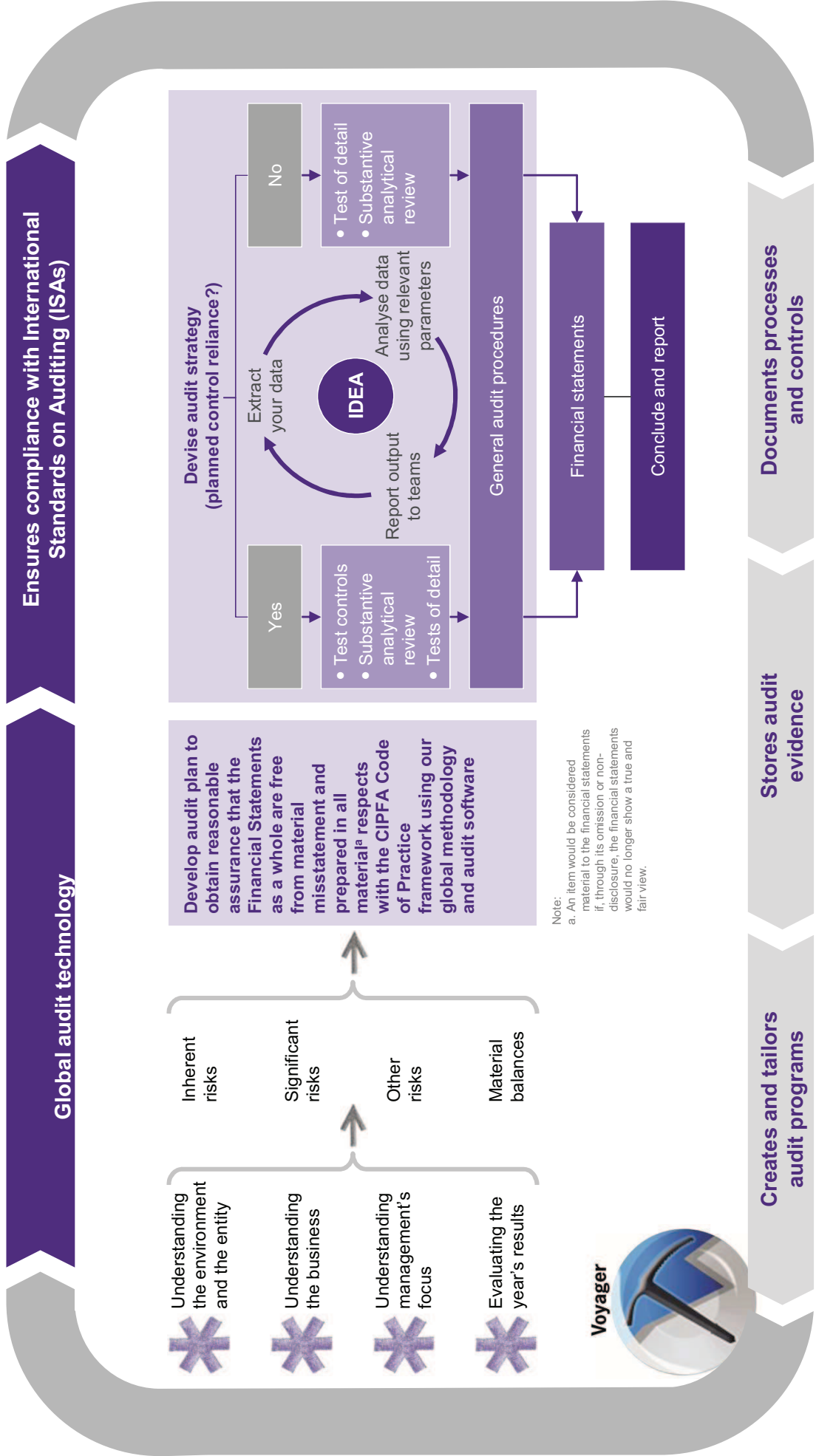
Developments relevant to your fund and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements	
<p>1. Financial reporting</p> <p>There are no significant emerging issues affecting the Pension Fund expected for the year ending 31 March 2014 although PRAG has formed a working party to update the Pensions SORP. An updated version is expected later in 2014.</p>	<p>2. LGPS 2014</p> <p>Planning for the impact of the implementation of the Career Average Re-valued Earnings scheme (CARE), effective from 1 April 2014.</p>
<p>3. Triennial valuation</p> <p>Following the 31 March 2013 actuarial valuation the Council is in the process of considering the level of additional employer deficit contributions required and how to fund them.</p>	<p>4. Financial Pressures</p> <p>Pension Funds are increasingly disinvesting from investment assets to fund cash flow demands on benefit and leaver payments that are not covered by contributions and investment income. Pension Fund investment strategies need to be able to respond to these demands as well as the changing nature of investment markets.</p>
Our response	
<p>We will carry out our usual substantive testing to ensure that the pension fund complies with the requirements of the CIPFA Code of Practice.</p>	<p>We will discuss the impact of the changes through our regular meetings with management.</p> <p>Where appropriate, we will report any observations we have from our work and the implementation of new administration systems software to successfully process benefit payments under both the old and new schemes from 1 April 2014.</p>
<p>We will maintain regular dialogue with management to assess the impact this has on the administration of the Pension Fund and any required disclosures in the 2013/14 pension fund financial statements.</p>	<p>We will monitor the changes being made to the Pension Fund investment strategy through our regular discussions with management.</p> <p>We will consider the impact of changes on the nature of investments held by the pension fund and adjust our testing strategy as appropriate.</p>



Our audit approach



Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgemental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgemental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
<p>Revenue</p>	<p>Under ISA 240 there is a presumed risk that revenue (which for the purposes of the Surrey County Council Pension Fund we have considered as investment income, transfers into the scheme and contributions) may be misstated due to the improper recognition of revenue.</p>	<p>We have rebutted this presumption and therefore do not consider this to be a significant risk for Surrey County Council Pension Fund since:</p> <ul style="list-style-type: none"> • The nature of the Pension Fund's revenue is in many respects relatively predictable and does not generally involve cash transactions. • The split of responsibilities between the Pension fund, the custodian and its fund managers provide a very strong separation of duties reducing the risk around investment income. • Revenue contributions are made by direct salary deductions and direct bank transfers from admitted /scheduled bodies and are supported by separately sent schedules and are directly attributable to gross pay making any improper recognition unlikely. • Transfers into the scheme are all supported by an independent actuarial valuation of the amount which should be transferred and which is subject to agreement between the transferring and receiving funds.
<p>Management over-ride of controls</p>	<p>Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<ul style="list-style-type: none"> • Review of accounting estimates, judgements and decisions made by management • Testing of journal entries • Review of unusual significant transactions

Other risks

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

Other reasonably possible risks	Description	Planned audit procedure
Investments	<p>Investments not valid (existence) Investments activity not valid (valuation gross) Alternative investments not valid (existence) Fair value measurements not correct (valuation net)</p>	<p>We will review the reconciliation between information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for any material variances.</p> <p>We will select a sample of the individual investments held by the Fund at the year end and test the valuation of the sample by agreeing prices to third party sources where published (quoted investments) or by review of the valuation methodology used to ensure it represents fair value (unquoted investments and direct property investments).</p> <p>We will confirm the existence of investments directly with independent custodians and/or fund managers or by agreement to legal documentation.</p> <p>We will test a sample of sales and disposals during the year back to detailed information provided by the custodian and fund managers.</p>
Benefit Payments	Benefits improperly computed/claims liability understated (completeness)	<p>We will select a sample of individual transfers, pensions in payment (new and existing), lump sum benefits and refunds and test them by reference to the benefit calculation on the respective member file. This testing is designed to ensure that all the appropriate documentation is correctly filed and internal control procedures operated by the Fund have been followed.</p> <p>We will rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year and compare pensions paid on a monthly basis to ensure that any unusual trends are satisfactorily explained. We will compare the number of transfer out payments and lump sums on retirement to recorded member transfers/retirements in the year.</p> <p>We will compare the movements on membership statistics to material transactions in the accounting records.</p>

Other risks

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

Other reasonably possible risks	Description	Planned audit procedure
Contributions	Recorded contributions not correct (occurrence)	We will test the controls the Pension Fund operates to ensure that it receives all expected contributions from member bodies. We will rationalise contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained.
Member data	Member data not correct (rights / obligations)	We will confirm the existence of controls and reconciliations covering the determination of member eligibility, the input of evidence onto the Pensions Administration System and the maintenance of member records. With a view to reducing the level of substantive testing required, we will then test the key controls identified in these areas.

Interim audit work

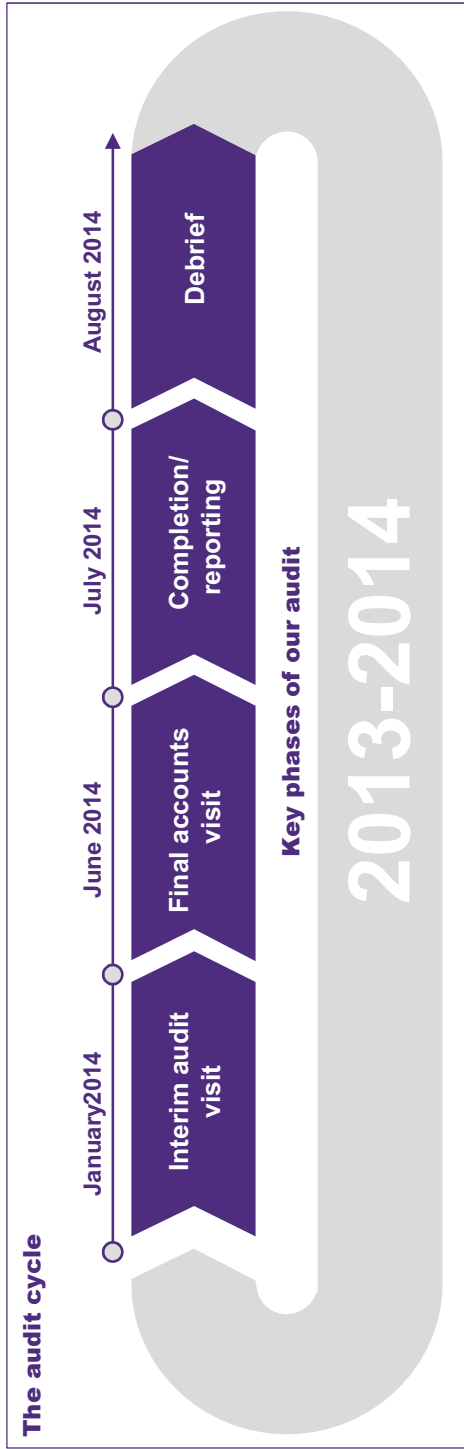
Scope

As part of the interim audit work, and in advance of our final accounts audit fieldwork, we will consider:

- the effectiveness of the internal audit function
- internal audit's work on the Pension Fund's key financial systems
- walkthrough testing to confirm whether controls are implemented as per our understanding in areas where we have identified a risk of material misstatement
- a review of Information Technology (IT) controls

	Work performed	Conclusion/ Summary
Internal audit	We have reviewed internal audit's overall arrangements with a view to gaining assurance from the work it has undertaken during 2013/14.	Overall, we have concluded that the Internal Audit service continues to provide an independent and satisfactory service to the Pension Fund and that we can take assurance from their work in contributing to an effective internal control environment at the Pension Fund.
Walkthrough testing	We have completed walkthrough tests in relation to the specific accounts assertion risks which we consider to present a risk of material misstatement to the financial statements.	No issues were identified from our walkthrough tests . Internal controls were observed to have been implemented in accordance with our documented understanding. We will review the controls at the fund managers upon receipt of the ISAE3402 Internal Control Reports as part of our year end testing.
Journal entry controls	We will review the Pension Fund's journal entry policies and procedures as part of determining our journal entry testing strategy. We will then review all pension fund journals raised during 2013/14. We will extract and test any 'unusual' and large journal entries.	This testing will be undertaken as part of our post statements testing, the results of which will be reported to the Audit and Governance Committee in July 2014.
Review of information technology (IT) controls	Our information systems specialist will perform a high level review of the general IT control environment, as part of the overall review of the internal controls system.	This work is scheduled for completion in X. Results will be reported to the Audit and Governance Committee in July 2014.

Logistics and our team



Date	Activity
12 December 2013	Planning meeting
6 January 2014	Interim site work
29 May 2014	The audit plan presented to Audit and Governance Committee
16 June 2014	Year end fieldwork commences
July 2014	Audit findings clearance meeting
31 July 2014	Findings reported to Audit and Governance Committee

Our team

<p>Darren Wells Engagement Lead T 01293 554120 E darren.j.wells@uk.gt.com</p>
<p>Kathryn Sharp Manager T 01293 554086 E kathryn.e.sharp@uk.gt.com</p>
<p>Gillian Cottrell Executive T 01293 554050 E gillian.cottrell@uk.gt.com</p>

Fees and independence

Fees

	£
Pension fund audit	27,105

Fees for other services

Service	£
None	Nil

Our fee assumptions include:

- Our fees are exclusive of VAT
- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Pension Fund and its activities have not changed significantly
- The Pension Fund will make available management and accounting staff to help us locate information and to provide explanations

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings Report will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to those charged with governance.

Respective responsibilities

This plan 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).

We have been appointed as the Council and Pension Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Pension Fund's key risks when reaching our conclusions under the Code.

The audit of the Pension Fund's financial statements does not relieve management or those charged with governance of their responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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AUDIT & GOVERNANCE COMMITTEE
 29 May 2014

Completed Internal Audit Reports

Purpose of the report:

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 March 2014 - 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 24 audit reports issued since the last report to this Committee in March 2014. 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	ContrOCC Phase	n/a	0
2	Community Improvement Fund	Some Improvement Needed	0
3	ASC Commissioning and Domiciliary Care	Some Improvement Needed	0
4	Data Mining for Fraud	Effective	0
5	Serious Case Review - Recommendation Tracking	Effective	0

6	Free School Meals	Effective	0
7	Contract and PSO Compliance in Schools	Some Improvement Needed	0
8	Music Tuition - Debt Recovery	Effective	0
9	General Ledger	Some Improvement Needed	0
10	Officer Interests	Effective	0
11	Support of Cabinet and Member Scrutiny	Some Improvement Needed	0
12	Public Health Integration into SCC	Effective	0
13	Verification of Overseas Pensioners	Effective	0
14	Pensions Administration	Effective	0
15	Information Governance	Significant Improvement Needed	6
16	Appraisals	Significant Improvement Needed	4
17	Integrated Waste Data System	n/a	0
18	Commercial Services Follow-up Audit	Some Improvement Needed	0
19	Payroll	Some Improvement Needed	0
20	Short Stay Schools	n/a	0
21	Highway Asset Management and Property Information	n/a	0
22	Revenue Budget Control	Effective	0
23	Finance Dashboard	Some Improvement Needed	0
24	Risk Management	Some Improvement Needed	1

- 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.

In response to a request from the Chairman, the Management Action Plans for General Ledger and Information Governance are attached as Annexes B and C respectively.

Select Committee Review:

- 7 The Appraisals Internal Audit report was considered at a meeting of the Council Overview and Scrutiny Committee on 30 April

Implications:

- 8 Financial and value for money
Equalities and diversity
Risk management
- 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

Next Steps:

- 10 See recommendations above.

REPORT AUTHOR: Sue Lewry-Jones, Chief Internal Auditor, Policy and Performance

CONTACT DETAILS: telephone: 020 8541 9190 e-mail sue.lewry-jones@surreycc.gov.uk,

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

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Completed Audit Reports (March - May 2014)

Annex A

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
<p>ContrOCC Phase 2</p>	<p>The implementation of ContrOCC within Children’s and Safeguarding Service (CSS) was conceived from the outset as a multi-phase project.</p> <p>The module administering scheduled payment to carers (Surrey in-house foster carers, adopters etc) went live in November 2012.</p> <p>A review of Phase 2 (payments to providers) was included in the 2013/14 Internal Audit plan.</p>	<p>Phase 1 of ContrOCC implementation was reviewed by the auditor in June 2013. While the system was found to be working well, shortcomings in project management were noted, particularly the absence of a business case and inadequate planning.</p> <p>In order to assess whether the ContrOCC system meets current and future user requirements, CSS has decided against immediately progressing with the implementation of Phase 2. A small-scale pilot will be run in 2014-15 instead, solely covering payments to agency providers. This will provide insights into the resources required for Phase 2, give the service time to assess the justification for the project, and plan appropriately.</p> <p>The delay in implementing additional ContrOCC functionality has no budget implications for either CSS or IMT</p>	<p>n/a</p>	<p>There were no recommendations made.</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Community Improvement Fund	<p>The Community Improvement Fund (CIF) aims to give local groups the chance to improve their areas, make a real difference to people's lives and strengthen the ability of residents to independently enhance where they live.</p> <p>The additional CIF capital budget for 2013/14 was £1 million, although there were also carried forward unspent allocations approved in the previous year. Each year, bids are invited for CIF funding for sums between £10,000 and £50,000 for one-off capital schemes for community improvements. In exceptional circumstances, bids for start-up revenue funding will also be considered.</p>	<p>A plaque (or a template logo design) is offered to all grant recipients. Plaques were not in place in the schemes that Internal Audit visited although alternative forms of acknowledgement were noted.</p> <p>The grant application form was determined as fit for purpose. However, some existing questions on the form might be expanded with a few additional words to prompt applicants to answer in a more useful way</p> <p>CIF grant agreements state that SCC funding will not be released until all other funding is in place. This may sometimes be an unnecessary hurdle for grant applicants. Once a grant is approved, it is usually released in one tranche, in advance, which may sometimes create a risk of recipients holding funding earlier than needed.</p>	Some Improvement Needed	<p>Aim to improve the take-up of plaques offered to CIF grant awardees and be satisfied that some longer term acknowledgement of SCC funding is in place. (M)</p> <p>Consider possible minor amendments to the application form to encourage applicants to specifically identify the information identified by this audit which should help make evaluation of bids easier and even more transparent. (M)</p> <p>The Community Partnership Team should give further consideration to whether, having identified any higher risk schemes, if it then wishes to:</p> <p>a) use more instances of planned interim payments when specific progress milestones have been achieved and what the staff resource implications would be</p> <p>b) use more flexible wording for the conditions of the release of funding where there are other funders or fundraising activities to be delivered. (M)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Community Improvement Fund (contd)		<p>Several projects examined had awarded construction or renovation work without operating fully open and competitive tendering, which does not provided full assurance over the achievement of best value.</p> <p>The CIF scheme does not have an explicit policy on funding projects which could potentially involve expenditure which is statutory responsibility of another public body.</p>		<p>A grant condition should be considered that grant funded procurement over £5,000, (or some such other figure) be subject to competitive quotation, unless previously agreed with SCC. (M)</p> <p>Where an application to fund a project is received which could be viewed as meeting the cost of the statutory responsibility of another authority, this should be formally reported to that authority with a suggestion for co-funding. Responses to such requests should then be copied to the Leader if a project is still being recommended for SCC funding. (M)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
<p>Adult Social Care Commissioning and Domiciliary Care</p>	<p>SCC commissions social care and preventative services from a range of public, private, voluntary and community sector organisations.</p> <p>The Care Bill 2013/14, currently at House of Commons stage, consolidates elements from over a dozen Acts to create a single framework for care and support. It highlights the importance of managing care needs and putting people in control of their care.</p> <p>This review combines two audits: ASC Commissioning; and Domiciliary Care – External Providers.</p>	<p>The council is largely fulfilling its duty to promote diversity and quality in provision of services as set out in the Care Bill.</p> <p>Quality Assurance (QA) arrangements have recently been refreshed and a good framework is in place. This is supported by annual inspections of all registered services by the Care Quality Commission (CQC). Minor issues such as ensuring information is recorded and guidance is implemented can be easily resolved.</p> <p>Performance monitoring is robust and there is clear commitment to improving services. Currently data is recorded in multiple documents resulting in inefficient use of resources and impeding holistic assessment; however the service is considering options for a single data system.</p> <p>Demonstrable improvements in individual outcomes is limited and often based on anecdotal evidence. A common basis for measuring outcomes would improve this.</p> <p>The creation of a new operational risk register for home-based care is good practice and Internal Audit has offered to assist with elements of this.</p>	<p>Some Improvement Needed</p>	<p>Draft guidance on following up CQC reports should be implemented. (M)</p> <p>The service should seek advice from Internal Audit regarding risk assessment methodology for the risk log and ensure officers maintaining the log are sufficiently skilled to do so. (M)</p> <p>The QA Team should consider including employment eligibility checks in their monitoring processes subject to Data Protection requirements being met. (M)</p> <p>The QA Manager should periodically check that all relevant information is recorded on the provider compliance and quality log. (M)</p> <p>Efforts to acquire a single data system should continue. (M)</p> <p>A common basis for measuring individual outcomes should be developed and included in performance monitoring arrangements. (M)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Data Mining for Fraud	As part of Internal Audit's commitment to develop systems and procedures to assist in the fight against fraud and corruption; the 2013/14 Internal Audit plan included resource for the sole purpose of developing tools to proactively identify areas of fraud risk	<p>The auditor undertook data interrogation work in the following areas:</p> <ul style="list-style-type: none"> • use of pre-paid cards • duplicate personnel numbers • changes to payroll • enhancements to net pay • expense claims • leavers' annual leave • duplicate invoices • procurement cards • assumed (dormant) vendors • journals impacting on vendor accounts <p>The results of this audit testing give assurance that occupational fraud is not occurring to any detectable level within the above areas.</p>	Effective	There were no recommendations made.

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Serious Case Review – Recommendation Tracking	This audit review examined the follow-up of actions agreed between Adult Social Care management and the Chairman of the Surrey Safeguarding Adults Board following the Serious Case Review of the Gloria Foster case.	<p>The Auditor found that ASC had completed all actions due for completion at the time of the audit, although one was completed slightly later than planned.</p> <p>The action completed slightly late was “a template letter is to be designed and approved by Legal Services that will advise funded service users, advocates or service user representatives of the cessation of the Framework Agreement with that provider.”</p> <p>The initial target date for finalisation of the letter was 20 January 2014; the letter was completed in early March 2014.</p>	Effective	There were no recommendations made.

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Free School Meals (FSM)	<p>Figures from the October 2013 census suggest there are over 9000 FSMI claimants in Surrey schools.</p> <p>The council uses FSM numbers as a means of disbursing social deprivation funding to schools. This equates to about £4,800 per primary school pupil and £3,600 per secondary school pupil and totalled £48.8m in 2013/14.</p> <p>In addition, the DfE distributes funding to Surrey schools on the basis of FSM eligibility in the previous six years ('Ever 6'). The total received by Surrey schools (excluding academies) in 2013/14 was £15.3m, paid at the rate of £953 per eligible primary pupil and £900 per secondary pupil</p>	<p>The Auditor found all school records reviewed regarding Free School Meals (FSM) to be in good order, appropriately stored and adequate to verify the eligibility of FSM's claimed.</p> <p>The upcoming policy change regarding the provision of FSM to all key stage 1 pupils from September 2014 presents a set of challenges for schools and the council, as FSM will continue to be used to calculated disbursement of funds but there will be little incentive for parents/guardians of key stage 1 pupils to register.</p>	Effective	Consider providing guidance to schools on managing the risks to deprivation funding arising from the introduction of universal free school meals for key stage 1 pupils from September 2014. (M)

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Contract and PSO Compliance in Schools	<p>Surrey maintained schools receive delegated funds for the provision of education and to manage their overall operation. Schools are free to choose the providers of their goods and services, but to ensure that schools spend public money appropriately they are required to have local controls as part of their financial governance, reflecting the Surrey Scheme for Financing Schools and the Schools Procurement Standing Orders (PSO)</p>	<p>The degree of compliance with the PSO varied across the small sample of schools visited. It was noted by the Auditor that there was inconsistency in the local policies. The level of detail and how up to date they were varied. All of the policies contained a requirement for annual review by the governors but this was not always evidenced. Such reviews should ensure the policies are line with any legislative and authority policies changes and take into account structural and responsibility changes in the school staff.</p> <p>There were examples of lack of detail in local procedures for the segregation of duties for selection, approving and invoice payments.</p>	Some Improvement Needed	<p>Each school has received an individual summary of the Auditor's findings and is required to report back to Internal Audit on remedial actions taken. Internal Audit will ensure that a summary of issues will be reported to all schools via the Babcock 4S School Office Support newsletter and Schools Bulletin in order to promote good practice across all county schools. (M)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Music Tuition Fees	<p>The opportunity for all children to learn a musical instrument and to sing is provided directly by Surrey County Council through its schools. The majority of lessons take place in schools during school hours with lessons and tutors administered through Surrey Arts.</p>	<p>Under the present arrangements parents are invoiced for tuition. The current process of dunning is a lengthy one, and as payment for courses is not required ahead of sessions commencing, there can be timing issues in assessing when a debt is uncollectible, or economically non viable to pursue.</p> <p>The weakness in the present system have been recognised both by Surrey Arts and Accounts Receivable and the software system - Minerva - used for administering the scheme bookings is being replaced.</p> <p>The system of retrospective billing will cease as of Summer Term 2014 and immediate payments will be required ahead of a pupil beginning their course.</p> <p>From the Autumn Term, signing up for further courses will not be allowed by the new system (Paritor) where previous courses have not been paid for.</p> <p>The risk of financial loss to the authority is very small due to the low values involved (a course is around £42) and the auditor considers that once the new system and processes are embedded the risks should be reduced still further.</p>	Effective	There were no recommendations made.

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
General Ledger	<p>The General Ledger is a key financial system, which supports internal accounting and the production of the annual financial statements. In Surrey County Council, the General Ledger is a fully integrated part of the SAP system and as such, it facilitates the automatic and simultaneous updating of the financial accounts and cost accounting areas. SCC's General Ledger is updated by some of SAP modules i.e. Payroll, the SRM ordering system, Account Payable and Account Receivable. A number of secondary financial systems either interface with SAP automatically or require semi-automated data transfer into the SAP ledger.</p>	<p>The working papers supporting integrity checks carried out on suspense accounts did not always contain sufficient detail to show necessary checks needed to manage suspense account balances.</p> <p>In some cases balance sheet code certification processes only involved a check of balances against what was recorded in the SAP system.</p> <p>During the financial year 2013/14 there remained within the GR/IR account large balances relating to previous years.</p> <p>The GR/IR auto-clearance tool had not been run for most of the financial year resulting in difficulties in analysing the GR/IR balance.</p> <p>The AI&A Team have a diagram that shows SAP alongside some, but not all, of the feeder systems. Without a clear understanding of all GL interfaces interface controls gaps in the completeness and accuracy of data going into SAP may not be promptly detected.</p>	Some Improvement Needed	<p>The format of suspense account integrity checking should be reviewed to ensure they help staff clear balances more easily. (M)</p> <p>Further develop the balance sheet code certification checking process to ensure that independent sources of information are used to prove the completeness of balances and to help identify transactions that can be cleared. (M)</p> <p>Following further analysis to be completed during closure of accounts, the Deputy Head of Finance should consider options for an accelerated write back of a substantial proportion of any remaining GR/IR balances relating to previous years. (M)</p> <p>The AI &A Team should ensure that the GR/IR auto-clearance tool is run every week. (M)</p> <p>AI &A Team to produce an updated map of SAP GL processes and interfaces with other systems, indicating the key controls over the interface and associated GL suspense and holding codes. The map should be supplemented with some form of GL monitoring of the appropriate operation of these interfaces. (M)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Officer Interests	Following the review of members' interests in 2012/13 it was considered that a review of officer interests should be carried out in order to ensure a comparable level of assurance can be obtained that officers are compliant with their Code of Conduct.	<p>The Companies House data was matched to employee records and analysed over types of employment. The review focussed on senior officers and it was identified that there were 114 senior officer matches of which 9 were directors of active trading companies. All have declared this to their managers however not all may be recorded in the personal files. Therefore clearer guidance is needed for officers.</p> <p>Another audit test compared company names and addresses to Surrey's vendor data in order to identify any staff trading with the county. No issues were identified.</p>	Effective	Changes to the code of conduct need to be communicated to staff clearly to ensure compliance. (M)

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Support of Cabinet and Member Scrutiny	<p>During the planning cycle for the preparation of the 2013/14 Internal Audit plan both members and officers highlighted apparent issues relating to the production of committee and Cabinet papers. The principal areas of concern related to:</p> <p>(i) the timetable within which papers are produced for committee; and</p> <p>(ii) whether the inclusion of commentaries by Statutory Officers (the Monitoring Officer, and the Section 151 Officer) was being hampered by the current timetables.</p>	<p>A consensus of agreement was reached between all parties interviewed that the current reporting timetable for agendas is sufficient, and thus fit for purpose.</p> <p>The audit identified some concerns about the relative value that the implications boxes currently offer to users of reports, and misconceptions about the relevant level of professional knowledge of those officers completing the boxes on topics outside of their area of expertise.</p> <p>There were mixed views amongst those interviewed as part of the audit, concerning the merits of appointing independent advisors – or professional co-opted members - to committees to address perceived gaps in technical knowledge</p>	Some Improvement Needed	<p>It is recommended that a working group of officers and members revisit the purpose and nature of Implications Boxes within the reporting template in order to assess whether the current process is fit for purpose, and what could be done to improve the process without overcomplicating it. (M)</p> <p>Consider introducing a new Implication Box to cover the matters pertinent to the Public Health agenda. (M)</p> <p>Consider undertaking a wider consultation into the merits of using external experts to advise and enhance select committee scrutiny. (M)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Effectiveness of Public Health Integration into SCC	<p>On 1 April 2013 responsibilities for public health were transferred from Primary Care Trusts (NHS Surrey) to Surrey County Council.</p> <p>The review focussed on how well Public Health is embedded within the council, and assesses relationships with other SCC services.</p>	<p>A lack of a common understanding of council systems and processes may create pressures on other services to provide information which with adequate training could be accessed by Public Health officers.</p> <p>As priorities change services commissioned by the Public Health Team may remain unchanged from the PCT days. Opportunity to identify duplication of services or jointly commission services may be overlooked.</p>	Effective	<p>Identify any skills gaps in the team and allocate refresher training to enable the team to extract basic financial information readily from SAP and gain an awareness of the council's information governance and security requirements. (M)</p> <p>As contracts come up for renewal the opportunity should be taken to work under the strategic direction as set by members to inform future commissioning of Public Health agenda driven services. (M)</p>
Overseas Pension Verification	There are arrangements in place to verify that people in receipt of pension payments from Surrey County Council are entitled to receive them, however, these may not identify pensioners that had lived and died abroad and therefore a pension verification certification exercise was carried out for overseas pensioners.	A pension verification certification request was sent to all 166 non-UK resident pensioners over the age of 75. The certificate or other acceptable documentation was received from 152 pensioners and a notification was received that two pensioners had recently died, however no significant overpayment had arisen. At the time of writing the audit report there were six pensioners where no response has been received, one where mail is being returned to sender and one where the service provider has confirmed that the pensioner died about 4-6 weeks ago.	Effective	It is recommended that Pension Services try to contact the remaining five pensioners via their bank, prior to suspending the pension payments. (L)

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Pension Administration	<p>Pension Administration is a key financial system and as such is subject to an annual audit under the council's managed audit arrangements.</p> <p>On 1 April 2013, all Surrey County Council employees who were not already members of the LGPS were automatically enrolled into the pension scheme, subject to meeting the specified criteria.</p>	No errors were identified following audit testing of pension payments; deductions; lump sum payments; transfers in/out; and, auto-enrolment.	Effective	There were no recommendations made.

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Information Governance	<p>The Council has to comply with legislation in relation to personal and sensitive data and information it holds and uses in the discharge of its duties. Policies and procedures are in place to ensure that all staff are aware of, and comply with their responsibilities in maintaining high standards of data and information governance which in turn should reduce the number of breaches happening. This audit review sought to ensure that adequate arrangements are in place to comply with these requirements and prevent loss of reputation and financial penalties imposed by the Information Commissioner's Office.</p>	<p>Three Information Governance (IG) Teams deal with IG issues in ASC, CSF and Corporately. The policies/procedures in place were in need of review and the S:net links to guidance on Corporate and ASC IG were incomplete.</p> <p>Links to Children's IG were not working at all.</p> <p>IG training is provided via e-learning and classroom courses and is mandatory to all staff in ASC, CSF and to those with GCSX e mail access. Accurate and up to date training statistics are not provided to managers to monitor completion.</p> <p>The Bring Your Own Device (BYOD) initiative was piloted and implemented without any input from the Corporate Information Governance Manager (CIGM) and the BYOD policy was incomplete. The PSN security requirements have since changed, leading to greater restrictions over the use of personal IT equipment accessing the network.</p> <p>The 'Good' licences purchased by SCC can no longer be used if SCC is to gain PSN accreditation.</p>	Significant Improvement Needed	<p>Develop and communicate the 'one stop shop' page on the S:net on Information Governance. The Governance Panel's views should be sought on the inclusion of the Information Governance Policy as a Corporate Policy (H).</p> <p>Re-instate Children's IG guidance on the S:net and include links to the Corporate IG policies/ procedures, the Caldicott Guardianship and the ICO (H).</p> <p>Accurate and up to date training statistics on classroom courses and team meetings should be maintained by the Corporate Training Team (CTT) by ensuring attendance is confirmed to the CTT by the trainer (H).</p> <p>The CIGM should work with IMT service and the sponsors of the Modern Worker Project to formulate a holistic policy for BYOD initiative to include functionality and cost implications for recipient staff and SCC (H).</p> <p>IMT should continue with the replacement of 'Good' with the MobileIron solution to ensure compliance with Public Sector Network (PSN) requirements (H).</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Appraisals	<p>Historically, the collection of data on appraisals has been challenging at SCC. Significantly, the process for logging them electronically was reported as difficult to use, resulting in the information not being recorded and stored centrally in the Council's SAP Master Data system. For 2012/13, the SAP process was not used to collect data, and this was instead done through line managers' responses to a template created by HR & OD. This data, and feedback on the template process, has been analysed with a view to improving the capture of accurate data on staff appraisals.</p>	<p>Two errors were noted in calculating the appraisal completion rate: an incorrect formula was used to average directorate level results; and, staff exempted from receiving an appraisal were wrongly included in the nominator and denominator of an equation. Once corrected, the overall completion rate fell from the reported 83.5% to 61.9%, with both ASC and CSF Directorates showing appraisal completion rates of less than 50%.</p> <p>Data provided to the auditor by HR & OD indicated that 4886 staff received an appraisal for the 2012/13 financial year. The auditor was unable to ascertain, however, the identity of these staff. Attempts to re-export the data from SAP were unsuccessful in producing a list of 4886 individuals who had received an appraisal.</p> <p>Conversations with HR & OD and Shared Services staff revealed uncertainty as to which staff had been classified as eligible to receive an appraisal. As the data category did not have a clear definition, questions remained unanswered as to where, for example, teachers and firefighters were included in the cohort.</p>	Significant Improvement Needed	<p>HR & OD should ensure that future performance management calculations of appraisal completion are subject to thorough and rigorous quality checks. (H)</p> <p>HR & OD should implement a process for recording appraisals which allows consistent reporting of completion rates. (H)</p> <p>HR & OD should implement a process for reporting appraisals which is designed in such a manner as to allow reproducible results (i.e. the same report from SAP for the same time period should always generate the same results). (H)</p> <p>HR & OD should clearly define which staff are included in appraisal completion performance management. (H)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Review of Integrated Waste Data System (Audit Position Statement)	<p>The report from a consulting company AEA to Surrey Waste Partnership (SWP) and SCC's Public Value Review on Waste recommended the investment in Information Technology software to include a shared waste data system.</p> <p>The Waste Collection Authorities (WCA) and SITA Surrey Ltd. use a number of different systems to record their waste information which is sent to SCC for updating and calculating the charges and credits due.</p>	<p>The SWP agreed the purchase of a new system and that SCC and the 11 districts and boroughs would fund it on a 50:50 basis. A comprehensive Business Case presented to the SWP included details of the Business Need, Processes followed, Supplier Selection, the Product and Costs and Logistics.</p> <p>Total cost of the project was £148k over 4 years, with upfront costs of £70k in Yr1 and annual costs of £78k over 4 years.</p> <p>The Project Initiation Document identified the Project Definition, Milestone Payment Plan and schedules to include Technical Specification, Company Status, Pricing and Tenderer Warranties.</p> <p>A detailed System Requirement Specification covered reports, business processes, workflows, user profiles etc.</p> <p>Regular reviews of the Project Plan were undertaken by the Project Manager with the supplier to monitor progress of the project. Delays in implementation were communicated to the SWP, the Project Sponsors. Timescales were revised for 'Go Live' dates from January to April 2014.</p>	n/a	There were no recommendations made.

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Commercial Services – follow-up review	<p>Commercial Services (CS) is a trading department of SCC positioned within Schools and Learning. It offers catering in schools, academies and council offices, building cleaning in council offices, schools and academies; and maintenance of gym and design and technology equipment in schools.</p> <p>A review of CS completed in March 2013 carried a Major Improvement Needed audit opinion due to fundamental weaknesses in governance arrangements. This follow-up audit considered the progress made in implementing the recommendations arising from the previous audit.</p>	<p>Governance arrangements have, on the whole, been improved. Updated, documented Governance Arrangements are in the process of being approved by the Chairman of the Children and Education Select Committee, raising the profile of the service.</p> <p>Reporting and communication with the corporate centre have been strengthened through improved financial monitoring and monthly written reports to the Assistant Director for Schools and Learning.</p> <p>It remains, however, that an annual strategy or business plan has not yet been produced. The Head of CS is aware of the need to address this and the limitations placed on performance monitoring through the absence of formalised objectives.</p>	Some Improvement Needed	There were no recommendations made.

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Payroll	The Payroll system is a key financial system and as such is subject to an annual review by Internal Audit.	The Payroll system is working as intended and new processes such as the realtime submission of tax is working as expected. However feeder systems for the payroll system have areas in need of improvement in terms of timeliness and quality of data.	Some Improvement Needed	<p>The auditor is of the opinion that all late onboarding forms should be reported to the Recruitment and Resourcing Manager and where persistent non compliance is identified this should be escalated with the service. (M)</p> <p>Surrey's Safer Staffing policy makes little distinction between social care and non social care staff in terms of requiring references as a pre-employment check. As a minimum, if no references have been received prior to an employee starting they should be treated like an employee awaiting a DBS disclosure and a risk assessment performed. (M)</p> <p>In order to ensure that absence is appropriately recorded and monitored; the areas identified in the auditor's working should be, as a minimum, polled to determine if their very low use of annual leave and/or sickness absence is factually correct. (M)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Short Stay Schools	In April 2013 Short Stay Schools also known as Pupil Referral Units PRUs achieved the same status as other maintained schools. In order to provide assurance that the schools were able to manage finances under their new status a short review was carried out.	The risks envisaged by the Service on the transition of the schools to maintained status have not materialised in a manner requiring a full audit.	n/a	There were no recommendations made.
Review of Highway Asset Management and Property Information (Position Statement)	The audit reviewed the extent to which SCC is ready to comply with the Code of Practice on Local Authority Infrastructure Assets when preparing the annual return for the Whole of Government Accounts.	The Asset Systems and Strategy Team (ASST) Manager and her staff have overall responsibility for gathering the information and preparing the annual return. They are part of the Asset Planning Group in Highways. The ASST Manager has been pro active in participating in networking events, seeking clarification on guidance and collating benchmarking information as a way of preparing and improving the content of the annual return. The Auditor is of the view that SCC is moving in the right direction to achieve this goal.	n/a	There were no recommendations made.

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Revenue Budgetary Control	<p>Revenue budgetary control is one of SCC's key financial controls over the effective use of resources and against significant error in the financial statements going undetected.</p> <p>SCC has also introduced a risk-based system for monitoring budgets and during 2013/14 has been rolling out a new budget forecasting tool.</p>	<p>The Authority has established robust overall processes for setting its annual budget. The revenue expenditure budget for 2014/15 was agreed by the Full Council at £1.652bn after taking account of a contribution from earmarked reserves of £11m.</p> <p>Audit testing of budget compilation routines confirmed that key budget compilation and monitoring tasks had been diligently completed.</p>	Effective	The audit made four low Priority Recommendations

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Finance Dashboard	<p>The Financial Management Public Value Review (PVR) set out an objective to make better use of SCC's financial system and technology by purchasing and implementing new functionality.</p> <p>An original deadline for the implementation of this project was planned for the fourth quarter of 2012/13.</p> <p>The Finance Dashboard rollout that began in August 2013 is now complete. The roll out of the Budget Forecasting Tool is now in progress on a phased basis with implementation now due for completion by September 2014.</p>	<p>An existing public sector framework contract was used, which had the advantage of assisting with timescales. The framework allowed the successful supplier to sub-contract the production work to another company, leaving the successful supplier to project manage them. The sub-contractor did not actually perform well and the required close management by the supplier was perceived to be weak.</p> <p>A recent survey of budget holders indicated a reasonable level of satisfaction with the Dashboard Tool and the Forecasting tool. However, some feedback on the user-friendliness of the Forecasting Tool warrants further thought, potentially leading to some further work on the tool, along with a subsequent user satisfaction assessment.</p> <p>The overall cost of the project may be understated by the opportunity costs of the Finance and other staff involved in the project. This may affect the results of any subsequent cost benefit analysis.</p>	Some Improvement Needed	<p>SCC procurement practice should seek to avoid contracts for the delivery of complex or technical services which allow substantial sub-contracting to the point that the successful tender only project manages delivery, to other companies whose capacity the Authority has not fully assessed. (M)</p> <p>Further consideration should be given to addressing 'look and feel' issues identified by users that relate to the Forecasting Tool. (M)</p> <p>Further discussion should be held on the feedback from the survey on the Forecasting Tool, which considers whether there is a wider need to adjust the project in certain areas. (M)</p> <p>Future investment in the development of financial systems should consider the opportunity cost of all significant resources related to the project being considered. All the opportunity costs associated with this project should be reflected in the Post Implementation Review (PIR). (M)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Risk Management	<p>SCC defines corporate and Service priorities. SCC's Risk Management Strategy, Policy and Framework are its official methodology for managing risk and opportunities in relation to achieving these Service priorities.</p>	<p>Directorate Leadership Teams (DLTs) and Service Senior Management Teams (SMTs) play a key role in discussing risk matters. The extent these discussions can be easily linked to individual risk registers varies from Service to Service.</p> <p>Service risk registers may not a clear, complete and comprehensive set of risks to the delivery of Service priorities because there is not always a clear matching of Service priorities to risks and opportunities identified. This does not mean that active risk management on specific risks or challenges is not adequate, but it is an important shortcoming in the format of risk management records.</p> <p>Most Directorate and Service Risk registers available on SCC's SNET are usually reasonably current but others are sometimes not updated for several months. There has been an improvement in the situation during the year, largely as a result of reminders via the Strategic Risk Forum.</p>	Some Improvement Needed	<p>DLTs and SMTs should better link their meeting discussions to their risk register. Most new topics raised should either create a new Risk Register entry or be considered as informing judgement on risks already reflected on the register. (M)</p> <p>Each Service risk register should include clear linkages between entries that relate to the challenges and opportunities in achieving Service objectives and service priorities, as defined in their summary Service plans, or key annual discussions of Service priorities. (H)</p> <p>The monitoring of the frequency that risk registers are being updated should be developed, perhaps integrating performance with other corporate monitoring systems. (M)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Risk Management (contd)		<p>The leadership risk register had not been presented to Cabinet for some time.</p> <p>SCC has yet to develop a finalised, quantified and useful risk appetite statement. Once achieved, managers will be more transparent about which risks they are tolerating and which they can realistically treat.</p>		<p>At least twice each year, the Leadership Risk Register should be presented to the Cabinet for consideration, discussion and amendment as appropriate. (M).</p> <p>SCC should utilise one of the methodologies widely used in other sectors to help elucidate a meaningful statement of SCC's risk appetite. (M).</p>
		<p>Recently, attendance of representatives from priority Services at the Council Risk and Resilience Forum meetings have been low or inconsistent.</p>		<p>The Assistant Chief Executive should use the experience of the recent flooding and lessons learned to re-promote the role of CRRF and the associated projects which it has been helping to facilitate. Through this re-promotion, improved attendance of representatives of Priority 1 and 2 Services should be encouraged. Services should be required to send appropriate substitutes when the standing representative is unable to attend. (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.

* For audit reports issued from 1 April 2014, the audit opinion "Major Improvement Needed" is renamed "Significant Improvement Needed"

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

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MANAGEMENT ACTION PLAN

Directorate:	Business Services
Audit report:	KF5/2013/14 - General Ledger
Dated:	21March 2014

PRIORITY RATINGS

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

I agree to the actions below and accept overall accountability for their timely completion. I will inform Internal Audit if timescales are likely to be missed.

The auditor agrees that the actions set out below are satisfactory.

Lead Responsible Officer (HOS) Kevin Kilburn

Auditor Diane Mackay

Date 26/3/2014

Date 26/3/2014

Para Ref	Recommendation	Priority Rating	Management Action Proposed	Timescale for Action	Officer Responsible	Audit Agree?
5.2.7	The Banking Team should consider addressing the property account codes that are not currently included in the banking table in the interface routine between the HSBC Banking system and SAP.	Low Priority	Although the bank table will auto allocate directly to the Cost centre and GL this is not enough information for EPM, which is why the manual workaround was agreed. This may be addressed with the PAMS implementation however that is unclear at the present time and so will re-consider this recommendation in October.	October 2014	Jackie Knutton	Yes

MANAGEMENT ACTION PLAN						
Para Ref	Recommendation	Priority Rating	Management Action Proposed	Timescale for Action	Officer Responsible	Audit Agree?
5.3.10	The format of suspense account integrity checking should be reviewed to ensure they help staff more easily clear balances.	Medium Priority	The Finance Manager (Asset, Investment & Accounting) will discuss with the Accountant in the General Ledger Team and ensure that integrity checks on the large suspense accounts (reconciled daily by the banking team) are done monthly and that discussion are had on remaining balances.	With effect from 1 April 2014	Nikki O'Connor (Finance Manager (Assets, Investment & Accounting))	Yes
5.3.11	The AI & A Manager to ensure that accounting review of suspense codes is ongoing throughout the year on a scheduled basis and that there is a greater degree of compliance with the requirements of the Closure Programme on suspense accounts.	Low Priority	The Finance Manager (Asset, Investment & Accounting) will discuss with the Accountant in the General Ledger Team and ensure that integrity checks on the suspense accounts are undertaken at least quarterly and any un-cleared items are chased up with responsible officers.	For closing 2013/14 and ongoing throughout 2014/15	Nikki O'Connor (Finance Manager (Assets, Investment & Accounting))	Yes
5.4.11	The AI&A Manager should consider any further potential journal anomaly reports which could be developed to highlight journals that may require further review and explanations from the originator. Such reports might highlight, for example, large journals from staff to non-staff cost codes.	Low Priority	Consideration will be given to any additional controls or review of current procedures necessary, in light of any risks or patterns which may be identified by the journal statistics analysis – any changes will need to be weighed up against time resource and risk.	Review to be carried out as part of journal statistics analysis during 2014/15	Nikki O'Connor (Finance Manager (Assets, Investment & Accounting))	Yes

MANAGEMENT ACTION PLAN						
Para Ref	Recommendation	Priority Rating	Management Action Proposed	Timescale for Action	Officer Responsible	Audit Agree?
5.6.6	Further work should be undertaken to develop the balance sheet code certification checking to ensure that independent sources of information are used to prove the completeness of balances and to help identify transactions that can be cleared.	Medium Priority	The Finance Manager (Asset, Investment & Accounting) will meet with the Accountant in the General Ledger Team to review the Balance Sheet Management Process to ensure reconciliations and backing documentation is adequate.	By end of Q1 (June) 2014/15	Nikki O'Connor (Finance Manager (Assets, Investment & Accounting))	Yes
5.7.8	Following further analysis to be completed during closure of accounts, the Deputy Head of Finance should consider options for an accelerated write back of a substantial proportion of any remaining GR/IR balances relating to previous years.	Medium Priority	It is anticipated that the majority of the 'aged' balance will be written off by the 31/03/14. As is already the agreed ongoing process, any balance that is over 12 months old will continue to be analysed in detail and appropriate process changes actioned as necessary.	Ongoing	Nikki O'Connor (Finance Manager (Assets, Investment & Accounting))	Yes
5.7.9	The AI & A Team should ensure that the GR/IR auto-clearance tool is run every week.	Medium Priority	The GR/IR auto-clearing tool is scheduled to run weekly.	Actioned during Feb 2014	Nikki O'Connor (Finance Manager (Assets, Investment & Accounting))	Yes
5.8.3	The Closure of Accounts Programme 2014/15 should include further details on year-end routines relating to system interfaces and details of all	Low Priority	Agreed – although this document is meant to cover the year-end actions that effect the majority of finance staff and so summarised info on	For 2014/15 closing programme	Nikki O'Connor (Finance Manager (Assets, Investment & Accounting))	Yes

MANAGEMENT ACTION PLAN						
Para Ref	Recommendation	Priority Rating	Management Action Proposed	Timescale for Action	Officer Responsible	Audit Agree?
	significant government grants which require submission and certification where appropriate.		interface year-end activities may be more appropriate to avoid the document becoming over technical in areas that do not affect the majority. Separate year-end procedures already exist which are specific to particular areas.			
5.9.4	The AI & A Team to produce an updated map of SAP GL processes and interfaces with other systems, indicating the key controls over the interface and associated GL suspense and holding codes. The map should be supplemented with some form of assurance monitoring by the AI and A Team over the appropriate operation of these interfaces.	Medium Priority	The Finance Manager (AI&A) will work with the Financial Systems and Process Improvements Manager to update the existing interfaces map and the Financial Information Systems Strategy document which should highlight key controls and monitoring.	December 2014	Nikki O'Connor (Finance Manager (Assets, Investment & Accounting) & Darren Kerbey (Financial Systems and Process Improvements Manager)	Yes
5.9.5	AI & A team to consider if there is any common control improvement that could be considered to improve the security of data that is transferred between feeder systems and into SAP.	Medium Priority	The Financial Systems and Process Improvements Manager is already working with IMT towards automating more of the interface transactions and reducing manual intervention where possible.	December 2014	Nikki O'Connor (Finance Manager A,I&A) & Darren Kerbey (Financial Systems & Process Improvements Manager)	Yes

MANAGEMENT ACTION PLAN

Directorate:	Chief Executive's Office
Audit report:	IT20/2013/14 – Review of Information Governance
Dated:	27 March 2014

PRIORITY RATINGS

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

I agree to the actions below and accept overall accountability for their timely completion. I will inform Internal Audit if timescales are likely to be missed.

The auditor agrees that the actions set out below are satisfactory.

Lead Responsible Officer (HOS): Rachel Crossley on behalf of Ann Charlton

Auditors: Siva Sanmugarajah and Lyle Lumsden

Date: 4 April 2014

Date: 4 April 2014

Para Ref	Recommendation	Priority Rating	Management Action Proposed	Timescale for Action	Officer Responsible	Audit Agree?
5.10	Review the Information Governance guidance and procedures for reporting breaches in all services to include the appropriate links to relevant policies and officer levels to which breach reporting should be escalated. The use of a flowchart could aid understanding of breach reporting.	Medium	The guidance and procedures on reporting breaches will be reviewed. The use of a flowchart will be considered and updated on the S:net.	June 2014	Grisilda Ponniah, Corporate Information Governance Manager	√
5.11	The production of the	Medium	The Breach report will	September 2014	Grisilda Ponniah, Corporate	√

MANAGEMENT ACTION PLAN

Para Ref	Recommendation	Priority Rating	Management Action Proposed	Timescale for Action	Officer Responsible	Audit Agree?
	annual breach report should be formalised so that its purpose, frequency of production and reporting arrangements are clear The Service should determine the appropriate forum to receive the annual breach report such as the Continual Improvement Board.		continue to be produced annually with a clear purpose to identify any trends in data breaches and propose actions to address these where not already in place. The Annual Breach Report will be reported to the Information Governance Board which is expected to meet on a quarterly basis with the first meeting planned for late April 2014.		Information Governance Manager	
5.22	Develop and communicate the 'one stop shop' page on the S:net on Information Governance. This should reference <ul style="list-style-type: none"> • the council's strategy for Information Governance; • the roles of the Information Governance Team(s); • key Information Governance policies such as Data Protection, Records Management, 	High	One-stop shop S:net page already exists but can be reviewed to ensure these elements are all covered. All policies relating to Information Governance will be reviewed and updated with links to related policies published and maintained on the S:net.	September 2014	Grisilda Ponniah, Corporate Information Governance Manager	√

MANAGEMENT ACTION PLAN

Para Ref	Recommendation	Priority Rating	Management Action Proposed	Timescale for Action	Officer Responsible	Audit Agree?
	<p>Caldicott Guardianship, and Information Technology (IT) Security Policy;</p> <ul style="list-style-type: none"> • Procedures to deal with data breaches; • Arrangements for periodic reporting to senior management and Members regarding Information Governance; • All policies should be clear, comprehensive and up to date. They should be regularly reviewed and tested to ensure that all links within S:net pages work. <p>The views of the Governance Panel should be sought on the inclusion of the Information Governance Policy as a Corporate Policy.</p>		<p>Information Governance Policy will be referred to the Governance Panel to consider whether it should be included as a Corporate Policy.</p>	<p>September 2014</p>	<p>Grisilda Ponniah, Corporate Information Governance Manager</p>	
5.29	<p>Children’s Information Governance Team should reinstate its presence on the S:net and should also include links to the various</p>	<p>High</p>	<p>The findings from this report have been included in a review of Information Governance arrangements.</p>	<p>September 2014</p>	<p>Liz Ball, Head of Performance and Support and Julia Bowman, Business and Development Manager</p>	<p>√</p>

MANAGEMENT ACTION PLAN

Para Ref	Recommendation	Priority Rating	Management Action Proposed	Timescale for Action	Officer Responsible	Audit Agree?
	Corporate Information Governance policies and procedures and requirements stipulated by the Caldicott Guardianship and the Information Commissioner's Office.		Julia Bowman, Business and Development Manager is now managing this element of the service and Liz Ball, Head of Performance and Support will be working with her to address the findings as set out in the report.			
5.44	Consider making the training on Information Governance mandatory to all staff in all the services in the Council and to those working with our partner agencies.	Medium	This will be presented to the Governance Panel for consideration. Council-wide Communications Campaign on Information Governance already scheduled to start in April 2014 which will help to raise awareness and increase understanding of staff responsibilities in this area.	September 2014 April 2014 and ongoing	Grisilda Ponniah, Corporate Information Governance Manager	√
5.45	Accurate and up to date training statistics on classroom courses and team meetings should be maintained by the Corporate Training Team	High	The Training Administration Team (TAT) are able to upload details of all courses and attendees into SAP if the trainers of courses provide	September 2014	All Information Governance Team Managers, Acting Organisation and People Development (OPD) Relationship Manager and Human Resource (HR)	√

MANAGEMENT ACTION PLAN

Para Ref	Recommendation	Priority Rating	Management Action Proposed	Timescale for Action	Officer Responsible	Audit Agree?
	(CTT) by ensuring attendance is confirmed to the CTT by the trainer.		them with course names, dates and list of attendees soon after delivering the courses. On a quarterly basis the TAT will check for nil returns against any uncanceled courses. The Organisation and People Development (OPD) Team and TAT will again trial the 'Instructors' Portal' in the SAP Learning Solutions module, which will enable trainers to input delegates' attendance directly to SAP via the portal.		Group Manager	
5.46	Training statistics should be made available to all line managers to ensure that staff are fully trained. The CTT should make the line managers aware that e-learning information via 'My Learning Extra' is available to them should managers require confirmation.	Medium	The TAT is able to provide training statistics including those on e-learning courses to all line managers on a quarterly basis. This will also inform line managers that TAT can access the statistics on e-learning via 'My Learning Extra'.	September 2014	Neil Bradley, HR Group Manager	√
5.68	The Corporate Information Governance Manager (CIGM) should work with	High	The CIGM and IMT should work together and the policy should be formally	June 2014	Paul Brocklehurst, Head of IMT and Grisilda Ponniah, Corporate Information	√

MANAGEMENT ACTION PLAN

Para Ref	Recommendation	Priority Rating	Management Action Proposed	Timescale for Action	Officer Responsible	Audit Agree?
	Information Management Technology (IMT) service and the sponsors of the Modern Worker Project to formulate a holistic policy for the Bring Your Own Device (BYOD) initiative. The policy should also make clear the considerations about the intended recipients of this functionality since there are cost implications to Surrey County Council.		approved by the Information Governance and Risk Board which meets for the first time in late April 2014.		Governance Manager	
5.69	The IT Networks and Security Platform Lead should continue to work closely with the CIGM on all IT projects with information governance implications to identify issues at the early stages of the projects and to take mitigating actions.	Medium	Agreed. The CIGM has been invited to the IT Security Group's meetings held quarterly.	Ongoing	Morgan Rees, IT Networks and Security Platform Lead and Grisilda Ponniah, Corporate Information Governance Manager	√
5.70	Clearly written procedures should be developed and if there is sufficient demand publish the policy on S:net to make staff aware of the steps they need to follow if	Medium	Agreed.	Ongoing	Morgan Rees, IT Networks and Security Platform Lead and Grisilda Ponniah, Corporate Information Governance Manager	√

MANAGEMENT ACTION PLAN

Para Ref	Recommendation	Priority Rating	Management Action Proposed	Timescale for Action	Officer Responsible	Audit Agree?
	they wish to volunteer to participate in BYOD. More importantly IMT should continue to monitor the Central Government approach and lobby for change.					
5.71	IMT should continue with the replacement of 'Good' with the MobileIron solution to ensure compliance with Public Sector Network (PSN) requirements.	High	Agreed.	September 2014	Paul Brocklehurst, Head of Information Management Technology	√
5.77	Services should be reminded to maintain the Freedom of Information database.	Low	Freedom of Information Officer to raise this issue at the Information Access Officers' meetings.	June 2014	Grisilda Ponniah, Corporate Information Governance Manager	√

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AUDIT & GOVERNANCE COMMITTEE
29 May 2014

INTERNAL AUDIT ANNUAL REPORT 2013/14

Purpose of the report:

This report summarises the work of Internal Audit for the period 1 April 2013 to 31 March 2014, identifying the main themes arising from the audit reviews and the implications for the County Council. The Chief Internal Auditor reports key findings and recommendations arising from audits undertaken as part of regular reporting to this Committee on completed audits.

A list of all Internal Audit reports issued in the period is attached at Annex A for information. In response to member interest in management action taken to implement Internal Audit recommendations this report also provides, at Annexes B and C, details of progress made to date for those audit reports previously presented to this Committee.

This report also provides an update at Annex D, on progress made to date on implementing the recommendations arising from the 2013/14 review of the effectiveness of the system of Internal Audit which was presented to this Committee in March 2014.

Recommendation:

Members are asked to note the work undertaken and performance of Internal Audit in 2013/14 and determine whether there are any matters that the Committee wishes to draw to the attention of the Cabinet or the County Council.

Introduction

- 1 The Accounts and Audit Regulations 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.

- 2 Best practice requires the Chief Internal Auditor to produce an annual report that:
- (a) provides an opinion on the overall adequacy and effectiveness of the organisation's control environment
 - (b) discloses any qualifications to that opinion, together with reasons for the qualification
 - (c) presents a summary of the audit work from which the opinion is derived
 - (d) draws attention to any issues of particular relevance
 - (e) compares the work actually undertaken against the work that was planned
- 3 This report fulfils the requirements above and represents the Internal Audit Report for the period 1 April 2013 to 31 March 2014. This report informs the 2013/14 Annual Governance Statement and provides an overview of the key findings arising from the audit reviews and the implications for the County Council. Taking account of the issues described the Committee will need to consider whether any matters should be referred to the Cabinet or the County Council.

Background to the Year 2013/14

- 4 Internal Audit is one of four teams, the others being Performance and Change; Economic Growth; and, Policy and Partnerships; within the Policy and Performance service. As such Internal Audit is well placed to respond to new policy initiatives and help drive innovation and improvement across the council.
- 5 New Public Sector Internal Audit Standards (PSIAS), developed through collaboration between CIPFA and the Institute of Internal Auditors (IIA) came into effective on 1 April 2013 and the 2013/14 review of the Effectiveness of Internal Audit assessed the council's conformance with the PSIAS local government application note which was published in April 2013.
- 6 Throughout the year the Chief Internal Auditor has attended the regular Statutory Officers meeting with the Monitoring Officer, the S151 Officer and the Chief Executive; and has continued to meet regularly on a one to one basis with the Chief Executive to brief him on governance issues.
- 7 During 2013/14 the Chief Internal Auditor has continued to undertake the following responsibilities:
- member of the Investment Panel which reviews business cases in advance of them being presented to Cabinet for approval
 - member of the Governance Panel
 - member of the Strategic Risk Forum
 - the council's Money Laundering Regulatory Officer
- All the aforementioned roles complement the work of Internal Audit.
- 8 The high profile of Internal Audit reports has been maintained throughout 2013/14 with the Audit and Governance Committee and Council Overview and Scrutiny Committee in particular showing a strong interest in what action officers have taken in response to Internal Audit recommendations. The on-line library means all elected members can access reports as they wish.

Internal Audit Opinion

- 9 The overall audit opinion, based on the reviews completed during the period, on the governance and internal control environment during 2013/14 is **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.
- 10 In forming this opinion, the Chief Internal Auditor can confirm that Internal Audit activity throughout 2013/14 has been independent of the rest of the organisation and has not been subject to interference in the level or scope of audit work completed. There are no qualifications to this overall opinion.
- 11 This overall audit opinion is largely a reflection of the system and procedural controls around the County's key financial systems that are subject to annual review by Internal Audit. However a number of areas were identified in which specific weaknesses meant that control in those particular areas did not provide reasonable assurance that risks are being managed so that objectives would be met. The following table shows the spread of audit opinions for the 63 standard audit reports issued in the period 2013/14 with comparative information for 2012/13.

Audit Opinion	2012/13		2013/14	
	No of Audit Reports	%	No of Audit Reports	%
Effective	14	22	21	33
Some Improvement Needed	39	61	34	54
Major Improvement Needed	8	12	2	3
Unsatisfactory	2	3	0	0
n/a	1	2	6	10
Total	64	100	63	100

- 12 The key issues arising from audit work completed during 2013/14 are set out in the Key Audit Findings section of this report.

Management Action Plan (MAP) Progress Update

- 13 A summary of Management Action Plan (MAP) progress in implementing audit recommendations for audit reports issued in the period June – December 2013 can be found at Annex B
- 14 Annex C contains details of all audit reports issued prior to June 2013 where implementation of High Priority recommendations has not previously been reported to this Committee as "Green".

Performance Summary

- 15 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 year.

Audit Area	Plan Days (whole year)	Actual Days	% Actual to planned
Corporate Governance Arrangements	40	46	115%
Key Financial Systems	200	240	120%
Grants	20	32	160%
Contract reviews	120	110	92%
Service reviews (systems and projects)	1023	910	89%
Follow-up Audits	50	59	118%
Client Support and Service liaison	136	131	96%
Special reviews not included in the original audit plan. NFI and other fraud prevention Irregularity investigations	345	283	82%
Audit planning and management, corporate and member support	294	319	108%
Total days	2228	2130	96%
Figures as shown in 2012/13 report (for comparison)	2201	1983	90%

- 16 The Internal Audit team establishment for 2013/14 comprised 12 full time equivalent (FTE) staff. One auditor retired at the end of December 2013 and an agency auditor was engaged during quarter 4 to cover the resultant vacancy and help ensure satisfactory delivery of the annual audit plan.
- 17 The Internal Audit team have had another productive year with 63 audits reports issued (as detailed at Annex A). This compares with 64 reports issued in 2012/13.
- 18 2013/14 Annual Audit Plan Completion

Annex E provides an analysis of completion of the 2013/14 Internal Audit programme of work. Further information is set out below.

Deferred/Cancelled Audits - the following audits, which were included in the 2013/14 annual audit plan, were cancelled/deferred for the following reasons:

- Walton Bridge Contract – this audit was deferred to 2014/15 as the final account will not be available to audit until then.
- Property Asset Management - implementation of the Property Asset Management system was delayed and as a result this audit has been deferred to 2014/15 to allow time for the new processes to bed in.
- Management of CITRIX Systems - having undergone a significant restructure the service asked for this audit to be undertaken in Quarter 4. In practice this proved difficult to schedule and so is planned for 2014/15 Quarter 1.

- People Strategy – at the time of planning this audit it was apparent that the People Strategy was to be refreshed and that the timing was not right for an audit. The 2014/15 Internal Audit plan includes two audits – Apprenticeship Scheme and Absence Management – that should support the refreshed strategy.

In addition, as shown in Annex E, a small number of audits relating to 2013/14 are still in progress.

19 Grants

Six grant audits were completed in the year as follows:

Local Transportation Block Grant; Troubled Families (1st claim); School Centred Initial Teacher Training Grant; Community Capital Grant; EU Restore Grant (claims 1 & 2)

20 Fraud and Irregularity and Special Reviews

The 2013/14 audit plan included specific time for Irregularity and Special Investigations (audits which, although not in the annual plan, take place as a result of concerns being raised directly with Internal Audit by Members or officers). Some of this time (87.4 days) was spent on investigating alleged irregularities. The Council's Financial Regulations require all matters involving, or thought to involve, corruption or financial irregularity in the exercise of the functions of the County Council to be notified to the Chief Internal Auditor who will decide whether an audit investigation is appropriate.

21 A separate report has been produced for this Committee which provides more information on the irregularity investigations undertaken by Internal Audit during 2013/14.

22 Also included in this is time spent on fraud awareness work (including promoting use of the fraud awareness e-learning package and circulating fraud alerts received from such audit networks as the National Anti-Fraud Network and the County Chief Auditor's Network).

23 Customer Satisfaction Survey (CSQ)

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.

The following table shows the breakdown of CSQ scores received during the period 2013/14 (previous year figures in brackets for comparative purposes):

CSQ Overall Rating	No of CSQs	%
4 – very useful	12 (12)	42 (40)
3	11 (16)	38 (54)
2	5 (1)	17 (3)
1 – not very useful	1 (1)	3 (3)
Total	29 (30)	100

Effectiveness of the System of Internal Audit

- 24 An external assessment of the effectiveness of the system of Internal Audit was completed in March 2014 and presented to this Committee on 24 March. In line with best practice, this annual report includes an update on progress made in implementing the recommendations arising from that review.
- 25 Detail of progress against each recommendation, including a Red/Amber/Green (RAG) assessment can be found at Annex D. This shows that the majority of recommendations have now been implemented.

Key Audit Findings

- 26 The key audit findings arising from completion of the 2013/14 Internal Audit plan are categorised under the ten themes as set out below:

1. Highways

- 27 Four audits were conducted in this area in 2013/14.
- 28 A follow-up of the 2012/13 Internal Audit review of Highway Contract Management showed the majority of audit recommendations had been implemented although some recommendations (including two High Priority recommendations) were assessed as “Amber” as a result of two recurrent themes:
- where proposed improvements to software to address the original recommendation was either not feasible in practice or had generated further problems requiring resolution; or,
 - the scale of the task in hand was greater than initially anticipated by management
- 29 Notwithstanding this, Internal Audit was sufficiently satisfied that management were proactively addressing the issues and that the agreed interim arrangements have ensured that there had been no financial control implications arising as a result of the delayed implementation of these corrective measures.
- 30 An audit of the Highways Contract Lot 3 – Highway Construction and Surface Works concluded that many of the problems encountered in the first year of the contract had been resolved. The audit identified an instance where a particular rate was continually being charged by the Supplier at £1.80 per unit instead of the £1.42 as set out in the agreed “Schedule of Rates”. Internal Audit recommended that the contractor should check the rates held on their system to ensure they are in line with those agreed.
- 31 An audit of the Highways Contract Lot 5 – Highway Flood Prevention noted that the sub-contractor was being replaced due to performance issues. The audit highlighted the need to strengthen the process of weekly inspection by Maintenance Engineers which had identified some poor or delayed performance by the sub-contractor. Three High Priority audit recommendations were made to ensure the new sub-contractor provides an improved service.
- 32 An audit of the Streetworks function which oversees utility works on the public highway in line with the New Roads and Street Works Act (1991) made a number of recommendations related to the planned introduction of a Permit Scheme, and the need to strengthen debt recovery arrangements in respect of works carried out on behalf of the utility companies.

2. Information Governance

- 33 Information Governance is identified on the Leadership risk register as a High Risk and a recent audit of Information Governance suggests that further work is required to raise awareness of the risks across the organisation. Key to this is not only the need to ensure policies and procedures are clear and up to date and easily accessible to staff but to ensure local controls are in place to ensure compliance with them. This audit also noted the expansion of the Bring Your Own Device pilot which has taken place without reference to the Corporate Information Governance Manager and is likely to increase the risks around information security.
- 34 Internal Audit has been involved in investigating the reasons behind data breaches that have occurred in both Adults and Children's Directorates and the findings suggest both a lack of appreciation by officers of their responsibilities for data security as well as some practical issues in complying with the requirements of the Data Protection Act. In addition there is some evidence to suggest malicious intent behind two of the data breaches investigated by Internal Audit.
- 35 The Control Risk Self Assessment of Governance Policies coordinated by Internal Audit as part of annual review of governance to inform the Annual Governance Statement included both the IT Security Policy and the Data Protection Policy. The IT Security Policy was found to be more than 90 pages long with much of its content of relevance to just a small number of IMT specialist staff and many of its requirements clearly aspirational rather than realistically practical. The policy is currently being sub-divided into sections that relate to all staff and IMT staff only, with the section applicable to all staff being separately available on the S:Net.
- 36 An audit of Information Governance in Schools found that the majority of schools had data protection policies in place and associated documents. The audit found some instances where operational practices posed information security risks. Following completion of this audit review a number of seminars on information security have been provided for schools and these should have led to increased awareness of information governance requirements.

3. Adult Social Care (ASC)

- 37 Direct Payments (DP) for Adult Social Care was highlighted as an area for concern within the 2012/13 Annual Governance Statement with recommendations that:
- 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.
- 38 A Direct Payments Follow-up Audit was completed in October 2013 and found significant improvements had been made – notably the number of overdue social care reviews had fallen from 32% to 17% at a time when nationally councils' performance in this area is getting worse. It was noted however that reconciliations of DPs were still not being completed in a timely manner and this remains an area of concern.

- 39 Effective Audit Opinions were given following Internal Audit reviews of Reablement; Serious Case Review – Recommendation Tracking; and, Care Homes – Managing Residents’ Monies. Furthermore there were no High Priority recommendations made following Internal Audit reviews of ASC Transport; and, ASC Commissioning and Domiciliary Care.
- 40 An audit of the ASC Safeguarding Assurance Process found that corrective action had been taken in only 29.5% of the sample of 44 issues identified in audits undertaken by Safeguarding Advisors. The auditor made two High Priority recommendations aimed at ensuring corrective action is taken in response to issues identified as part of the Safeguarding Assurance Process.

4. Social Care Debt

- 41 An audit of Social Care Debt Credit Balances, found that social care debt reported to the ASC Select Committee was shown as net of credit balances and as a result actual debt was understated by approximately £550k. The audit found that there had been little investigation into the largest 10 balances on deceased client accounts and it was noted that the oldest balance dated back to 2002. The audit opinion following this review was Major Improvement Needed.
- 42 A further audit of Social Care Debt is currently underway and a report is expected to be issued during May 2014.

5. Children in Care Health and Dental Checks

- 43 An audit of Health and Dental Checks – Children in Care gave an audit opinion of Major Improvement Needed. Health checks for 24 of the 86 files (28%) tested could not be validated and it was clear there were significant delays between the time Children’s Services were notified of a completed health check and the corresponding paperwork being received. An earlier audit of this area in 2012 had found 20% of health checks could not be validated, so it would appear that this process is now working less effectively than before.

6. Capital Monitoring

- 44 Capital Monitoring was highlighted in the 2012/13 Annual Governance Statement as an area for continued focus given the council’s aim to borrow to invest significantly over the next 3-4 years in property for service provision, investment and regeneration purposes.
- 45 An audit of Capital Monitoring is currently underway and the findings from this will be included in the Chief Internal Auditor’s Annual Report to Audit and a report is expected to be issued during May 2014.

7. Health and Safety

- 46 An audit of Health and Safety in Schools highlighted the arrangements in place whereby the Strategic Risk Team in Children’s Schools and Families provides schools with advice, guidance and training. It was noted that Property services inspect community and voluntary controlled schools and Environment and Infrastructure provide support to schools around road safety. The audit concluded that the support provided by Surrey County Council mitigates the risk of harm to individuals and breaches of legislation. Two Medium Priority recommendations were made to encourage more joined up working between the Schools Health and Safety Team and Property Services.
- 47 The Control Risk Self Assessment (CRSA) of Governance Policies coordinated by Internal Audit as part of annual review of governance to inform the Annual

Governance Statement included the Health and Safety Policy. Feedback from the CRSA surveys suggested that although some staff found the policy hard to locate there was a good level of understanding of the policy and the role of OSHENS incident recording and reporting system. Although a good number of staff appeared to be benefitting from individual wellbeing plans, there is an opportunity to encourage wider implementation of team wellbeing plans.

8. Contract Management

- 48 An audit of the Contract Management Framework found that the framework that has been developed by Procurement – which includes assessment tools, IT Solutions (In-tend) and training – has substantially enhanced the previous arrangements in place. The new arrangements are being rolled-out service by service across the authority and Internal Audit recommended that a formal project plan should be developed that would see rollout to all Directorates by March 2015.
- 49 The Council's Medium Term Financial Plan anticipates significant procurement savings will need to be made over the next few years and effective procurement and contract management will be key to this.

9. Project Management

- 49 An audit of the ICS Controcc system which went live in November 2012 highlighted concerns over the project management and emphasised the need to ensure that future projects are properly planned and supported by robust business cases. Representation from Childrens, Schools and Families senior management at Project Board meetings suggested a lack of full engagement.
- 50 An audit of the Transfer of Public Health found that the transfer of public health functions had been effective in terms of continuity of service and mitigation of risk. An example of good practice within the overall governance of the transition was the establishment of a shadow Health & Wellbeing Board well ahead of the required date for such a body to exist.
- 51 The Council does not have a central programme office and it is unclear what corporate mechanism exists for identifying the key strategic programmes or projects that are underway and reporting on whether they are on track to deliver anticipated benefits. An audit of this area is currently underway.

10. Risk Management

- 52 An audit of Risk Management concluded that SCC's Risk Management Strategy, Policy and Framework are logical, concise and well written documents and that good progress had been made on the implementation of the recommendations arising from the previous year's audit. It was noted however that some of the service risk registers held on S:Net had not been updated for several months.
- 53 Internal Audit conducted a small survey of senior managers on risk management in December 2013. The survey results confirmed the key role of Directorate Leadership Teams and Senior Management Teams in focusing on risk issues and confirmed that identifying opportunities and stimulating innovation were also seen as part of risk management. The same survey highlighted some positive messages about SCC's risk culture and work via the Strategic Risk Forum to further enhance this is currently in hand.

Implications:

- 54 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.
- 55 Terms of Reference for all audit reviews include the requirement to specifically consider value for money; risk management; and, equalities and diversity.

Next Steps:

- 56 The Chief Internal Auditor will continue to update Members on the progress of issues within this report that have not been fully concluded.

REPORT AUTHOR: Sue Lewry-Jones, Chief Internal Auditor

CONTACT DETAILS: telephone: 020 8541 9190
e-mail: sue.lewry-jones@surreycc.gov.uk

Sources/background papers: Internal Audit reports

ANNEX A



Audit Reports issued in 2013/14

Payroll	Employee Expenses	Customer Services
Adult Social Care Transport	Community Enhancement Fund	Adult Community Learning
Children and Families - Care Leavers	Information Governance in Schools	Imprest Accounts
Pension Fund Investment Arrangements	European Grant Funding	Treasury Management
Transfer of Public Health	Energy Management	Corporate Governance Policies - CRSA
Pensions Administration	Purchasing Cards - Follow-up audit	SIMS/FMS
SAP Application Controls	Insurance	ContrOCC Phase
Accounts Receivable	Direct Payments - Follow-up audit	Community Improvement Fund
Treasury Management	Streetworks Function	ASC Commissioning and Domiciliary Care
SFVS Process	Data Centre	Data Mining for Fraud
Accounts Payable	ASC Safeguarding Assurance Process	Serious Case Review - Recommendation Tracking
Capital Monitoring	Children in Care - Health and Dental Checks	Free School Meals
Highways Contract - Lot3	School Purchasing Cards	Contract and PSO Compliance in Schools
Reablement	Libraries Global Transport Van Service	Music Tuition - Debt Recovery
Highways Contract - Lot5	Blue Badges	General Ledger
ICS ContrOCC	Social Care Debt - Credit Balances	Officer Interests
Highways Contract - Follow-up review	Contract Management Framework	Support of Cabinet and Member Scrutiny
Local Sustainable Transport Fund	Health and Safety in Schools	Public Health Integration into SCC
Risk Management Arrangements	Smallholdings (Rural Estate)	Verification of Overseas Pensioners
Head Teachers' Pay	Trust Funds	
Youth Service Transformation	Care Homes - Managing Residents' Monies - Follow up review	
Financial Assessments Process	Surrey Local Assistance Scheme	

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Management Action Plan (Jun – Dec 2013) – Progress update

Annex B

Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Reablement (Jun-13)	Effective	n/a – no recommendations made	n/a – no recommendations made	
Local Sustainable Transport Fund (Large Bid) (Jun-13)	Some Improvement Needed	Develop a system for estimating the value of work-in-progress relating to smaller capital works orders for LSTF delivery. (M)	The strategic design team have been sending a monthly financial accrual spreadsheet into Tania Rocks to put a work in progress (WIP) value in SAP. The achievement of Gateway 3 in the construction process must be dated for an accrual to be raised in SAP. The value of the accrual entered into SAP is based on the percentage complete of that scheme. When the actual claim comes in for these completed works the WIP values in SAP are reversed.	




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Management Action Plan (Jun – Dec 2013) – Progress update

Annex B

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Local Sustainable Transport Fund (Large Bid) (Jun-13)	Some Improvement Needed	<p>Strategic Projects staff to submit fully supported details of accrued scheme expenditure for 2013/14 promptly at year-end. (M)</p> <p>A comparison of actual to expected time charged to the LSTF projects to be discussed quarterly to the LSTF Project Board. (M)</p> <p>Strengthen use of formal project management tools in 2013/14 to improve task monitoring and financial reporting. (M)</p>	<p>Programmed to happen as part of the closure of accounts for 2013/14.</p> <p>Every month a download from the ETCi system has been presented to the delivery board for review. On reviewing this information the delivery board have taken mitigating actions to address under charging of staff time.</p> <p>A new simplified plan was created for each town in the programme (Guildford, Woking and Redhill & Reigate). The town plans include information on scheme budgets, spend and progress. These have been kept up to date on at least a monthly basis and have been used as a tool to update the working groups.</p>	<p style="text-align: center;"></p> <p style="text-align: center;"></p> <p style="text-align: center;"></p>

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Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
		<p>Apply tighter grant funding criteria to ensure a better focus on sustainable transport. (M)</p> <p>Secure a signed licence to work on site at the Onslow Park and Ride Scheme. (M)</p> <p>Consider improving the perimeter fencing around the Onslow P&R construction site. (M)</p>	<p>New criteria led to both a larger number of bids rejected during the 2013/14 programme and led to better quality of bids more closely aligned to the programme received.</p> <p>]</p> <p>]</p> <p>] Construction works now complete.</p> <p>]</p> <p>]</p> <p>]</p>	<p></p> <p></p> <p></p>
Highways Contract Management Lot 5 (highway flood prevention) (Jun-13)	Some Improvement Needed	<p>The sub-contract should be reviewed in the light of the lessons learned to ensure it meets Surrey’s contract requirements. (H)</p> <p>The new sub-contractor should be closely monitored to ensure that the service improvements over the past six months are not lost. (H)</p> <p>It is recommended that procedures to follow up cleansing failures are put in place to ensure they are not overlooked or ignored. (H)</p> <p>It is recommended that consideration is given to enabling wider access to Asset Planning data where it will support operational areas. (M)</p>	<p>Completed.</p> <p>Completed.</p> <p>Completed and ongoing.</p> <p>Supplier for a new system is currently being procured after which enabling wider access will be reviewed.</p>	<p></p> <p></p> <p></p> <p></p>





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Management Action Plan (Jun – Dec 2013) – Progress update



Annex B

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Highways Contract Management Lot 1 follow-up (Jun-13)	Some Improvement Needed	<p>There were no new recommendations</p> <p>21 of the original 25 recommendations were completed; the remaining 4 are rated as amber and will continue to be monitored.</p> <ul style="list-style-type: none"> A new interface between SAP and Maximo, to prevent manual intervention of payment after budget holder approval, was to be introduced by 30th October 2013 (H) A training programme was to be delivered by 1st September 2013 to ensure that all staff fully understand how to apply schedule of rates. (M) A revised Confirmation of Verbal Instruction (CVI) form was to be in place by 30th June 2013 to ensure that both price and re-measure are recorded and signed by the client before completion. Clients shall reject any CVI without pre-approved signatures. (M) Maximo Improvement Project and training was to be delivered by 30th September 2013. (H) 	<p>The SAP interface was completed as planned. The development to prevent the manual intervention after approval was completed the preceding year.</p> <p>This was completed and further improvements are being developed.</p> <p>This was implemented as planned and additional improvements have been created.</p> <p>This was delivered after 30th September but was completed by 31 December.</p>	   

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Management Action Plan (Jun – Dec 2013) – Progress update

Annex B

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ICS ContrOCC (Jun-13)	Some Improvement Needed (additional opinion of Major Improvement Needed on project management elements of the review)	<p>CSS should ensure that, in future, projects are planned in sufficient detail before proceeding to implementation. (H)</p> <p>CSS should ensure that all projects are supported by complete and thorough business cases which provide full justification for the expenditure of time and money. (H)</p> <p>CSS should ensure that they are appropriately represented at Board meetings for projects which relate to their operations. (H)</p> <p>CSS to build upon work already undertaken, and continue its efforts to improve the quality of its data. (M)</p>	In order to assess whether the ContrOCC system meets current and future user requirements, CSS has decided against immediately progressing with the implementation of Phase 2. A small-scale pilot will be run in 2014-15 instead, solely covering payments to agency providers. This will provide insights into the resources required for Phase 2, give the service time to assess the justification for the project, and plan appropriately.	
Head Teachers' Pay (Jul-13)	Some Improvement Needed	The Governors' Newsletter to include advice on the need to retain documentary evidence around decisions related to Pay Group; Individual School Range; and, increases in the Leadership Scale. School Improvement Officers to challenge these decisions as appropriate. (M)	Not completed, information awaited. Internal Audit made contact with Lead at Babcock 4S for School Governance.	




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Management Action Plan (Jun – Dec 2013) – Progress update





Annex B

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Financial assessment end to end process (Jul-13)	n/a (Position Statement)	n/a – there were no audit recommendations. The information from this review was used to inform the Rapid Improvement Event that took place in June 2013.	n/a	
Youth Transformation (Jul-13)	Some Improvement Needed	<p>SYP should consider reviewing performance management co-ordination to ensure that performance data reflecting the integrated nature of the Service is produced in an efficient manner. (M)</p> <p>SYP should ensure that all activities which supplement the work in the delivery models have mechanisms which allow their effectiveness to be evaluated and understood. (M)</p>	<p>Surrey Outdoor Learning and Development performance now feeds into Leader's Ready for Work Programme scorecard.</p> <p>Re-engagement is now recognised by DfE as an intermediate step between NEET (not in education, employment or training) and PETE (participation in education, training or employment). This provision is monitored in SYP report cards.</p>	 

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Management Action Plan (Jun – Dec 2013) – Progress update

Annex B

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Risk Management Arrangements – Position Statement (Jul-13)	n/a (Position Statement)	<p>Risk registers on S:net should be up to date with correct details for all staff to rely on and use in their work. (H).</p> <p>The up to date Policy Statement, risk framework and strategy should be maintained on the S:net and publicised to enable all staff in the Council to be aware and fulfil their responsibilities. Any changes to the decisions made by the A&GC should be reported to the Committee for their approval before they take place (H).</p> <p>The risk management guidance on S:net should be comprehensive and up to date with all the links working for staff in services to comply with the Council’s requirements for risk management arrangements (H).</p> <p>There should be a formal escalation policy to ensure that non-compliance with risk management responsibilities at all levels in the Council are highlighted in a timely manner and dealt with adequately (M).</p>	<p>Much improvement, but some delays and variability in currency still noted.</p> <p>The up-to-date Policy Statement and Strategy was approved by the Audit Governance Committee (A&GC) on 24 June 2013 and commended to Council for inclusion into the Constitution. Risk Framework has been updated and reviewed by the SRF. All these documents have been uploaded to the SNET. Corporate Board, Strategic Risk Forum and Risk Reps have been updated on the changes. The CRRF to be updated at next meeting in September 2014. The Audit and Governance Committee has also been updated.</p> <p>Risk management guidance page updated on SNET to include risk induction pack and information on risk workshops. The list of Risk Reps has been updated. Risk framework updated to include more detailed guidance on Risk registers.</p> <p>SRF has received monthly exception reports on out of date risk registers and actions noted.</p>	   

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Management Action Plan (Jun – Dec 2013) – Progress update

Annex B

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Employee Expenses (Jul-13)	Some Improvement Needed	<p>Management should either simplify the policy or consider a GPS technology based solution to recording mileage which would reduce the need for staff to interpret policy. (M)</p> <p>Management should consider if the current contractual user bands are appropriate. The auditor recommends that there should be a minimal mileage required. Management should consider meeting the requirement for a contractual driver by other means (such as use of Streetcar). (L)</p> <p>A consistent format for inputting travel data onto TRIP should be designed and used across the council. This would ensure all relevant data was available and journeys could easily be verified. (M)</p> <p>Management should consider their position regarding historic mileage completed by employees who deducted more miles than necessary according to policy. (M)</p>	UPDATE BEING SOUGHT	

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Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Community Enhancement Fund (CEF) (Aug-13)	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>	Monthly reports have been sent to Members since the last audit. And there will be a report to Committee in June / July as planned.	



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Management Action Plan (Jun – Dec 2013) – Progress update

Annex B

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Information Governance in schools (Aug-13)	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>	The seminars were well attended and presentations were by the council's Information Governance officer and one of the solicitors	
Purchasing Cards - follow up audit (Aug-13)	Effective	Procurement management to ensure revised Procurement Standing Orders (PSO) emphasise Purchasing Card Rules and Guidance (M) .	New PSO (issue 5 - published in October 2013) Section on Purchase cards makes clear the rules	

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Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
European Grant Funding (Aug-13)	n/a (Position Statement)	<p>Subject to further discussion and approval with members and senior officers, the fundamental recommendations emerging from the review were:</p> <p>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;</p> <p>To recommend that the Council does more of the same, which carries resourcing implications;</p> <p>To recommend that the Council develops a transparent process to enable this to be implemented; and</p> <p>To recommend that the Council makes its EU-related activity more visible</p> <p>A pilot stage to develop these recommendations further was agreed with the Cabinet Member on 16 July 2013.</p>	<p>Both officers leading on this exercise have now left the employ of Surrey County Council</p> <p>The dedicated officer post has been retained within the latest proposed reorganisation of the E&I Directorate. The proposal is that the post be transferred to Chief Executives with unchanged terms and conditions. That proposal is part of the wider package of measures out for consultation until late June.</p>	



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Management Action Plan (Jun – Dec 2013) – Progress update

Annex B

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Energy Management (Aug-13)	Some Improvement Needed	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)	Property and Sustainability Teams have produced a draft policy for 2014-2018, which includes a carbon reduction target of 10% (baseline 2013-14) over four years for the corporate estate, street lighting and maintained schools. Further work on the 2013-14 Carbon and Energy Policy is ongoing and input will be sought from the incoming Energy Manager (starting in June). The policy will be presented to Cabinet in due course, probably in September / October 2014.	
		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) .	The project plan for delivery of the CRC and GHG submission is being developed at by both EMT and Sustainability, respectively. EMT has met with Sustainability and Finance and Internal Audit to inform the programme. The Project Plans will be formalised in the next few weeks and will have a completion date of 31 July 2014 to meet the deadlines for both CRC and GHG submission.	

Page 122

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Energy Management (Aug-13)	Some Improvement Needed	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>SCC has become a full participating member of the London Energy Project (LEP). In December 2013 we received the LEP 'Achieved Prices Benchmark & Risk Assessment Report'. This is a Value for Money Assessment on LASER contracts for 2010-13. In summary three out of the four energy contracts achieved 'Very Good Performance' and the fourth was 'Effective'.</p> <p>A further 50 schools have recently been surveyed to compare their non-LASER prices with the LASER contracts. Analysis and follow-up to be completed in April/May 2014.</p> <p>Monthly financial budget reporting is in place and reviewed by Property SMT and Finance accountants.</p> <p>Individual sites have been categorised and CIBSE Building Benchmarking information has been inputted into the SystemsLink Database. The 2013/14 CRC data will be used to start producing regular benchmarking.</p>	
		The Energy Management Team should undertake an annual exercise to test check a small sample of LASER invoices. (M)	EMT requested and received data on 12 random LASER invoices this month. Questions and analysis to be completed by May 2014. This is the second year of an annual exercise.	


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Management Action Plan (Jun – Dec 2013) – Progress update

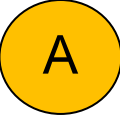
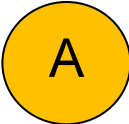
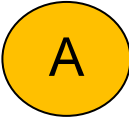

Annex B

Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Energy Management (Aug-13)	Some Improvement Needed	The Energy Management Team (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>The EMT has commenced a desktop exercise to review the investments over the past year to establish payback periods for the different types of lighting replacements.</p> <p>Initial desktop analysis has proved to be difficult primarily due the lack of accurate data for the lighting circuit usage both before and after a project and changes in site activity and efficiency. The impact of asbestos costs has been very limited.</p> <p>Going forward EMT will carry out sample savings calculations based on lighting inventories, similar to the Salix method. This report is anticipated to be available by June 2014.</p> <p>Also there will be some random site visits that will ascertain the set-up of the system and any change in occupancy/ hours etc.</p> <p>It should be noted that for 2014/15 and beyond the CRC programme has widened its scope to include more insulation and biomass projects.</p>	

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Management Action Plan (Jun – Dec 2013) – Progress update

Annex B




Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Insurance (Sep-13)	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>	<p>Service monitor compliance through enquiries received from services, as well as monitoring what is happening in the market. For example, the risk of exposure to the negligent actions of contractors, by ensuring that insurance and indemnities are in place when delegating responsibilities to contractors. There is still no active seeking of assurance over compliance with conditions.</p> <p>This is still work in progress, as the Service wish to include an automated, paperless method by which claims can be put through our web pages rather than simply having a downloadable form for completion. An external consultant has been engaged to work with the team on this point. FAQs have been put together. The massive increase in claims volumes (currently c2700 claims since January compared to the same number for the whole of last year) has also been a factor in this being work in progress.</p> <p>This continues with regular quarterly reporting and monitoring of the new 5 day response criteria. The Risk Register shows risks at a high level of detail making claims issues hard to identify.</p> <p>All such claims are being passed on to May Gurney and the team is working with them to ensure prompt customer responses given.</p>	   

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Management Action Plan (Jun – Dec 2013) – Progress update

Annex B

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Direct Payments (Sep-13)	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>	<p>ASC are still not able to provide at least annual review to all service users. ASC have developed an extensive set of management reports to assist in the management of workload and have consistently improved their position since the initial audit. The management reports have highlighted significant data quality issues which are being addressed through the process.</p> <p>The Select Committee are happy with the current reporting in place.</p> <p>The shortfall in completion of reconciliation persists but the planned use of prepaid cards, and the subsequent improvement in audit trail and transaction recording should improve the situation.</p>	  

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Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Street Works Function (Sep-13)	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>An SLA should be agreed between the Materials Laboratory Team and the Street Works Team specifying the requirements that need to be met to ensure the completion of Street Works Team’s investigatory inspections (H).</p>	<p>The staffing and Permit income budgets were reset for 2013/14 (Nov.’13 – Mar ’14) and 2014/15 on an estimated basis and will need refining for 2015/16 after the scheme has fully embedded. It has taken 6 months to implement the scheme, recruit to correct staffing levels and provide ongoing training.</p> <p>Previous referrals for Coring were based on random samples. Positive changes such as intelligence led referrals as well as random referrals and a dialogue with the budget holder for Coring income in Asset Planning Group have been established in the past few months as a way of refining the costs and income associated with Coring later this year. Also Coring income is not dependant on Permit income.</p> <p>In view of the above changes, more time is needed to determine accurately, the volume and nature of work as well as ways of resolving issues arising from ‘Core’ failures due to defects by utilities. As such, the SLA is not likely to be agreed until later in the year.</p> <p>Progress on the above areas will be reviewed as part of the Permit Scheme audit in quarter 4 of 2014/15.</p>	<p style="text-align: center;">A</p> <p style="text-align: center;">A</p> <p style="text-align: center;">A</p>



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Management Action Plan (Jun – Dec 2013) – Progress update

Annex B

Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Street Works Function cont'd (Sep-13)	Some Improvement Needed	<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>	<p>Dedicated resources are in place to improve the accuracy and transparency of information on the spreadsheet by breaking down the summary of changes to show them individually and using control totals as appropriate.</p> <p>There are dedicated resources within the Street Works Team to ensure that correct processes are followed by raising timely invoices and checking receipt of income on a monthly basis. If income is not received when due, dialogue is maintained with the Income Management Officers to follow the Council's debt management process. Uncollectible debts have to be authorised by the Traffic and Street Works Manager before being written off.</p>	 

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Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Data Centre (Sep-13)	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>	<p>Completed</p> <p>A share funded post is in post for the onboarding of partners. As there is already a financial commitment IMT does not consider this to be an ongoing concern.</p> <p>IMT is supporting this via joint working and is committed to enhancing business planning.</p> <p>Current capacity at the backup site is well within backup provision.</p>	<p></p> <p></p> <p></p> <p></p>






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Management Action Plan (Jun – Dec 2013) – Progress update






Annex B

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ASC Safeguarding Assurance Process (Oct-13)	Some Improvement Needed	<p>Consider implementing checks to ensure corrective actions noted in audits have been completed. (H)</p> <p>Remind teams of the importance of accurately recording case closures, and consider further monitoring to ensure improvement. (H)</p> <p>Consider amending audit templates in order to capture: <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> <p>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>	<p>Central tracking sheet in place recording all actions arising from each audit. This is circulated monthly to Senior Managers to gain assurance from Team Managers that actions have been completed.</p> <p>Focused work by Information Quality Assistants with Locality Teams to monitor number of closures. Oversight by PCS Senior Managers.</p> <p>The Audit tool has been revised and now captures the points recommended within the audit report.</p> <p>Quarterly analysis shared with the Leadership Team and cascaded to ASM's, TM's and SGA's.</p> <p>Safeguarding Adults Quality Assurance Framework now includes Service Delivery.</p>	    

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Annex B

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Health & Dental Checks – Children in Care (follow up) (Oct-13)	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>	<p>Health checks are now being reported separately.</p> <p>Work is underway with the CCG to improve service delivery to LAC requiring health checks. There is a clear action plan in place, and a report went to the Corporate Parenting Board specifically about Health Assessments in January 2014.</p> <p>CSS have considered this and intend to continue to record health checks as completed on notification, however they are now additionally recording receipt of associated documentation.</p>	  
School Purchase Cards (Nov-13)	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>	<p>Update 25/4/2014 Not completed awaiting decision of changing card supplier. The council will now change but not the schools. Banking team will progress the original recommendation</p> <p>Published November 2013</p>	 




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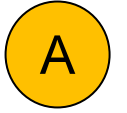

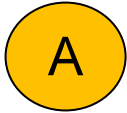



Management Action Plan (Jun – Dec 2013) – Progress update

Annex B

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Library Service Global Transport Van Service (Nov-13)	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>	<p>We are shortly to begin the process of re-tendering for the library services transport contract for an award in April 2015. Providing measurable financial savings and increased flexibility in the new contract will form a key part of the required tender response. Only one additional Community Link has been developed since the audit and this has not impacted on the current delivery service. However, it is recognised that the need for a contract that enables the service to take a very flexible and cost effective approach to library transport is essential.</p> <p>As part of the tender planning process we will discuss the potential joint procurement with neighbouring library authorities. An initial discussion with one has already taken place but did not identify any synergies. Some interest has already been shown by two community Transport providers.</p>	 
Blue Badges (Nov-13)	Effective	Five low priority recommendations were made	n/a only Low Priority “best practice” recommendations made	

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Social Care Debt – Credit Balances (Nov-13)	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>	<p>Credit balances reported separately to the ASC Select Committee meeting (March 2014).</p> <p>Investigation has not commenced into the Suspense account balances due to a lack of available resource, the service is undertaking a review of the processes and hopes to free up a resource to start this work, estimated time July.</p> <p>Access to a WISDOM folder has been granted to Credit Control and correspondence is saved to the folder.</p> <p>Draft guidance has been issued by Jackie Knutton for comments.</p> <p>Deputyship welfare account opened in April 2014 to transfer balances of less than £500. Work on transferring balances can not start until there are available resource anticipate starting work in July.</p>	<p style="text-align: center;"></p> <p style="text-align: center;"></p> <p style="text-align: center;"></p> <p style="text-align: center;"></p> <p style="text-align: center;"></p>




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Management Action Plan (Jun – Dec 2013) – Progress update

Annex B

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SCC's Contract Management Framework (Nov-13)	Some Improvement Needed	<p>The Framework developed by SCC procurement should be described on SNET and referenced in an update to the SCC Procurement Team's 'Contract Management Manual 2012'. (M)</p> <p>The In-tend Implementation Project should be advertised on SNET with a statement of support for the Project Sponsor, explaining its benefits. (M)</p> <p>The Head of Procurement should seek clear CLT endorsement of the contract management framework roll-out project. Each Directorate should be asked to select timeframes for the roll-out of the project by 31 March 2015. A formal project plan for a properly resourced and prioritised roll-out of the framework should be agreed by 31 March 2014. (H)</p>	<p>Materials now added to SNET.</p> <p>A draft announcement has been prepared and is awaiting clearance.</p> <p>Update from Head of Service awaited.</p>	  

Page 134

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SCC's Contract Management Framework cont'd (Nov-13)	Some Improvement Needed	<p>The In-tend implementation Project Officer should give further consideration to the controls in place over data entry in the CMS system to ensure that data is more consistently recorded and can then be easily queried. (M)</p> <p>For the Mainstream School Coach contract, the Transport Co-ordination Centre Team Manager should consider the need for specific risk register entries regarding the risks to children re: collection after alighting from SCC-commissioned coach services, the lack of escorts on reception class coaches and the use of CCTV on school transport coaches. These risks will need discussing with the Schools & Learning Service client. (M)</p>	<p>A review was conducted and some changes were made to avoid duplication of data entry when creating new contracts with the system.</p> <p>Considered as part of a recent risk register review.</p>	 



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Health & Safety in Schools (Dec-13)	Some Improvement Needed	<p>Management from Schools Health & Safety (Strategic Risk Management) to liaise with Property Services to formalise arrangements for information exchange (eg of health and safety risks recorded on PAMS) (M)</p> <p>Property Services to maintain a formal record of statutory inspections in schools and inform the Strategic Risk Team Manager in Children' Schools and Families when these have not taken place. (M)</p>	<p>Evidence of formal (email) liaison noted on Strategic Managers Computer</p> <p>Not due for completion until Autumn Term 2014</p>	 

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Smallholding (Rural Estate) (Dec-13)	Some Improvement Needed	<p>Management should ensure that the management plan detailing preferred / intended options at the individual property level is completed as soon as possible and that the appropriate management and member approvals are received prior to its implementation. (M)</p> <p>In the production of the more detailed action plan to support achievement of the stated objectives for the RE, management should ensure that all relevant options are considered, consulted on and properly costed. In particular, options available around the methods that could legitimately be employed to facilitate amalgamation of tenancies should be explored. (M)</p> <p>Management should prepare a plan for addressing the current backlog in maintenance which should include details of funding sources to be employed and indicative target dates aligned with any planned development for individual properties. The plan should be subject to regular review an update to reflect the present status 'on the ground'. (M)</p>	<p>The draft operational policy now needs to be considered in the light of returning the estate management service in house to ensure it fits with internal estate management arrangements. It will be considered by Members by 31 July 2014.</p> <p>The individual estate plan will be considered by property services SMT on 6th May 2014</p> <p>A number of properties have been identified for refurbishments several of which are now progressing. A planned maintenance programme to be finalised by 30.4.14 as part of forecasting planned maintenance budget for 2014/5</p> <p>Priorities for the £400k investment fund as part of the MTFP will also be agreed, depending on feedback from certain tenants.</p>	  





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Trust Funds (Dec-13)	Some Improvement Needed	<p>Management should review the arrangements surrounding the control and reporting of trust funds to aid transparency where the county council operates as the sole custodian. (M)</p> <p>Management should ensure that funding recipients provide the required evidence of expenditure and that this is subject to scrutiny as appropriate. In cases where funds remain unexpended then these should be recovered as soon as practicable. (M)</p> <p>Management should continue to ensure that the required information is received in a timely manner from Community Foundation for Surrey along with adequate and independent assurance as to its accuracy and completeness. (M)</p> <p>Management should review the options for the future use of the Henrietta Parker Trust in order to ensure that the maximum benefit may be obtained for its intended recipients within any attached legal constraints. The review should actively seek the views of both current and potential users, local members and any other interested parties. (M)</p>	<p>A report was taken to the last A&G Committee meeting regarding Simplifying & Streamlining the Accounts. This issue was discussed as part of this item and it was agreed that while the Trust Funds note as it stands would be removed, the high level numbers would be highlighted and signposted to where further information can be obtained for interested parties.</p> <p>The action is on track – evidence is being received for projects completed and where not completed, discussions have taken place and new end dates have been agreed as necessary.</p> <p>Cheryl Poole, the Community Partnership & Committee Officer for Elmbridge has agreed to join Peter Milton to challenge and set targets, and review the use of the funds on an annual basis for the Service's use of the HP trust. A meeting is scheduled for early May to brief Cheryl on the historic operation. A further meeting is planned for June to set targets for the 2014-15 academic year.</p> <p>Finance were approached to join the review group. However, they felt they needed to remain at arms length from such a process to maintain the integrity of their Finance role.</p>	   

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Annex B

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Residential Care Homes – Managing Residents’ Monies – Follow-up Audit (Dec-13)	Effective	N/A no recommendations made	N/A no recommendations made	
Surrey Local Assistance Scheme (Dec-13)	Effective	N/A no recommendations made	N/A no recommendations made	



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MAP Progress update – High Priority Recommendations not previously rated as “Green”

Annex C

Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Review of Concessionary Fares (Oct-12)	Some Improvement Needed	<p>The Memorandum of Understanding should be reviewed as a matter of priority by both services and appropriate service delivery methods and levels should be agreed. (H)</p> <p>Data integrity should be made a priority by separating inactive information and updating current pass holder details with accurate information. (H)</p>	<p>Positive discussions with the Library Service have included a range of development opportunities including the potential for ENCTS to be available through all Surrey libraries. A draft MoU has been prepared and will be updated to reflect the agreed arrangements.</p> <p>Enhanced data management process is in place to update client information received via on-line applications, return slips or library visit. The missing dates of birth have reduced from >7,000 records to <2,500 records. There is significant improvement to the quality of data and photographic files. The proposed upgrade to the public facing portal will also enhance and sustain these improvements.</p>	
Review of Social Media (Nov-12)	Some Improvement Needed	<p>A policy is developed that includes the following points:</p> <ol style="list-style-type: none"> 1. Minimum behaviour standards (M) 2. Tactical planning (H) 3. Business continuity (H) 4. Advice on use of personal social media (H) 	<p>The Social media guidance has been updated and includes the points identified as a high priority in the Social Media review. While complete in terms of content the guidance is not policy and thus is not enforceable in terms of council procedure. As this is an area that is still developing legally and the auditor is aware of consideration in this matter being given to the code of conduct this appears to be sufficient.</p>	




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MAP Progress update – High Priority Recommendations not previously rated as “Green”

Annex C


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Special Schools- Funding of Residential Provision (Dec-12)	Unsatisfactory	The Head of Schools and Learning should consider a review which encompasses both strategic planning and current operational practice, and make such revisions to ensure they are consistent with one another. (H)	A consultant has been engaged to undertake the review of residential provision in Surrey’s special schools. This work has now been completed and reported to the Joint Heads of Additional and Special Educational Needs.	
Corporate Training Management (Feb 2013)	Some Improvement Needed	Report slippages in implementation and expected savings to the COSC on a quarterly basis. (H)	STARS Review Project has 3 Phases as follows: Phase 1 - managed by Learning Solutions Team to be completed in May '14 with £45k savings; Phase 2 - An Accreditation Review yet to be scoped for completion in Sept '14; Phase 3 – timescales and scope yet to be determined.	
		Compile a Training Plan using input from stakeholders, formally approve and regularly monitor. (H)	Training Plans for ASC and CSF (Health and Social Care) Directorates developed by Service Partners in HR&OD working closely with services and are reviewed regularly and updated. However, no plans to adopt this approach for other directorates due to fewer statutory training requirements.	

Page 142

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Annex C

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>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>The new system went live in April 2014 and work on a number of areas such as reports, finance and performance monitoring etc. is ongoing. More time should be allowed for the operations of the new system to fully embed.</p> <p>The proposed pilot in Autumn 2014 of SEN in the East area agreed at the March 2014 A&GC meeting needs to be completed. Further, the recently issued guidance will need to be implemented by Schools and Learning for new procedures to be developed and consistency to be maintained.</p> <p>The above issues will be included in the follow-up audit programmed to be completed later in the year and further update provided to the Committee.</p>	




Notes: (1) Audit opinion is as stated in the relevant Internal Audit Report
 (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






MAP Progress update – High Priority Recommendations not previously rated as “Green”

Annex C

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 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 follow-up Internal Audit review of this area has confirmed that a new document detailing Governance Arrangements was produced and signed by relevant officers in June 2013. This is currently being formally approved by the Chairman of the Children and Education Select Committee.</p> <p>The follow-up audit found that monthly written reports are provided to and discussed with the Assistant Director of S&L. These include financial position and emerging issues across all trading areas.</p>	 
SAP Application Controls (Apr 2013)	Some Improvement Needed	Activate table logging or adapt the change document process to cover master tables in SAP. (H)	Table logging has been confirmed as overly burdensome on the infrastructure due to the lack of precision in activating the logging feature. However the security team is now investigating the potential of creating custom change documents.	

Notes: (1) Audit opinion is as stated in the relevant Internal Audit Report
(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

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.</p>	

Notes: (1) Audit opinion is as stated in the relevant Internal Audit Report
 (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



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2013/14 Review of the Effectiveness of Internal Audit

ANNEX D

Schedule of recommendations – Progress update

	Recommendation	Action Proposed by the Chief Internal Auditor (Timescale)	Progress at May 2014	RAG Status
1	All Internal Auditors to use locked print functionality when printing confidential materials.	The Chief Internal Auditor will raise this at the April team meeting (9 April 2014)	The new print facility which is due for rollout during 21014/15 includes this functionality. The Chief Internal Auditor has submitted a request to be in the first phase of the new print facility rollout	A
2	That all training (planned and completed) be logged on the Galileo Audit Management System.	A reminder of this requirement will be made at the April team meeting (9 April 2014)	Actioned	G
3	Amend the Charter to include a specific definition of 'senior management'	Amended Charter to be presented to Audit & Governance Committee in March 2014 (24 March 2014)	Actioned	G
4	Amend the Charter to clearly state that the Internal Audit function is part of the Council's Policy and Performance Service.	Amended Charter to be presented to Audit & Governance Committee in March 2014 (24 March 2014)	Actioned	G
5	That the Charter be amended to specify the role of the Monitoring Officer with regards to Internal Audit.	Amended Charter to be presented to Audit & Governance Committee in March 2014 (24 March 2014)	Actioned	G
6	That all identity cards be updated to include the required right of access information.	The Chief Internal Auditor will raise this at the April team meeting (9 April 2014)	Aim to have updated identity cards for all members of the team by end of Quarter 1	A
7	Amend the Charter to reflect the arrangements set out in the Strategy Against Fraud and	Amended Charter to be presented to Audit & Governance Committee in March 2014 (24 March 2014)	Actioned	G

	Corruption and the Financial Regulations to notify the Chief Internal Auditor of suspected or detected fraud, corruption or impropriety.			
8	That the Charter be amended to specify the arrangements for how consulting services will be managed	Amended Charter to be presented to Audit & Governance Committee in March 2014 (24 March 2014)	Actioned	G
9	That the Charter be amended to explicitly recognise the mandatory nature of the PSIAS.	Amended Charter to be presented to Audit & Governance Committee in March 2014 (24 March 2014)	Actioned	G
10	That the Chief Executive provide feedback for the performance appraisal of the Chief Internal Auditor on an annual basis.	This will be sought for 2013/14 and all subsequent years (April 2014)	Actioned	G
11	That the Chairman of A&G Committee provide feedback for the performance appraisal of the Chief Internal Auditor on an annual basis	This will be sought for 2013/14 and all subsequent years (April 2014)	Actioned	G
12	That the Chief Internal Auditor develops a Quality Assurance and Improvement Programme (QAIP) that meets the requirements of the PSIAS	A formal QAIP addressing the requirements of the PSIAS will be presented to Audit & Governance Committee in March 2014 (24 March 2014)	Actioned	G
13	That all formal review stages be completed and logged on the Galileo Audit Management System.	The Chief Internal Auditor will raise this at the April team meeting (9 April 2014)	Actioned	G
14	That arrangements for a periodic assessment for evaluating conformance with the PSIAS are included in the Quality Assurance and Improvement Programme.	A formal QAIP addressing the requirements of the PSIAS will be presented to Audit & Governance Committee in March 2014 (24 March 2014)	Actioned	G

15	That the Chief Internal Auditor considers the potential for performance targets to assist in on-going performance monitoring.	The QAIP referred to above confirms performance reporting arrangements (24 March 2014)	Actioned	G
16	The new Quality Assurance and Improvement Process to stipulate the requirement for an external assessment to be carried out at least once every five years	AS ABOVE	Actioned	G
17	That the Internal Audit Charter be amended to explicitly state that an outcome of the delivery of the Internal Audit Plan is that the Chief Internal Auditor is able to make an evidence based Annual Audit Opinion of the Council's whole control environment.	Amended Charter to be presented to Audit & Governance Committee in March 2014 (24 March 2014)	Actioned	G
18	That the Internal Audit Plan demonstrates a clear link to the Council's priorities/goals.	The 2014/15 Internal Audit Plan presented to Audit & Governance Committee in March 2014 will seek to demonstrate links to the Council's priorities/goals. (24 March 2014)	Actioned	G
19	That the Chief Internal Auditor carries out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance	This will be addressed during 2014/15 (December 2014)	Work on this will commence in Qtr 2 and aim to be completed by December 2014 to assist in audit planning for 2015/16	A
20	That formal arrangements be made to report periodically to senior management (requiring definition in the Internal Audit Charter) on the Internal Audit activity's purpose, authority, responsibility and performance relative to its plan.	The Chief Internal Auditor will consider how to formalise the current arrangements. (May 2014)	The Chief Internal Auditor has in previous years updated the Corporate Leadership Team, but more recently has also attended the Continual Improvement Board. The Chief Internal Auditor does not believe more "formal"	G

			arrangements are required.	
21	That the Internal Audit Manual be amended to add 'Previous Audit Reports' to the list of sources that Internal Audits may find helpful when planning an Audit.	Agreed and already actioned (February 2014)	Actioned	G
22	That consideration be given to adding a resource identification section to the Audit Terms of Reference template.	This will be considered at the April meeting of the Audit Management Team (April 2014)	Actioned – the TOR show the name of the auditor(s) assigned to the audit and the date it is expected that the audit will be reported at Audit and Governance Committee. The Chief Internal Auditor considers this to be sufficient "resource" information in the current circumstances.	G
23	The Chief Internal Auditor to ensure suitable written understandings exist for all engagements completed for outside organisations	Agreed – as engagements are agreed (On-going)	Actioned	G
24	That Galileo be universally employed as the prime repository for all Internal Audit working files and related papers.	This will be reiterated at the April meeting of the Audit Management Team (April 2014)	Actioned – but note the Internal Audit team will start using MKInsight as a replacement to Galileo during 2014/15 (full implementation by September 2014)	G
25	That Galileo be universally employed as the primary log for all approvals and evidence of supervision of audit engagements. Where review comments are made on hardcopy documents (eg draft reports) these should be retained as evidence. The audit manual	This will be reiterated at the April meeting of the Audit Management Team. However it should be noted that Internal Audit is considering moving away from Galileo to a new Audit Management System. If this occurs this offers an opportunity to reinforce consistent working practices. (April 2014)	Actioned – but note the Internal Audit team will start using MKInsight as a replacement to Galileo during 2014/15 (full implementation by September 2014)	G

	should be updated to reflect this requirement			
26	Consider including some wording on each audit report limiting use of report findings	This will be considered at the April meeting of the Audit Management Team (April 2014)	Will look to include in the Internal Audit Report template in the new Audit Management System (MKInsight)	A
27	That the QAIP be developed in such a way to support the statement that engagements are 'conducted in conformance with the PSIAS' (subject to an external review of conformance).	A formal QAIP addressing the requirements of the PSIAS will be presented to Audit & Governance Committee in March 2014 (24 March 2014)	Actioned	G
28	That future Annual Audit Reports explicitly state that there are no qualifications whatsoever to the issued Audit Opinion (if applicable).	The Chief Internal Auditor will include such a statement (if appropriate) in the Annual Audit Report presented to A&G Committee in May 2014 (29 May 2014)	Actioned	G

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2013/14 Annual Internal Audit Plan

Status @ May 2014

Corporate Governance Arrangements

AGS - Internal Audit Opinion	Completed
Corporate Governance - CRSA	Report issued
Risk Management Arrangements audit review	Report issued
Corporate Governance support	Support provided

Managed Audit - Key financial and Non-financial Systems

SAP Application Controls - policy, roles and access	Report issued
Financial Assessments and Charging	Report issued
Treasury Management	Report issued
Accounts Payable	In progress
Payroll	Report issued
Capital Expenditure Monitoring	In progress
Accounts Receivable	In progress
Revenue Budgetary Control	Report issued
General Ledger	Report issued
Pension Administration	Report issued
Pension Fund Investments	Report issued

Grants

EU Grants	Completed
Government Grants	Completed

Contract Reviews

UNICORN (Public Service Network)	In progress
Supply of ASC Equipment	In progress
Central Contract Monitoring	Report issued
Youth Service Commissions	In progress
Library Service Global Transport Van Service	Report issued
Walton Bridge Contract	Deferred to 2014/15

Adult Social Care

Domiciliary Care – External Providers	Report issued
Supported Living and Independent Living Service (SAILS)	Support provided
Serious Case Review - Recommendation Tracking	Report issued
AIS Assessment Process	Report issued
ASC Safeguarding Assurance Process	Report issued
ASC Commissioning Framework	Report issued

Children Schools and Families

Schools Compliance	Report issued
ICS Phase 2 - Payments to Providers	Report issued
Free School Meals	Report issued
Schools SFVS Process	Report issued
Community Homes	Report issued
SIMS	Report issued
Short Stay Schools	Report issued
Homes for Children with Disabilities	Report issued

Customers and Communities

Adult and Community Learning	Report issued
Customer Services	Report issued
Surrey Arts	In progress
Music Tuition	Report issued
Blue Badges	Report issued

Business Services

Property Asset Management System (PAMS)	Deferred to 2014/15
Social Care Debt	In progress
SFRS Capital Project Management	In progress
Surrey Local Assistance Scheme	Report issued
Finance Dashboard	Report issued
Insurance	Report issued
Management of CITRIX Systems	Deferred to 2014/15
Data Centre	Report issued
Imprest Accounts	Report issued
Smallholdings	Report issued
Shared Service Partnership Arrangements	Support provided
Officer Interests	Report issued
Appraisal and PDP	Report issued
Energy Management	Report issued
Employee Expenses	Report issued
People Strategy	Audit cancelled
Trust Funds	Report issued

Chief Executive's Directorate

Information Governance	Report issued
Communications	Support provided
Support of Cabinet and Member Scrutiny	Report issued
Community Budgets	Audit cancelled
Community Improvement Fund	Report issued

Environment and Infrastructure

Carbon Reduction Scheme	Support provided
Waste Charges	Report issued
Waste Data System	Report issued
Local Sustainable Transport Fund	Report issued
Asset Management (Highways)	Report issued
Highway Property Information	Report issued
European Office	Report issued

Public Health

Report issued

Follow-up Audits including

Direct Payments	Report issued
Residential Care Homes	Report issued
Children in Care - Health and Dental Checks	Report issued
Special Schools - In-house Residential	Report issued
Purchase Cards	Report issued



AUDIT & GOVERNANCE COMMITTEE
29 May 2014

**Full-year summary of Internal Audit irregularity
investigations and anti fraud measures
April 2013 – March 2014**

Purpose of the report:

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 between 1 April 2013 and 31 March 2014. This report complements and builds upon the half-year irregularity report presented to Audit and Governance Committee on 2 December 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

1. The committee is asked to:
 - (i) Note the contents of this report; and
 - (ii) Approve the updated Strategy against Fraud and Corruption, attached at Annex A.

Background

2. 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 carried within it a contingency budget for 'Irregularity and Special Investigation Work' of 345 days.

3. 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 28.
4. 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 latter half of 2013/14 include verification of overseas pensioners; reviewing actions following information governance breaches; and advising a parish council on an irregularity investigation at the request of a member. While often linked to concerns raised by management or members, these reviews may also arise during the course of planned audit work.
5. In the first six months of 2013/14 a total of 16 investigations commenced excluding ad hoc special reviews. By 31 March 2014 this had risen to 29 cases in total, an increase from the 25 cases in 2012/13. The broad type of investigations carried out are shown in the table below, with the 2012/13 figures shown for comparison.

Type of investigation	2012/13	2013/14
Recruitment	1	-
Misuse of public funds	2	1
Fraud or theft	12	12
Corruption*	-	1
Code of Conduct	7	3
Breach of Procurement Standing Orders	1	6
Poor control	2	6
Total investigations	25	29

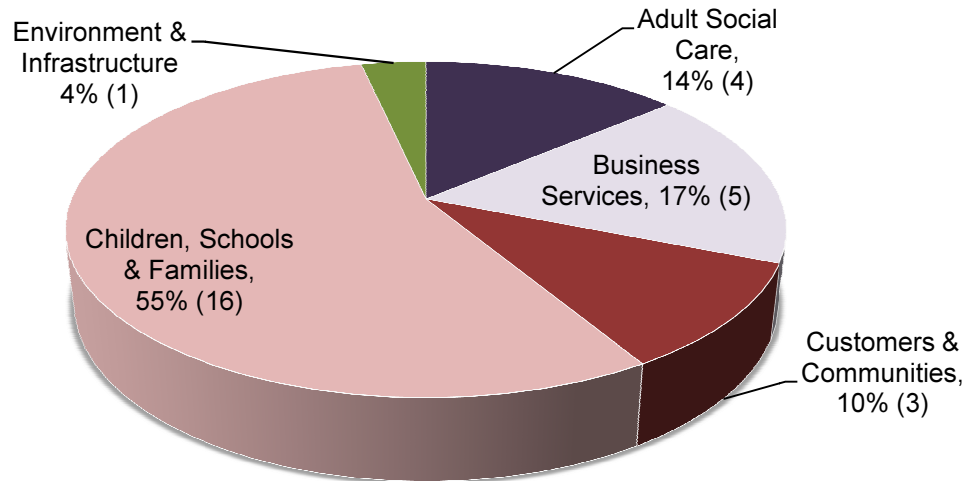
*This category has been introduced during 2013/14 to reflect attempted bribery by a supplier

6. Of the 29 investigations undertaken in 2013/14, seven of these cases arose due to whistle blowing allegations; two arose as a result of a data match from the NFI exercise; and 20 were brought to the attention of Internal Audit by management. Four investigations reached a "Proven" conclusion and criminal proceedings are ongoing for one case.
7. A total of 87.4 days has been used to investigate these cases (51 days in the first half of the year; 37.4 days in the second half of the year). The total comparative time taken in 2012/13 was 129.9 days.
8. These 29 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.

Summary Of Irregularities Between April 2013 And March 2014

9. 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 2013 - March 2014



10. 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.

11. Figure 2 shows by broad categorisation how the 29 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 1 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 2013 - March 2014

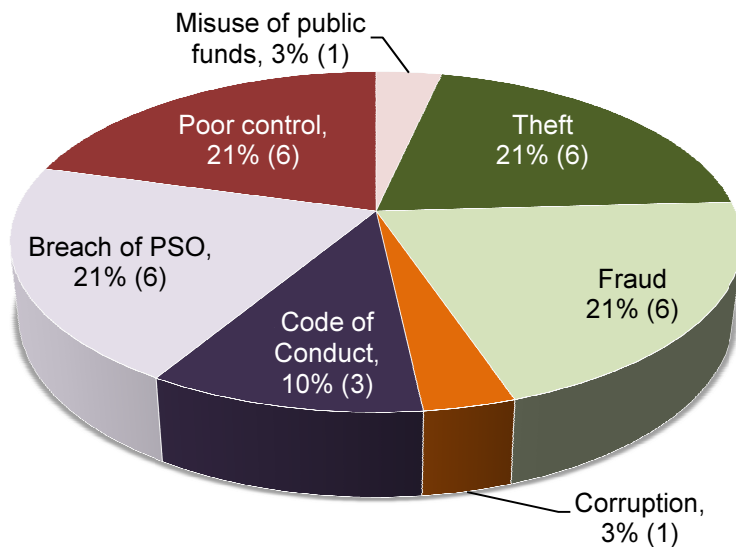


Table 1: Definitions of typologies defining the irregularities investigated 2013/14

Type	Definition
Misuse of Public Funds	This may include misuse of grants by voluntary bodies, of social care payments by individuals, or of private funds held by schools; and ultra vires expenditure of public money.
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	Local or corporate arrangements fail to stop inappropriate payments being made or fail to ensure compliance with council policy.
Corruption	The offering, giving, soliciting or acceptance of any inducement or reward which may influence a person's action or to gain a commercial or contractual advantage

12. To give a better indication of the type of work conducted by Internal Audit across the financial year the following paragraphs summarise examples of specific investigations (appropriately anonymised). This summary focuses on investigations in the period October 2013 to March 2014, as work from the previous six months was reported in the half-year irregularity report. 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

Theft of money from a County Hall Safe

13. In late 2013 the theft of just over £7,500 in cash was reported. The money, which was income from County Hall's staff canteen, was held in five bags handed to a facilities officer as part of weekly cashing up procedures. Despite being allegedly secured in the safe in the Facilities Office in County Hall, the bags were not there when the courier arrived to collect the money to bank at the end of that week. Reconciliation of Surrey Commercial Services income identified the discrepancy in early November.
14. A joint investigation by Internal Audit and Facilities Management identified discrepancies in the receipting of income on that day, and failures to follow the expected process for securing income. The facilities officer in question was unable to give a satisfactory account of what had happened during his management of this money.
15. A disciplinary case was brought against the officer, who was duly dismissed after evidence showed that on the balance of probability he had committed the theft. Surrey Police were consulted and interviewed the individual, but concluded there was insufficient evidence to pursue criminal charges. To date, no recovery of the money has been made although the loss is covered under the council's insurance arrangements.

Breach of Procurement Standing Orders

Aardvark Roofing

16. The Litigation and Insurance Team referred an issue to Internal Audit regarding concerns over a quotation received from Aardvark Roofers for repair work to a school's damaged boiler house roof. Whilst the final work on the roof was undertaken by another company, the Insurance Team were concerned by the absence of any comparative quotations for the work. After challenging the school caretaker over his choice of supplier a quotation from Aardvark Roofers was produced.
17. Internal Audit's investigation found inconsistencies, including a false company address printed on the quotation. Further, it is believed the quotation was obtained after the work was completed. Although the correct procurement process was not followed, there was no evidence to suggest fraud had occurred.
18. The school's Headteacher confirmed seeing a van from the company in the local area and, on balance of probability, it is likely Aardvark Roofers does exist but as a group of itinerant roofers rather than a legitimate company. Controls at the school have since changed to remove the caretaker's role in procurement matters.

Allegation of contract fraud

19. Internal Audit received anonymous whistle blowing allegations against an officer of the council in relation to a supplier. It was alleged that:
 - The officer had family connections within the supplier, leading to a conflict of interests;
 - The contract should have been let to a company within Surrey rather than to the actual supplier, based overseas and near to the home of the accused officer; and
 - The nature of the work being undertaken made it disadvantageous to have such a remote company providing them.
20. Review by Internal Audit revealed that the winning contractor was one of a number of suppliers pre-approved by a Government-led procurement exercise and, in addition to submitting a cheaper bid than other suppliers, the contract was also presented to Procurement Review Group and Cabinet for approval. The investigation concluded that, whilst there is a general principle to award work to Surrey-based companies where this achieves value for money, there is no mandatory need for contracts to be let in this manner.
21. There was no evidence that the officer in question was involved in the procurement exercise in any way that would have influenced the outcome of the tender process. Consequently the allegations were deemed not proven.

Poor Control

Primary school unofficial funds

22. Through a liaison meeting with Babcock 4S it came to the attention of Internal Audit that the unofficial funds for a Surrey primary school had not been audited for a period of ten years. This should have been an annual task for the school's Governing Body in compliance with the Schools' Finance Manual.
23. Although unofficial funds are not in the statutory remit of Internal Audit, the case raised concerns as the former Headteacher of the school between 2002 and 2005 was subject to disciplinary action, and was dismissed from another Surrey school in 2008 for

financial misconduct. Unofficial funds would have been under the direct management of this individual and it was further discovered that he had remained a cheque signatory on the account as late as 2013, some eight years after his departure.

24. Internal Audit inspected available records for substantive evidence of theft or fraud. Although questionable areas of expenditure were identified, including one instance where the former Headteacher's son had completed £2,360 of decking work at the school, no evidence was found of missing income or unexpected expenditure. The school was therefore given assurance that they could move forward with their outstanding audit process.

Proactive Fraud Prevention And Awareness Work

Focus for the new year

25. Internal Audit is continuing to make progress in embedding an anti-fraud culture within the organisation through specific proactive fraud prevention and awareness work.
26. To strengthen the coordination of fraud prevention work and irregularity investigations many of the anti-fraud functions are being brought together under one post. Reem Burton, Lead Auditor, will act as a main contact, overseeing NFI work in addition to studying towards CIPFA's Certificate in Investigative Practice.
27. The 2014/15 Annual Audit Plan includes an allocation of 345 days for "Irregularity and Special Investigation" work. This will be used in part to deliver the Fighting Fraud Plan, which includes NFI work as well as:
 - Developing and piloting presentations highlighting management responsibilities regarding fraud; and
 - Encouraging service ownership of fraud risks through service-specific workshops.

National Fraud Initiative

28. Data for the biennial NFI data matching exercise will be submitted in October. Due to the anticipated closure of the Audit Commission in March 2015, results and reports for this exercise will be coordinated by the Efficiency and Reform Group, a joint Cabinet Office and Treasury initiative.
29. During 2013/14 the council took part in an NFI pilot that matched social care direct payments data with death records. The exercise identified only one case where an individual had died but this coincided with contact from the next of kin to arrange repayment of the overpaid direct payments. It is expected that this data set will form a standard part of future NFI data matching work.
30. In recognition of the fact that NFI matches are limited to UK data, verification of overseas pensioners was carried out. Letters requesting life certificates were sent to 166 pensioners across 16 countries. With a response rate over 90%, there were only two cases where pensioners were deceased, both recently. The overpayments were therefore not significant and Internal Audit concluded the council has good arrangements in place to identify deceased pensioners.

Fighting Fraud Locally

31. In line with good practice Internal Audit has reviewed the Strategy against Fraud and Corruption, attached at Annex A. The strategy was approved by Cabinet in February 2013, and since then there have been only a few minor amendments as follows:
- References to the Financial Regulations have been updated;
 - Change and Efficiency is now shown as Business Services; and
 - Appendix B – the fraud response plan – recognises the Protection of Freedom Act 2012, which modifies the Regulation of Investigatory Powers Act 2000.
32. Internal Audit has been developing data interrogation tests to proactively identify areas of fraud risk. Several areas have already been tested and results indicate occupational fraud is not occurring to any detectable level and that the council's data is of sufficient quality to be considered an asset. The principles of data mining were also presented to Audit and Governance Committee as part of a workshop in March. Data interrogation will continue to be developed and incorporated into audits where appropriate.

Single Person Discount

33. During 2013/14 Internal Audit coordinated a data matching exercise to identify instances of incorrectly claimed Single Person Discount (SPD) on council tax. The exercise was funded through the council's "Invest to Save" fund and all 11 district and borough councils participated.
34. Taking a risk based approach letters were despatched to 55,358 claimants (39% of those claiming SPD) requesting either confirmation, by a given date, of claimants' continuing eligibility to the discount or the date of a change of circumstances that effectively terminated eligibility.
35. In summary the exercise has so far yielded the following results:
- 5.3% of people sent letters "owned up" to a change in circumstances that terminates eligibility; and
 - 9.6% of recipients did not respond to the letter or subsequent reminders.
36. The following table shows the potential additional council tax that may be raised as a result of the findings to date. Realistic estimates of additional council tax raised may be lower than the "potential" figures shown below, as some non-responders may have their entitlement to SPD reinstated on further investigation or enquiry.

	Number of recipients	Potential additional council tax income* 2013/14	Potential additional council tax income* 2014/15
Own-ups	2,935	£584,678	£1,175,167
Non-responders – SPD cancelled	3,339	£1,330,316	£1,336,927
Non-responders – not yet cancelled	1,987	£791,656	£795,589
Total	8,261	£2,706,650	£3,307,683
SCC share (75%)		£2,029,988	£2,480,762

*calculations are based on average council tax per dwelling

37. The amount recorded above in respect of “non-responders not yet cancelled” will be realised only if the billing authorities concerned (i.e. districts and boroughs) actually process cancellations for the claims identified as erroneously or fraudulently made.

Implications

Financial and value for money

38. 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

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

Risk management

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

Next Steps

41. Subject to Audit and Governance Committee approval of the updated Strategy against Fraud and Corruption, the document will be made available on the council’s intranet and external website.

Report contact: Reem Burton, Lead Auditor, Policy & Performance

Contact details: 020 8541 7009, reem.burton@surreycc.gov.uk

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

SURREY COUNTY COUNCIL'S STRATEGY AGAINST FRAUD AND CORRUPTION

1. Introduction

1.1 Surrey County Council is one of the county's largest organisations; employing over 26,000 people, with a gross spend of over £1.6 billion per annum in 2012/13 and it is required by law to protect the public funds it administers. In delivering its objectives the County Council maintains a zero tolerance approach to fraud and corruption, whether it is attempted from outside the Council (the public, clients, partners, contractors, suppliers or other organisations) or within (Members and employees). It is committed to this Strategy against Fraud and Corruption which:

- acknowledges the threat of fraud;
- encourages prevention;
- promotes detection;
- identifies a clear pathway for investigation; and
- sets out the appropriate sanctions, including the recovery of losses.

1.2 The Audit Commission Fraud Manual defines fraud and corruption as follows:

- Fraud is the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation of assets or otherwise for gain.
- Corruption is the offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person or the misuse of entrusted power for personal gain. The Bribery Act 2010 makes it an offence to offer, promise or give a bribe and to request, agree to receive or accept a bribe. In addition there is a corporate offence of an organisation failure to prevent bribery in the course of its business.

2. Expectation

2.1 Surrey County Council wishes to promote a culture of openness with the core values of trust, respect and responsibility enshrined within it. The Council is totally opposed to any form of fraud and corruption.

2.2 The Council's expectation on propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices. The Council also expects that individuals and organisations, e.g. the public, partners, suppliers, contractors and other service providers, with whom it deals, will act towards the Council with integrity and without thought or actions involving fraud and corruption. All would be expected and encouraged to tell the Council about any fraud or corruption they suspect. There is advice on how to do this in Appendix A.

- 2.3 The Council will ensure that all allegations received are taken seriously and investigated in an appropriate manner. Anonymous allegations will be considered within the limitations of the information available. Investigations will be subject to the requirements of the Human Rights Act 1998 and the Regulation of Investigatory Powers Act 2000.
- 2.4 Senior management is expected to deal swiftly and firmly with those who defraud or seek to defraud the Council, or who are corrupt. The Council will always be robust in dealing with financial malpractice or those who breach statutory and legal obligations and its code of conduct. A Fraud Response Plan is included as Appendix B

3. Roles and responsibilities

The Role of Elected Members

- 3.1 As elected representatives, all Members of the Council have a duty to act in the public interest and do whatever they can to ensure that the Council uses its resources in accordance with statute.
- 3.2 This is achieved through Members operating within:
- the Council's Member Code of Conduct; and
 - the Constitution, including Corporate Governance Assurance Framework, Financial Regulations and Procurement Standing Orders.
- 3.3 The Localism Act 2011 requires Members to declare and register disclosable pecuniary interests to the Monitoring Officer as these may cause potential areas of conflict between Members' County Council duties and responsibilities and any other areas of their personal or professional lives.

The Role of Employees

- 3.4 Employees are Surrey County Council's first line of defence and the Council will expect and encourage them to be alert to the possibility of fraud and corruption and report any suspected cases.
- 3.5 Employees are expected to comply with the Council's [Code of Conduct](#) for staff, which forms part of each employee's contract of employment and is available on the Human Resources and Organisational Development section of the Council's Intranet (S-net). Employees should also follow standards of conduct laid down by their own professional body or institute (where applicable).
- 3.6 Employees are responsible for ensuring that they follow the instructions given to them by management and comply with the procedures and rules laid down by the Council in the Corporate Governance Assessment Framework. They are under a statutory duty to account for money and property committed to their charge.

- 3.7 All employees are required to comply with Section 117 of the Local Government Act 1972. This requires a written declaration of any pecuniary or close personal interests in contracts that have been, or it is proposed will be, entered into by the County Council to be held on their personal file. The legislation also prohibits the acceptance of fees or rewards other than by means of proper remuneration. Failure to disclose an interest or the acceptance of an inappropriate reward may result in disciplinary action or criminal liability.
- 3.8 Managers at all levels are responsible for the communication and implementation of this Strategy in their work area. They are also responsible for ensuring that their employees are aware of the arrangements to secure corporate governance, and that the requirements are being met in their work activities.
- 3.9 Managers are expected to create an environment in which their staff feel able to approach them with any concerns that they may have about suspected irregularities.

Others

- 3.10 Surrey County Council expects the public, clients, partners, contractors, suppliers and any other organisations to act honestly in their dealings with it and will check contractors' and suppliers' references as well as carrying out suitable financial checks.

4. Surrey County Council's Commitment

- 4.1 Theft, fraud and corruption are serious offences against the authority and employees and Members will face disciplinary action if there is evidence that they have been involved in these activities. Where appropriate, cases will be referred to the Police.
- 4.2 A key measure in the prevention of fraud and corruption is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential employees in terms of their propriety and integrity. Employee recruitment should, therefore, be in accordance with the procedures laid down by the Head of Human Resources and Organisational Development (HR&OD), which are available on the Council's Intranet (S-net), and include:
- obtaining references and checking qualifications;
 - confirming the right to work in the United Kingdom; and
 - checks by the Criminal Records Bureau.

The recruitment of temporary and permanent employees is dealt with in a similar manner.

- 4.3 In all cases where financial loss to the authority has occurred, the authority will take appropriate action to recover the loss.
- 4.4 Updates on counter fraud and corruption activity, including updates to this Strategy, will be publicised in order to make employees and the public aware of the authority's continuing commitment to taking action on fraud and corruption when it occurs.
- 4.5 To promote knowledge in current anti-fraud and anti-corruption matters Internal Audit will forward advice and information received from the National Anti-Fraud Network (NAFN) to relevant Services across the Council.

5. Detection and Investigation

- 5.1 It is the responsibility of management to maintain an adequate internal control environment to prevent and detect fraud and corruption. It is often the alertness of staff and the public that enables detection and appropriate action to be taken.
- 5.2 The Council's Financial Regulations require all suspected financial irregularities to be reported (verbally or in writing) to the Chief Internal Auditor so that an internal audit investigation of the allegations can be undertaken in line with the Fraud Response Plan included as Appendix B. This is essential to the Strategy to ensure consistency of treatment, adequate investigation and protection of the Council's interests.
- 5.3 The Chief Internal Auditor will ensure that the individual reporting any suspected irregularity is appropriately supported throughout this process, taking particular account of the likely sensitive nature of such an investigation.
- 5.4 Any decision to refer a matter to the Police will be made by the Chief Internal Auditor. The Council expects the Police to be made aware of, and investigate independently, any offence where material financial impropriety may have occurred.
- 5.5 The County Council's [disciplinary procedure](#) will be used where the outcome of an investigation indicates improper behaviour by a member of staff. Referral to the Police will not prohibit disciplinary action under the Disciplinary Policy.
- 5.6 In the case of allegations against Members being in breach of their Code of Conduct, these are reported to the Council's Monitoring Officer (Head of Legal and Democratic Services) and will be investigated by the Monitoring Officer or a person appointed by her.
- 5.7 Surrey County Council is required to participate in the National Fraud Initiative data matching exercise run by the Audit Commission. The Council provides particular sets of data, including payroll, to the Audit Commission under its powers in Part 2A of the Audit Commission Act 1998. It does not require the

consent of the individuals concerned under the Data Protection Act 1998. Details of the data used are set out in the Audit Commission's guidance, which can be found at www.audit-commission.gov.uk/nfi.

- 5.8 Arrangements are in place, and continue to develop, to encourage the exchange of information between the County Council and other agencies on a national and local level to combat fraud and corruption, including the National Fraud Agency, National Anti-Fraud Network (NAFN), police fraud team and UK Borders Agency.

6. Awareness and Training

- 6.1 Surrey County Council recognises that the continuing success of its Strategy against Fraud and Corruption and its general credibility, will depend partly on the effectiveness of training and the responsiveness of employees throughout the organisation.
- 6.2 The Council supports induction training, staff appraisal and development. It supports governance and fraud-awareness training. All staff and Members, especially those involved in internal control systems, need to understand their responsibilities and duties in regard to the prevention and reporting of suspected fraud and corruption. It is important to regularly highlight and reinforce this.
- 6.3 The investigation of fraud and corruption is undertaken by the Council's Internal Audit team.

7. Availability

- 7.1 This Strategy is available to all employees and members via the Surrey County Council intranet (S-net). Copies can also be obtained from Council employees through key public access points across the County such as libraries, as well as being accessible through the Council's external web site.

8. Conclusion

- 8.1 Surrey County Council has in place systems and procedures to assist in the fight against fraud and corruption. Internal Audit will monitor the success of these measures to ensure that all opportunities for preventing and detecting fraudulent or corrupt activity are maximised. This strategy will be subject to regular review by Internal Audit and approved by Audit and Governance Committee.

DAVID MCNULTY,
Chief Executive, April 2014

Advice on reporting suspected fraud or corruption

Surrey County Council expects all its employees, Council Members, partners, contractors, the public, clients and organisations to provide information if fraud or corruption is suspected. This is often known as whistle blowing. Our [whistle blowing policy](#) can be found on s-net. In addition, an employee, raising concerns in good faith, should be aware of the protection afforded to them by the Public Interest Disclosure Act (PIDA) 1998.

Examples of concerns include the following:

- criminal offence;
- false documentation;
- failure to comply with a statutory or legal obligation;
- improper use of public or other funds;
- abuse of the Council's systems;
- maladministration, misconduct or malpractice;
- endangering health and safety;
- damage to the environment;
- misuse of an individual's personal position;
- the offer or acceptance of a bribe; and/or
- deliberate concealment of any of the above.

All information or concerns received will be treated seriously and in strict confidence and employees should raise issues with their line manager in the first instance or the officer directly responsible for the area concerned. If anyone feels unable to speak to their line manager or the officer directly responsible for the area they are concerned about, they can contact any of the individuals on the table overleaf.

Members, the public, partners, contractors and organisations can also contact Surrey County Council via these contacts if they suspect theft, fraud or corruption. The Chief Internal Auditor should be advised of any such referrals received as complaints to Services.

If anyone feels unable to raise their concerns in the above ways, then they may wish to phone Expolink our independent reporting hotline on 0800 374 199 or consult Public Concern at Work on 020 7404 6609, which is a registered charity providing free and strictly confidential advice.

All allegations of theft, fraud or corruption received will be investigated and should be referred to the Chief Internal Auditor for a decision on how an investigation should proceed in line with the Fraud Response Plan included as Appendix B.

Contact Information for reporting on possible theft, fraud or corruption at
Surrey County Council

Contact	Telephone	E-mail
Chief Internal Auditor	020 8541 9190 /9299	internal.audit@surreycc.gov.uk
Chief Finance Officer (S151 Officer) and Assistant Director for Business Services	020 8541 7012	sheila.little@surreycc.gov.uk
Head of Legal and Democratic Services as the Council's Monitoring Officer	020 8541 9001	monitoringofficer@surreycc.gov.uk
County Chief Executive	020 8541 8018	david.mcnulty@surreycc.gov.uk
Elected Members		See website www.surreycc.gov.uk Your Council – Councillors and Committees – Surrey County Councillors
Leader of the Council		david.hodge@surreycc.gov.uk
Chairman of Audit & Governance Committee		nicholas.harrison@surreycc.gov.uk
County Council's external auditors (Grant Thornton)	020 7383 5100	See website www.grant-thornton.co.uk
Audit Commission	084560522646	www.audit-commission.gov.uk
Expolink – SCC independent confidential hotline	0800 374 199	See website http://www.expolink.co.uk/
Public Concern at Work – charity offering free advice	020 7404 6609	See website http://www.pcaw.org.uk/

Fraud Response Plan

Introduction

- 1.1 This Fraud Response Plan forms part of the Council's overall Strategy against Fraud and Corruption and covers the Council's response to suspected or apparent irregularities affecting resources belonging to or administered by the Council, or fraud perpetrated by contractors and suppliers against the Council.
- 1.2 It is important that Managers know what to do in the event of fraud, so that they can act without delay. The Fraud Response Plan provides such guidance to ensure effective and timely action is taken. Other documents that should be referred to when reading the Plan include:
 - Code of Conduct for staff
 - Disciplinary Policy and procedures
 - Financial Regulations

Objective of the Fraud Response Plan

- 2.1 To ensure that prompt and effective action can be taken to:
 - Prevent losses of funds or other assets where fraud has occurred and to maximise recovery of losses
 - Identify the perpetrator and maximise the success of any disciplinary or legal action taken
 - Reduce adverse impacts on the business of the Council
 - Minimise the occurrence of fraud by taking prompt action at the first sign of a problem
 - Minimise any adverse publicity for the organisation suffered as a result of fraud
 - Identify any lessons which can be acted upon in managing fraud in the future

How to respond to an allegation of theft, fraud or corruption

Initial Response

- 3.1 Listen to the concerns of staff and treat every report seriously and sensitively.
- 3.2 Obtain as much information as possible from the member of staff, including any notes or evidence to support the allegation. Do not interfere with this evidence and ensure it is kept secure.
- 3.3 Contact the Chief Internal Auditor to discuss the allegation as required by Financial Regulations 4.5 and agree any proposed action. An evaluation of the case should include the following details:

- Outline of allegations
 - Officers involved, including job role and line manager
 - Amount involved / materiality / impact
 - Involvement of any other parties
 - Timescales – one off or ongoing
 - Evidence – where held and access
- 3.4 Where it is appropriate to do so (i.e. without alerting the alleged perpetrator), initial enquiries may be made by the manager or Internal Audit, as agreed with the Chief Internal Auditor, to determine if there actually does appear to be an issue of fraud or other irregularity.
- 3.5 During the initial enquiries, managers should
- Determine the factors that gave rise to the suspicion
 - Examine the factors to determine whether a genuine mistake had been made or whether a fraud or irregularity has occurred
 - Where necessary, carry out discreet enquiries with staff and/or review documents.
- 3.6 The Chief Internal Auditor should be informed of the results of the initial enquiry so that the case can be closed or a more detailed investigation organised. Regulation 4.4 of the County Council's Financial Regulations gives the Chief Internal Auditor and her staff the power to access documents, obtain information and explanations from any officer for the purpose of audit.
- 3.8 Where the initial enquiry appears to indicate misconduct by a council employee the manager should inform Internal Audit of
- All the evidence gathered
 - The actions taken with regard to the employee (e.g. suspension or redeployment) or any other action taken to prevent further loss.
- 3.9 The manager should liaise with HR and be aware of the council's requirements regarding the disciplinary process (as published on S::net). If suspension is necessary, it needs prior approval by the Head of Service as the act of suspension is service led.
- 3.10 If it is found that an allegation has been made frivolously or in bad faith then disciplinary action may be taken against the person making the allegation. If however, it is found that an allegation has been made maliciously, or for personal gain, then disciplinary action should be taken against the person making the allegation.

Internal Investigation

- 4.1 Depending on the size of the fraud or the circumstances of its perpetration, the Chief Internal Auditor will consider whether Internal Audit staff should undertake

the investigation. If appropriate, advice and guidance will be provided to enable an investigation to be undertaken by an appropriate officer in their Service.

- 4.2 Internal Audit will review the outcome of the investigation (irrespective of whether undertaken by its own staff or Service staff), to ensure that appropriate action is taken to help disclose similar frauds and make recommendations to strengthen control systems.

Investigating Officer

- 4.3 The Investigating Officer (either from the directorate or from Internal Audit) will:
- Deal promptly with the matter
 - Should covert surveillance be considered necessary, then the Regulation of Investigatory Powers Act 2000 (RIPA), as modified by the Protection of Freedoms Act 2012, must be observed and authorised by the Chief Executive
 - Record all evidence that has been received
 - Ensure that evidence is sound and adequately supported
 - Secure all of the evidence that has been collected
 - If criminal acts are being investigated then take advice on the interview of potential suspects so that the guidelines of the Police and Criminal Evidence Act 1984 (PACE) are followed
 - Where appropriate, contact other agencies (e.g. Police, Serious Fraud Office)
 - When appropriate, arrange for the notification of the Council's insurers
 - Report to senior management, and where appropriate, recommend that management take disciplinary/criminal action in accordance with this strategy and the Council's Disciplinary Procedures.
- 4.4 Where circumstances merit, close liaison will take place between the Investigating Officer, Internal Audit, S151 Officer, Monitoring Officer, the respective Service/Directorate, Human Resources and relevant outside agencies as appropriate.
- 4.5 Where an irregularity results in a loss exceeding £10,000 a declaration has to be made to the Audit Commission.

Sanctions and Recovery of Losses

Disciplinary Action

- 5.1 The manager is responsible for taking the appropriate disciplinary action as set out in the Council's Disciplinary policy.
- 5.2 If a criminal offence is discovered, it may be appropriate to pursue a criminal prosecution. This could be instigated by the Council under S222 of the Local Government Act 1972 or by referring the evidence to the police.

Police

- 5.3 The Chief Internal Auditor will determine whether the police need to be involved either from the start or at a later stage in the investigation. If the police are involved, Internal Audit will support the police investigation as necessary.

Recovery of Losses

- 5.4 Where the Council has suffered a loss, restitution will be sought of any benefit or advantage obtained and the recovery of costs will be sought from individual(s) or organisations responsible.
- 5.5 Where an employee is a member of the Surrey County Council Pension scheme and is convicted of fraud, the Council may be able to recover the loss from the capital value of the individual's accrued benefits in the scheme, which are then reduced as advised by the actuary.
- 5.6 The Council will also take civil action (as appropriate) to recover the loss.

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Audit & Governance Committee
29 May 2014

RISK MANAGEMENT ANNUAL REPORT

Purpose of the report:

This annual risk management report enables the committee to meet its responsibilities for monitoring the development and operation of the council's risk management arrangements. It also presents the latest Leadership risk register.

Recommendations:

It is recommended that Members:

1. Consider the contents of the report and confirm they are satisfied with the risk management arrangements;
2. Approve the Risk Management Policy Statement and Strategy for inclusion in the Constitution (Annex D); and
3. Review the Leadership risk register (Annex E) and determine whether there are any matters that they wish to draw to the attention of the Chief Executive, Cabinet, specific Cabinet Member or relevant Select Committee.

Introduction:

4. 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.
5. This report summarises the risk management activity from April 2013 to date and Annexes A and B show more detailed activity that has taken place.

Update on 2012/13 action plan:

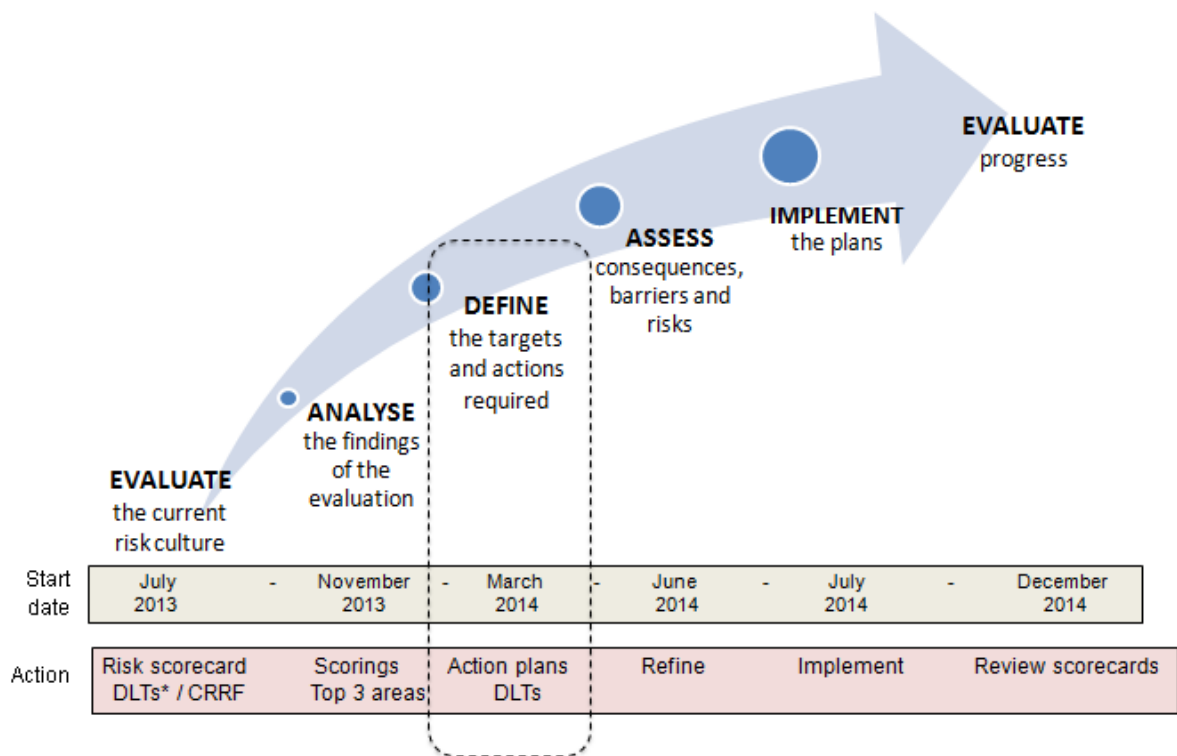
6. The 2013/14 internal audit position statement management action plan has been completed (see Annex A). Key actions included:
 - Maintenance and communication of risk documents and guidance, such as the risk framework;

- Maintenance of the risk management net pages; and
- Consideration of the risk culture across the organisation.

2013/14 key activity summary:

Strategic risk arrangements

- The Strategic Risk Forum (SRF) is now well established and has met nine times since April 2013. The SRF is chaired by the Chief Finance Officer and membership consists of directorate risk leads, Risk and Governance Manager, Chief Internal Auditor, Deputy Head of HR and Organisational Development and Head of Emergency Management. The meetings are focused on challenge and scrutiny of strategic risk (directorate and leadership risks), common themes and emerging risks.
- The SRF has also led a wider review of risk culture to ensure risk supports innovation and transformation across the organisation. The work uses the risk culture leadership guidance produced by the Institute of Risk Management (IRM), which has provided a structured approach to implementing risk culture change as per the diagram below:



* DLT = Directorate Leadership Team

- The council's current risk culture has been evaluated using a scorecard, which has been discussed with each directorate management team and a session was also held with the Council Risk and Resilience Forum (CRRF). SRF analysed the findings of the evaluation using a scoring/weighting mechanism, which provided a focus on three specific areas for the work going forward:
 - informed decision making;
 - rewarding appropriate risk taking; and
 - risk transparency.

SRF are currently working on defining the improvement actions that will be implemented during the rest of 2014.

10. A monthly risk update continues to be presented to the Continual Improvement Board (CIB)¹. This includes an update on the risk culture work, 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.
11. The directorate risk registers are regularly reviewed by directorate leadership teams and moderation by the SRF identifies common themes and ensures consistency. The Leadership risk register is now being presented to Cabinet on a quarterly basis to give them oversight of the council's strategic risks and controls.

Operational risk arrangements

12. The Risk and Governance Manager ensures that risk registers received from risk representatives are uploaded onto the snet in a timely manner. A report on the status of risk registers on the snet is provided to the SRF at each meeting, which highlights risk registers that are more than three months old. Although this does not indicate that the risk register has not been reviewed, only that the risk register has not been received by the Risk and Governance Manager.
13. The Risk and Governance Manager has been working with colleagues from Procurement on improving supplier risk management arrangements. A number of workshops have taken place in May to take contract managers (both internal and external) through the importance of risk management and good practice guidance to enable effective risk arrangements as part of the contract management framework.

Council Risk and Resilience Forum

14. There have been three formal meetings of the CRRF during the year, which are attended by risk and resilience representatives. The formal meetings have been effective in sharing knowledge and good practice between services in relation to identifying and managing current and emerging risks and supporting the ongoing development of business continuity arrangements.
15. There have also been three interactive workshops that are targeted at CRRF representatives and members of their service recovery teams, as identified in their business continuity plans. The workshops are themed in order to facilitate services in validating their business continuity planning arrangements. The three workshops have focused on property and workplace recovery, provider resilience and risk culture.
16. Attendance at the CRRF formal meetings and workshops has improved on the previous year but there continues to be inconsistent or poor attendance in some areas. This is being addressed in a number of ways:
 - discussions are taking place with risk and resilience representatives to ensure appropriate attendance and representation at future meetings and workshops;
 - SRF will review CRRF attendance figures at the next meeting in June and propose appropriate action to the CIB; and

¹ Continual Improvement Board membership: Strategic Director for Environment and Infrastructure (Chair), Chief Finance Officer, Head of HR, Head of Policy and Performance, Heads of Service/Assistant Directors from Adult Social Care; Children, Schools and Families; Environment and Infrastructure; Customers and Communities.

- the Assistant Chief Executive will be re-promoting the role of the CRRF and the importance of service representation, especially from high priority services.

Business Continuity

17. A top management review meeting was held in April to review the business continuity management system, which included the effectiveness of the current arrangements, the incident management process and learning from incidents. The meeting was chaired by the Assistant Chief Executive and was attended by senior managers from across the directorates. One of the actions agreed at the meeting was that service attendance at CRRF is encouraged and supported by management.
18. Services continue to update their Business Impact Analyses and Business Continuity Plans using the new templates and the Emergency Management Team have passed on information to Property Services and IMT to inform their workplace recovery plans and critical dependency planning.
19. The business continuity e-learning module provides an overview of arrangements and expectations and as at the end of March 2014, 80 members of staff have completed the training.

Insurance

20. The insurance team continue to monitor the effective control of risk through ongoing claims experience from services, as well as feeding back to relevant services on emerging issues within the market and in networking with other authorities. For example, the team has worked with Legal Services and Children's Schools and Families in ensuring that insurance and indemnities are in place when delegating responsibilities to contractors.
21. Working with Highways, the insurance team has been prominent in the development of the new five day response time for repairing defects other than emergency defects, ensuring that so far as is possible, risk of exposure to claims is controlled. The team also meets regularly with its insurance broker to ensure that effective insurance cover is in place for all known and emerging risks that the Council faces in its day to day tasks.

Internal audit review:

22. Internal audit provide an annual independent assessment of the risk management arrangements. The outcome of the 13/14 review is an overall audit opinion of 'Some Improvement Needed.' A summary of the audit is attached at Annex C. Key findings include:
 - Acknowledgement of the progress made on the implementation of previous audit recommendations;
 - An improvement in the updating of risk registers during the year but there is not always a clear matching of service priorities to risks identified; and
 - Acknowledgement of the roles played by the risk groups, including the SRF and the CRRF in developing and enhancing the risk management arrangements.
23. The 12 recommendations within the management action plan will be implemented during 2014/15.

Focus for 2014/15:

Risk culture

24. The SRF will continue to lead on the risk culture work, including implementing action plans and revisiting the scorecard to assess progress during the year as shown in the diagram at paragraph 8. Discussions that link risk to priorities will be encouraged via the SRF, CRRF and other risk groups.

Risk registers

25. Directorate and service risk registers will continue to be monitored by the Risk Manager and escalated through the SRF regarding the timeliness of review, updating and availability on the snet.
26. The Risk Manager will work with the Emergency Management Team to ensure key risks identified against critical activities within business impact analyses are captured and monitored through risk registers.
27. The Leadership risk register was presented to the Cabinet in March 2014 and will continue to be reported on a quarterly basis throughout the year.

Risk management policy statement and strategy:

28. The risk management policy statement and strategy provide an overarching vision and direction for risk management. They have been updated and reviewed by the SRF and are attached at Annex D.

Leadership risk register:

29. The Leadership risk register (Annex E) is owned by the Chief Executive and shows the council's key strategic risks. The register is reviewed by the SRF and then changes are proposed to the Continual Improvement Board.
30. Since the last meeting of the committee, the following risks have been updated:
 - Waste (L7) – controls updated;
 - Central Government policy development (L15) – risk description updated, was previously 'Welfare Reform' and controls updated;
 - IT risk (L4) – risk description and controls updated.

Implications:

Financial and value for money implications

31. Integrated risk management arrangements, including effective controls and timely action, supports the achievement of value for money.

Equalities and Diversity Implications

32. There are no direct equalities implications in this report.

Risk Management Implications

33. Embedded risk management arrangements leads to improved governance and effective decision-making.
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Report contact: Cath Edwards, Risk and Governance Manager, Finance

Contact details: 020 8541 9193 or cath.edwards@surreycc.gov.uk

Sources/background papers:

- Risk management half year report, SRF and CRRF agendas and minutes,

Ref	Recommendation	Priority	Management Action	Timescale	Office responsible	Progress as at 16 May 2014
5.4	The up to date Policy Statement, framework and strategy for risk management should be maintained on the S:net and publicised to enable all staff in the Council to be aware and fulfil their responsibilities and in turn allow the Council to fully meet its objectives. Any changes to the decisions made by the A&GC should be reported to the Committee for their approval before they take place.	High	The up to date Policy Statement and Strategy was approved by A&GC on 24 June 2013 and commended to Council for inclusion into the Constitution.	17 July 2013	R&GM	Completed.
			The Risk Framework will be updated and reviewed by the Strategic Risk Forum (for challenge and moderation) before all documents are loaded onto snet.	31 July 2013	R&GM	Completed: Risk policy and strategy are on the snet. Risk Framework has been updated, reviewed by the SRF and put on the snet.
			Communication of the updated documents will form part of the regular risk updates provided to Corporate Board, Strategic Risk Forum and Council Risk and Resilience Forum.	30 September 2013	R&GM	Completed: Update on the risk policy statement and strategy provided to SRF on 8 July, Corporate Board on 22 July and email sent to service risk reps on 5 July. Update on risk framework communicated via email to risk reps on 9 August. CRRF was updated at their workshop on 18 September.
			The link to snet will also be sent to all risk reps.	6 July 2013	R&GM	Completed: Link sent to Audit & Governance Committee on 4 July and to risk reps on 5 July.
			A risk update will be presented to the A&GC at the meeting in September.	2 September 2013	R&GM	Completed.

Risk Management 12-13 Position Statement - Management Action Plan progress

Annex A

			In the longer term, the Strategic Risk Forum will consider: a) how to assess the culture of risk management in service areas and propose an action plan to Corporate Board; b) the adequacy of risk management arrangements in light of Internal Audit shift to a risk based approach and propose an action plan to Corporate Board.	31 March 2014	Strategic Risk Forum	Completed: The SRF reported their progress and findings to date to the Continual Improvement Board (through Sheila Little) on the 24 th March.
5.8	The risk management guidance on S:net should be comprehensive and up to date with all the links working for staff in services to comply with the Council's requirements for risk management arrangements.	High	Appropriate and up to date guidance will be put on the snet and communicated as above (see 5.4).	31 July 2013	R&GM	Completed: Risk guidance page updated on snet to include risk induction pack and information on risk workshops. Communicated via email to risk reps on 9 August.
5.11	The R&G Manager should consider incorporating the additional useful information available from CIPFA's TIS Online facility to enable the Council to follow best practice.	Medium	All risk management documentation is currently based on best practice from CIPFA, ALARM and IRM. The current documentation will be reviewed through the Strategic Risk Forum (including TIS online) and the risk documentation updated accordingly.	31 December 2013	R&GM / Strategic Risk Forum	Completed: Best practice information was considered as part of the annual review of the risk policy statement and strategy, which the SRF approved at their meeting on 30 April.
5.16	The procedures for compiling the various risk registers	Medium	This will be incorporated into the risk framework as above (see 5.4).	31 July 2013	R&GM	Completed: Risk framework updated to

	should be streamlined and documented.					include more detailed guidance (ref 5.4).
5.17	Services and directorates should maintain their risk registers and correctly cross reference them to each other. This should also separately show the risks that have been removed as part of the review so that the management trail is clear and any omissions of risks can be detected and rectified.	High	<p>This will be incorporated into the risk framework as above (see 5.16 and 5.4).</p> <p>A movement of risks section will be added to risk registers and communicated to risk reps.</p> <p>The Strategic Risk Forum Terms of Reference include regular review of emerging risks within each Directorate and escalation to Corporate Board as relevant. Minutes of Strategic Risk Forum and Corporate Board will ensure any changes discussed and agreed are recorded.</p>	<p>31 July 2013</p> <p>31 July 2013</p> <p>Ongoing</p>	<p>R&GM</p> <p>R&GM</p> <p>R&GM</p>	<p>Completed: Risk referencing incorporated into the risk framework (ref 5.4).</p> <p>Completed: Movement of risks incorporated into the risk framework and communicated (ref 5.4).</p> <p>Strategic Risk Forum notes and actions are available on snet.</p>
5.23	While clear guidelines on risk management should resolve many of the issues above in the short term, management should consider the purchase of an information technology based system in the medium to long term, for managing risks in an integrated manner.	Medium	An options paper evaluating benefits and costs of purchasing an IT system will be prepared and reviewed by the Strategic Risk Forum.	31 March 2014	Strategic Risk Forum	Completed: An IT system was considered at the SRF on 10 December. It was agreed that an additional system would not significantly enhance the risk arrangements.
5.24	As in 5.17 above, the risk registers on S:net should be	High	Risk registers received by the Risk and Governance Manager will be	Immediate effect.	R&GM	All risk registers received by the R&GM are available on the snet.

Risk Management 12-13 Position Statement - Management Action Plan progress

Annex A

	up to date with correct details, for all staff to rely on and use in their work.		posted on snet in a timely manner. Strategic Risk Forum will consider the extent to which services rely on s-net to access risk registers to ensure this method of communication is effective and relied upon.	31 March 2014	Strategic Risk Forum	Completed: The SRF discussed risk registers on snet on 27 February and concluded that risk registers should continue to be put on the snet but services need to be reminded to send them to the R&GM when they have been updated.
5.25	There should be a formal escalation policy to ensure that non-compliance with risk management responsibilities at all levels in the Council are highlighted in a timely manner and dealt with adequately.	Medium	An exception report will be provided to the quarterly Strategic Risk Forum and any issues escalated to Corporate Board as appropriate.	From next SRF meeting (8 July).	R&GM / Strategic Risk Forum	Completed: Monthly exception reports are provided to the SRF.
5.30	The roles, responsibilities and focus of the various risk groups should be clearly defined with the outcomes and actions by the groups widely reported on a regular basis. The links between the business activities of the groups should be established on S:net to increase awareness and improve understanding.	Medium	All risk groups have a terms of reference and the CRRF has an expectation set (available on snet), which include roles and responsibilities. Agendas and minutes are produced and circulated to all risk group members. Each risk group will review its Terms of Reference on a regular basis (at least annually) to ensure they are up to date and relevant.	31 March 2014	R&GM	Completed: SRF reviewed the terms of reference on 30 April and the snet has been updated. The CRRF expectation set has

			Links on snet will be established between the various risk activities.	31 July 2013	R&GM	been reviewed and will be communicated at the meeting on 14 May. Completed: Links to all risk activity are on the snet.
5.42	The R&G Manager should report fully, all the work undertaken including changes to existing arrangements to obtain agreement from Members. The information should also be widely communicated on S:net so that officers who require the information can access and use it.	Medium	Continue to present risk updates to the A&GC. Continue to provide risk updates to risk reps and update snet.	With immediate effect.	R&GM	Risk updates are provided to the A&GC. Emails sent to risk reps with links to snet and relevant documents.

Strategic risk:

- Strategic Risk Forum (April, May, July x 2, October, December, January, February, April)
- Risk updates to Continual Improvement Board, including the Leadership risk register – monthly
- Leadership risk register reported to Cabinet – March 2014
- Risk updates and Leadership risk register reported to each Audit and Governance Committee

Operational risk:

- Council Risk and Resilience Forum meetings (April, October, March)
- Council Risk and Resilience Forum workshops (May, September, November)
- Activities and training during Business Continuity Awareness Week
- Facilitation of internal audit risk workshops
- Risk presentation to Public Health team meeting
- Monthly catch ups between Risk and Governance Manager and Emergency Management Team
- Regular meetings with directorate and service risk and business continuity representatives
- Development of treasury management risk register
- Member induction and training on risk management, including specific Audit and Governance Committee training
- Support to Business Services directorate leadership team with risk register and conversations on risk culture
- Development of guidance and training on supplier risk management
- Risk presentation to Finance service meeting

Audit	Background to Review	Key findings	Audit opinion	Recommendations for improvement (Priority)
Risk Management	<p>SCC defines corporate and Service priorities. SCC's Risk Management Strategy, Policy and Framework are its official methodology for managing risk and opportunities in relation to achieving these Service priorities.</p>	<p>Directorate Leadership Teams (DLTs) and Service Senior Management Teams (SMTs) play a key role in discussing risk matters. The extent these discussions can be easily linked to individual risk registers varies from Service to Service.</p> <p>Service risk registers may not have a clear, complete and comprehensive set of risks to the delivery of Service priorities because there is not always a clear matching of Service priorities to risks and opportunities identified. This does not mean that active risk management on specific risks or challenges is not adequate, but it is an important shortcoming in the format of risk management records.</p> <p>Most Directorate and Service Risk registers available on SCC's SNET are usually reasonably current but others are sometimes not updated for several months. There has been an improvement in the situation during the year, largely as a result of reminders via the Strategic Risk Forum.</p> <p>The leadership risk register had not been presented to Cabinet for some time.</p>	<p>Some Improvement Needed</p>	<p>DLTs and SMTs should better link their meeting discussions to their risk register. Most new topics raised should either create a new Risk Register entry or be considered as informing judgement on risks already reflected on the register. (M)</p> <p>Each Service risk register should include clear linkages between entries that relate to the challenges and opportunities in achieving Service objectives and service priorities, as defined in their summary Service plans, or key annual discussions of Service priorities. (H)</p> <p>The monitoring of the frequency that risk registers are being updated should be developed, perhaps integrating performance with other corporate monitoring systems. (M)</p> <p>At least twice each year, the Leadership Risk Register should be presented to the Cabinet for consideration, discussion and amendment as appropriate. (M).</p>

		SCC has yet to develop a finalised, quantified and useful risk appetite statement. Once achieved, managers will be more transparent about which risks they are tolerating and which they can realistically treat.		SCC should utilise one of the methodologies widely used in other sectors to help elucidate a meaningful statement of SCC's risk appetite. (M).
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Confident in our Future, Risk Management Policy Statement and Strategy

Risk Management Policy Statement

Introduction

Risk management aims to maximise opportunities and minimise exposure to ensure the residents of Surrey remain healthy, safe and confident about the future.

How successful the council is in dealing with the risks it faces can have a major impact on the achievement of key priorities, goals and service delivery to the community. The Risk Management Policy Statement and Strategy supports and underpins the council's Corporate Strategy: Confident in our Future, and the six key areas of focus - residents, value, partnerships, quality, people and stewardship.

The focus of good risk management is the identification and treatment of risks and opportunities. It increases the probability of success and reduces the likelihood of failure and the uncertainty of achieving objectives. Risk management should be a continuous and evolving process, which runs throughout the council's strategies and service delivery.

Learning lessons from past activities helps inform current and future decisions by reducing threats and optimising the uptake of opportunities. Celebrating and communicating successful risk management in turn encourages a more bold but calculated approach.

Risk Management principles

The council's approach to risk management is built on the following principles:

- **Alignment with objectives**
Enhancing opportunities for success and eliminating or minimising the threat of failure will enable the council to determine risk appetite and tolerance levels to support the achievement of objectives.
- **Clear guidance**
Effective management of risk is encouraged through an open and transparent approach that is suitably resourced and consistently applied.
- **Informs decision making**
Risk information is used to objectively inform decision-making and the achievability of desired outcomes.
- **Achieves measurable value**
Benchmarks and measures are used to monitor and report on how risk management contributes added value to the organisation.
- **Facilitates continuous improvement**
Significant events and incidents are reviewed to ensure lessons are learnt and actions for improvement are identified and implemented.

Benefits

The following benefits are realised through the above principles:

- Improved organisational resilience through strengthening our ability to achieve objectives and enhance the value of the services we provide
- Proactive management of risk
- Improved governance enabling informed decision-making
- Stakeholder confidence and trust
- Flexibility to respond to new pressures and external challenges

Realisation

The realisation of the principles and benefits will be achieved through the operation of the council's risk approach and arrangements.

The Risk Framework contains specific information on the council's risk arrangements and the risk process and procedures.

Compliance with these documents will ensure that the council achieves excellence in its approach to and management of risk.

Risk Management Strategy

Introduction

Risk management is an integral part of good management practice and a key part of corporate governance. This strategy outlines the arrangements put in place to ensure the council identifies and deals with the key risks it faces.

Objectives

The objectives of this strategy are to:

- Fully embed risk management into the culture of the council and ensure staff and members are equipped to work with and support the risk culture;
- Ensure consistency in the management of risk and that the risk management framework is implemented and understood by all staff who have a direct operational responsibility for managing risk;
- Communicate the council's approach to risk management to stakeholders;
- Ensure the benefits of risk management are realised through maximising opportunities and minimising threats;

Risk Management

The council has adopted proactive risk management arrangements to enable decisions to be based on comprehensively assessed risks, ensuring the right actions are taken at the right time.

The risk management arrangements help to support and underpin the council's corporate strategy, 'Confident in our Future.' How successful the council is in dealing with the risks it faces can have a major impact on the achievement of its key strategies, priorities and service delivery to the community.

The focus of good risk management is the identification and treatment of risks. It increases the probability of success and reduces the likelihood of failure. Risk management should be a continuous and evolving process, which runs throughout the council's strategies and service delivery.

Learning lessons from past activities and events helps inform current and future decisions. Celebrating and communicating successful risk management in turn encourages a more daring but calculated approach.

Integrated Risk Management

In order to create an integrated risk management culture that is embedded into day to day activity, a collaborative approach to risk is undertaken. Service, financial and risk plans are developed using a five-year business planning cycle and are regularly reviewed using an iterative process.

There are a number of levels of risk register:

- Leadership risk register – owned by the Chief Executive
- Directorate risk registers – owned by individual Strategic Directors
- Service risk registers – owned by individual Heads of Service.

Roles and responsibilities

All employees and members involved in managing risk should be aware of their risk management responsibilities, which includes risk and opportunities across the whole organisation, as well as in specific service areas. However, the ultimate responsibility for risk management lies with the Leader of the Council and the Chief Executive.

Specific responsibilities for risk management are shown in the table below.

ROLE	RESPONSIBILITIES
The Cabinet	<ul style="list-style-type: none"> Oversee effective risk management across the council. Ensure that key risks are identified, effectively managed and monitored.
Portfolio Holders	<ul style="list-style-type: none"> Ensure that risks within their portfolio are identified and effectively managed through discussions with Strategic Directors and Heads of Service. Contribute to the Cabinet review of risk and being proactive in raising risks from the wider Surrey area and community.
Members of Select Committees	<ul style="list-style-type: none"> Monitor and challenge key risk controls and actions.
Audit & Governance Committee	<ul style="list-style-type: none"> Provide independent assurance to the council on the effectiveness of the risk management arrangements. Annually approve the risk management policy statement and strategy.
Corporate Leadership Team (CLT)	<ul style="list-style-type: none"> Ensure effective implementation, monitoring and review of the council's risk management arrangements. Identify, own and manage the key risks facing the council.
Strategic Directors	<ul style="list-style-type: none"> Own their directorate risk register and regularly identify, prioritise and control risks within their area of responsibility as part of wider council performance. Ensure that risk management within their directorate is consistently implemented in line with the council's Risk Management Strategy. Challenge heads of service on key risks relating to their services. Proactively raise risks issues at CLT and with Portfolio Holders
Heads of Service	<ul style="list-style-type: none"> Own their service risk register and regularly identify, prioritise and control risks within their area of responsibility as part of wider council performance. Report to Strategic Directors on any perceived new risks or failures of existing control measures. Support and have a regular dialogue with their dedicated risk champion to ensure that risk management within their area is implemented in line with the council's risk management strategy. Challenge risk owners and actions to ensure that controls are being put in place and monitored.
Managers	<ul style="list-style-type: none"> Take ownership for actions they are responsible for and report to their head of service. Co-operate and liaise with the risk champion. Report any perceived new risks or failure of control measures to their manager.
Staff	<ul style="list-style-type: none"> Assess and manage risks effectively in their job and report risks to their manager.
Risk and Governance Manager	<ul style="list-style-type: none"> Co-ordinate and facilitate the implementation of the risk management arrangements. Moderate and challenge risk across the organisation. Provide training and communication.

	<ul style="list-style-type: none"> • Centrally holding and publishing all council risk registers. • Facilitate the review and challenge of the Leadership risk register.
Strategic Risk Forum	<ul style="list-style-type: none"> • Review directorate risk registers through challenge and moderation. • Make recommendations to the Corporate Leadership Team on changes to the corporate risk arrangements and strategic risks. • Identify and escalate common themes and risk management issues across the council through sharing learning and best practice. • Lead on the review of risk culture across the organisation.
Risk champions	<ul style="list-style-type: none"> • Key contact for risk within their directorate and/or service. • Support management with the review of risk, including the risk register, as part of performance monitoring. • Promote risk to embed and aid understanding.
Internal Audit Team	<ul style="list-style-type: none"> • Audit the Council's risk management process. • Use risk information to inform the annual internal audit plan. • Ensure that internal controls are robust.

Other officer groups deal with specific areas of risk management and these include the Health & Safety operations team and the Council Risk and Resilience Forum. These groups are represented on the Strategic Risk Forum so that their work can be coordinated with the overall management of the risks facing the council.

10

Risk Management framework

Effective risk management requires an iterative process of identifying, measuring, managing and monitoring risks.

Risk Identification

Cabinet Members, the CLT, Heads of Service and managers continually undertake risk identification as part of strategic and service planning and delivery. Focus for risk identification should be at a level that is material to strategic / service objectives, targets and service sustainability.

Risk Assessment

Risk assessment ensures that risks are judged on a uniform scale, enabling risks to be objectively scored and compared across the organisation.

The outcome of service level risk assessment is the categorisation of risks according to their impact (financial, service level, reputation) and likelihood. It assesses the relative importance of the identified risks so as to allow risk owners, where necessary, to prioritise action to mitigate them.

The output from the risk assessment is a consolidated risk register. The total risk scores are assigned into bands (red, amber or green) according to the severity of the risk.

Risk Control and reporting

Actions to address significant risks need to be specified and regularly reviewed. These mitigating actions should be focused on reducing the impact or likelihood of risks.

Leadership risk register as at 28 April 2014

Owner: David McNulty

Annex E

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 CSF4,16,20, 22 EAI1,13	<p>Future Funding</p> <p>- Erosion of the council's main sources of funding:</p> <ul style="list-style-type: none"> • council tax – through legislative controls on levels of increase • central government grants – through further austerity cuts, policy changes, top slicing and diversion of grants to Local Enterprise Partnerships <p>and failure to generate new income streams as planned e.g. trading</p> <p>lead to lack of financial resilience and failure to deliver statutory and essential services.</p>	High	<p>- Robust quarterly monitoring to Continual Improvement Board, Corporate Leadership Team and Cabinet of actual funding (eg council tax and business rate collection levels) achieved through close working with district and borough colleagues.</p> <p>- Continued horizon scanning of the financial implications of existing and future government policy changes.</p> <p>- Development of alternative / new sources of funding (e.g. bidding for grants).</p> <p>- Review how systems and processes can lead to greater efficiencies.</p> <p>Notwithstanding actions above, there is a high risk of central government policy changes /austerity measures impacting on the council's long term financial resilience.</p>	Corporate Leadership Team / Sheila Little	Cabinet / David Hodge	High
L1	ASC2,5, 29 BUS9 CAC8,19 CSF4,16,22 EAI1	<p>Medium Term Financial Plan (MTFP) 2014-19</p> <p>- Failure to achieve the MTFP which could be as a result of:</p> <ul style="list-style-type: none"> • not achieving savings • additional service demand and/or • over optimistic funding levels <p>lead to lack of financial resilience and failure to deliver statutory and essential services.</p>	High	<p>- Monthly reporting to Continual Improvement Board, Corporate Leadership Team (CLT) and Cabinet on the forecast outturn position is clear on the impacts on future years and enable prompt management action (that will be discussed with informal Cabinet / CLT).</p> <p>- As recommended in the Chief Finance Officers statutory budget report (Sec25) to full County Council on 11 February 2014, a mechanism whereby the Chief Executive and Chief Finance Officer will check the robustness of efficiencies delivery plans and report back to Cabinet as necessary.</p> <p>- Clear management action reported promptly detailing alternative savings / income if original plans become non deliverable or funding levels alter in year</p>	Corporate Leadership Team / Sheila Little	Cabinet / David Hodge	High

				<p>- Reduced risk contingency for 2014/15, from £8m (base) to £5m, takes pressure off services to find more efficiencies.</p> <p>- Monthly tracking of actual demand compared to budget reported and reviewed by the Productivity and Efficiency Panel.</p> <p>- Monthly formal budget reports focus on funding levels comparing actuals to forecasts. Finance to sustain pro-active horizon scanning for insight into potential funding change.</p>			
L7	BUS12 EAI2	<p>Waste</p> <p>- Failure to deliver key waste targets (including key waste infrastructure) leads to increased cost to residents and tax payers and impacts on the environment.</p>	High	<p>- Strong resourcing and project implementation monitored by the Waste Programme Delivery Board with strategic overview provided by the Strategic Waste Board.</p> <p>- Further work with the Districts and Boroughs continue, to review waste plans to achieve the objectives.</p> <p>- Contract variation signed with SITA to deliver the Eco-park.</p> <p>- 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.</p>	Trevor Pugh	John Furey	High
L15	ASC5, 24 CSF4, 16	<p>Central Government policy development</p> <p>- Central government policy changes, including welfare reform and the Care Bill, are expected to put additional pressure on demand for all public services leading to lack of financial resilience and failure to deliver statutory and essential services.</p>	High	<p>- Effective horizon scanning to ensure thorough understanding of intended policy changes</p> <p>- Implementation of a welfare reform programme including districts and boroughs covering:</p> <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 	Nick Wilson and Dave Sargeant	Cabinet / Mary Angell and Mel Few	High

				<ul style="list-style-type: none"> - Taking opportunities to influence central government e.g. via the Local Government Association. - Care Bill Implementation Board in place and project programme set up to support ongoing discussion. Through ADASS, SCC leading best practice model in relation to financial management and working closely with Department of Health in the development of regulations that underpin the Care Bill. 			
L16	<p>ASC9 BUS22,23, 24 CEO13 CSF8,20,23 EAI3</p>	<p>Partnership working Failure or breakdown of:</p> <p>(a) a significant partnership (where the council has entered into a formal partnership) or</p> <p>(b) a partner (other public bodies eg NHS)</p> <p>leads to service failure and delivery of savings due to increased reliance on partners to deliver services.</p> <p>(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.</p>	High	<p>- Health and wellbeing strategy and action plan owned by partners.</p> <p>a) Leadership and managers recognise the importance of building and sustaining good working relationships and having early discussions if these falter.</p> <p>(b) Contracts are managed effectively through strong governance and early warning mechanisms are put in place.</p> <p>- Intelligence on partners is shared and areas of risk identified as a consequence.</p> <p>(c) The council will maintain a regular ongoing dialogue with partners to ensure collective delivery of health outcomes with regular meetings.</p> <ul style="list-style-type: none"> - 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. 	Corporate Leadership Team / Susie Kemp	Cabinet	High

L11	ASC12 BUS26 CEO7 CSF18	<p>Information Governance</p> <ul style="list-style-type: none"> - Failure to effectively act upon and embed standards and procedures by the council leads to financial penalties, reputational damage and loss of public trust. - Cabinet Office zero tolerance policy in relation to accessing data, will impede progress towards smarter working across the organisation and may limit improvements to service delivery 	High	<ul style="list-style-type: none"> - 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. - SCC has received GCSx accreditation certificate (while many authorities have so far failed) - introduction of the Information Governance Board and the launch of the data classification project, both of which will start in the first quarter of 2014, will help to manage this risk. <p>Despite the actions above, there is a continued risk of human error that is out of the council's control.</p>	Corporate Leadership Team	Denise Le Gal	High
L4	BUS20,26	<p>IT risk</p> <ul style="list-style-type: none"> - Failure of IT systems due to: <ul style="list-style-type: none"> • Deliberate and unauthorised breaches of security • Unintentional or accidental breaches of security and/or • Operational IT systems integrity <p>leads to financial loss, disruption or damage to reputation.</p>	High	<ul style="list-style-type: none"> - Proactive and effective security controls in place - Robust IT incident response plan - Training and regular communication to staff via email and snet - IT system resilience provided through Primary and Secondary Data Centres 	Julie Fisher	Denise Le Gal	High
L3	ASC18 CAC8,18,19,22 CEO3 EAI4,5,7	<p>Business Continuity, Emergency Planning</p> <ul style="list-style-type: none"> - Failure to plan, prepare and effectively respond to a known event or major incident results in an inability to deliver key services 	High	<ul style="list-style-type: none"> - 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. 	Corporate Leadership Team	Denise le Gal / Helyn Clack	Medium

Leadership risk register as at 28 April 2014

Owner: David McNulty

Annex E

				- External risks are assessed through the Local Resilience Forum.			
L2	ASC9,20 BUS2 CEO8 CSF4,20 EAI2,3,10	Staff resilience to major change Preparing for and managing the significant challenges faced over the next 4 years may result in change fatigue and lack of resilience for any future change.	High	<ul style="list-style-type: none"> - Communication, consultation and engagement is a priority for the Council with an emphasis placed on thoroughly addressing the concerns of staff and their representatives - Currently eight training courses available that address various aspects of change. Over 40 trained coaches who are available to support staff. New High Performance Development Programme. - Questions in the Staff Survey provide a measure of the staff satisfaction with the council and its management of change. - The smarter working framework and flexible working policy are in place to support managers and their teams to work differently. - Promotion of support mechanisms for staff. - Staff are encouraged to get involved in finding innovative solutions to redesign services. 	Corporate Leadership Team	Cabinet	Medium
L5	ASC18 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.	Caroline Budden/ Dave Sargeant	Mel Few/ Mary Angell	Medium
L17	ASC28 BUS27	Supply chain / contractor resilience - Poor understanding, monitoring or management of the councils supply chain leads to service failure.	High	<ul style="list-style-type: none"> - Supply chain business continuity plans for strategic/critical contracts to meet required standards. - Consistent management of supply chain risks across all key suppliers through common reporting. - Regular supplier intelligence reporting in place to track industry and supplier news. 	Corporate Leadership Team	Cabinet	Medium

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	Staff resilience to major change	May 10	High	Jan 12	↓	Medium
L3	Business Continuity, Emergency Management	May 10	Medium	Aug 12	↓	Medium
L4	IT risk	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	Central Government policy development	Feb 13	High	-	-	High
L16	Partnership working	June 13	High	-	-	High
L17	Supply chain / contractor resilience	Jan 14	High	-	-	Medium

10

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AUDIT & GOVERNANCE COMMITTEE
29 May 2014

CODE OF CORPORATE GOVERNANCE

Purpose of the report:

The purpose of this report is to provide the Committee with an update on the changes made to the Code of Corporate Governance.

Recommendations:

The Committee is asked to approve the updated Code of Corporate Governance (Annex A) and recommend it to the County Council for inclusion into the Constitution.

Background:

- 1 The Local Government Act 2000 places a reliance on local authorities to review their governance arrangements and operate through a local governance framework, which brings together requirements, governance principles and processes.
- 2 Surrey County Council's Code of Corporate Governance ('the Code') meets the Local Government Act 2000 by outlining the council's commitment to good governance and providing the principles against which the effectiveness of the council's governance arrangements are measured. It contains 32 Surrey County Council policies and procedures that underpin compliance with the governance principles and also sets out the mechanisms for monitoring and reviewing the corporate governance arrangements.

Summary:

- 3 An annual review of the Code has been undertaken to ensure that it is fit for purpose and reflects the authority's approach and commitment to good governance. The Governance Panel approved the updated Code at its meeting on 1 May 2014 and it is attached at Annex A.
- 4 Three key changes have been made to the Code:
 - Inclusion of 'Communication and Engagement Strategy;'
 - Removal of 'Our Commitment to Public Involvement' as this has been subsumed into the above strategy; and
 - Inclusion of the 'People Strategy.'

Implications:

- Financial**
- 5 There are no direct financial implications of this report.
- Equalities**
- 6 There are no direct equalities implications of this report.
- Risk management**
- 7 An effective governance and internal control environment leads to improved performance and outcomes for residents.

Next Steps:

The Code of Corporate Governance will be presented to County Council for inclusion into the Constitution.

REPORT AUTHORS: Cath Edwards, Risk and Governance Manager

CONTACT DETAILS: cath.edwards@surreycc.gov.uk, 020 8541 9193,

Sources/background papers: Governance Panel papers, working papers, Cipfa/Solace Framework for Delivering Good Governance in Local Government, The Code of Corporate Governance

Code of Corporate Governance

11

CONTENTS

PAGE

Commitment to good governance	2
Good governance principles	2
Supporting governance documents	4
Governance review	5
Roles and responsibilities	6
Glossary	7

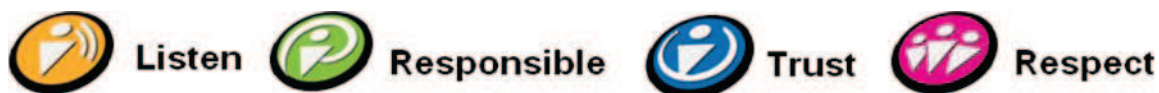
11

Annexes

A Supporting governance documents	9
B Governance document custodians	10
C Governance review process	11
D Governance Panel terms of reference	12

COMMITMENT TO GOOD GOVERNANCE

- 1 The ~~One County, One Team~~ Corporate Strategy, '[Confident in Our Future](#)' 2013-18 sets out the council's overall purpose to ensure good quality public services for the residents of Surrey so they remain healthy, safe and confident about the future.
- 2 Good corporate governance underpins confidence in public services and should be transparent to all stakeholders. The council is committed to demonstrating it has sound corporate governance and this Code of Corporate Governance sets out the way the council meets that commitment. This in turn promotes adherence to the council's values that guide the behaviour of all officers and Members:



- 3 Corporate governance is the manner through which the council directs and controls its functions and relates to its communities. A robust governance code provides assurance that Surrey is meeting best practice in protecting its assets and serving the community.
- 4 The council must review at least annually the effectiveness of its governance arrangements and produce an Annual Governance Statement (AGS), which recognises and records the governance framework and environment. The AGS must be signed by the Chief Executive and the Leader of the Council and be included within the Statement of Accounts, as required by the CIPFA / SOLACE framework, the Statement of Recommended Practice (SORP) 2007 and the Accounts and Audit Regulations (2011).
- 5 The Code of Corporate Governance sets out the mechanisms for monitoring and reviewing the corporate governance arrangements, which enables the council to identify good governance practice and also areas for improvement.

11

GOOD GOVERNANCE PRINCIPLES

Principles of Public Life

- 6 The council has made a commitment to ensuring that good governance is in place and that it is serving the local community in accordance with the seven principles of public life as defined by the Nolan Committee in 1994. These principles apply to everyone working in the public services and should be incorporated into all codes of conduct and behaviour to ensure residents and service users receive a high quality service.
- 7 The principles are as follows:
 - **Selflessness**
Officers and members should act solely in terms of the public interest. They should not act in such a way in which to gain financial or other benefits for themselves, their family or their friends.
 - **Integrity**
Officers and members should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.
 - **Objectivity**
In carrying out public business, including making public appointments, awarding contracts, or

recommending individuals for rewards and benefits, officers and members should make choices on merit.

- **Accountability**

Officers and members are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their role.

- **Openness**

Officers and members should be as open as possible about all decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

- **Honesty**

Officers and members have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the people of Surrey.

- **Leadership**

Officers and members should promote and support the principles by leadership and example.

Core Governance Principles

8 The council has adopted six core governance principles, which ensure good governance, compliance with the principles of public life and support the achievement of the Corporate Strategy.

	Core Governance Principle	Corporate Strategy strand
1	<p>Surrey County Council will focus on its purpose and will implement a vision for both Surrey and its local communities to achieve the intended outcomes for the community.</p> <p>It will meet this by:</p> <ul style="list-style-type: none"> • Continuously developing and clearly communicating its purpose and vision; • Ensuring users receive a high quality of service; and • Making best use of resources. 	Quality
2	<p>The council's members and officers will work together to achieve a common purpose with clearly defined functions and roles.</p> <p>It will meet this by:</p> <ul style="list-style-type: none"> • Ensuring there is a constructive working relationship between members and officers; • Ensuring responsibilities of members and officers are carried out to a high standard; and • Having clear relationships between the council, its partners and the public. 	Partnerships

3	<p>Surrey County Council will promote values and demonstrate good governance by upholding high standards of conduct and behaviour.</p> <p>It will meet this by:</p> <ul style="list-style-type: none"> • Requiring members and officers to maintain high standards of conduct; and • Continuing to ensure that its values are promoted. 	People
4	<p>Surrey County Council will take informed and transparent decisions that promote value for money and are subject to effective scrutiny and risk management.</p> <p>It will meet this by:</p> <ul style="list-style-type: none"> • Promoting decision making that is rigorous and transparent; • Having good quality information, advice and support; • Ensuring that effective risk management and performance management systems are in place; and • Using its legal powers to the full benefit of residents and communities. 	Stewardship
5	<p>Surrey County Council will seek to develop the capacity and capability of members and officers to be effective.</p> <p>It will meet this by:</p> <ul style="list-style-type: none"> • Aiming to ensure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles; • Engaging effectively with all sections of the community; and • Making best use of human resources through consulting and involving staff in decision-making. 	Value
6	<p>Surrey County Council will engage with Borough, District and Parish Councils, residents associations and other stakeholders as appropriate to promote robust public accountability.</p> <p>It will meet this by:</p> <ul style="list-style-type: none"> • Promoting leadership through a robust scrutiny function; • Involving local people, partners, business and other stakeholders in the early development of policy; and • Taking an active and planned approach to dialogue with and accountability to the public. 	Residents

SUPPORTING GOVERNANCE DOCUMENTS

- 9 The Code of Corporate Governance contains [31-32](#) council policies and processes that are of key importance in maintaining good governance, supporting the achievement of the Corporate Strategy and underpin compliance with the core governance principles. The documents are shown at Annex A against the six Corporate Strategy strands.
- 10 Responsibility for each governance document ultimately rests with the Chief Executive or one of the strategic directors, aside from statutory functions that fall within the personal responsibility of the Section 151 Officer or the Monitoring Officer. Cabinet Members must also

demonstrate ownership within their individual portfolios.

- 11 Below those officers and members, the Code of Corporate Governance identifies, where appropriate, those officers who have a material input and control over governance documents. These officers are referred to as Policy Custodians and they are shown in Annex B.

GOVERNANCE REVIEW

- 12 The annual review of governance assesses the level of compliance with each of the core governance principles. A flowchart showing the process is shown at Annex C. The review consists of a number of parts as follows.

PART 1 – CUSTODIAN ASSURANCE

- 13 Policy Custodians are required to complete an annual Custodian Assurance Statement. A summary report is presented to the Governance Panel, which makes recommendations on the policies to be included in the annual Control Risk Self Assessment (CRSA) exercise outlined below.

PART 2 – POLICY COMPLIANCE (CRSA) AND REPORT ON INTERNAL CONTROL

- 14 Following agreement by the Governance Panel on the policies to be tested, questionnaires are sent out by the Internal Audit Team to a sample of staff and members. Audit reports are sent to Policy Custodians who then complete a management action plan for any improvement areas identified. A summary report is also presented to the Governance Panel and any significant areas included in the AGS.

- 15 The Chief Internal Auditor uses information gathered from internal audit reviews carried out as part of the annual audit plan, to report on the adequacy of the internal control environment. This report is presented to the Governance Panel and any significant areas included in the AGS

PART 3 – ASSESSMENT OF THE CORE GOVERNANCE PRINCIPLES

- 16 The Risk and Governance Manager carries out the annual assessment of the core governance principles. The review consists of:
- interviews with key officers,
 - reviewing existing procedures, and
 - assessing existing governance arrangements against best practice.

- 17 A summary report is then presented to the Governance Panel and any significant findings will be included in the AGS.

PART 4 – ADDITIONAL GOVERNANCE INFORMATION

- 18 In order to pull together a full picture of governance across the organisation, the Governance Panel also look at any relevant reports and findings from other inspectorates and groups, along with any self-assessments that the council has completed within the relevant year. Any significant issues are then included in the AGS and the information includes the following:
- External audit reports
 - External inspection reports
 - Annual review of the effectiveness of the system of internal audit
 - Member task group reports and findings

PART 5 - AGS

19 Taking all the above information into account, the draft AGS is developed and agreed by the Governance Panel. The Chair of the Governance Panel consults with [Corporate Continual Improvement](#) Board before the AGS is presented to the Audit and Governance Committee and the Cabinet.

PART 6 - MONITORING

20 The Governance Panel monitors progress on any improvement actions identified and update reports are presented to [Corporate Board](#) [senior officers](#) and Audit and Governance Committee as appropriate.

ROLES AND RESPONSIBILITIES

21 All staff and members have a role in ensuring good governance but specific responsibilities are set out below:

ROLE	RESPONSIBILITIES
The Cabinet	<ul style="list-style-type: none"> • Approve the AGS for publication with the Statement of Accounts • Monitor any governance improvements required, as appropriate
Portfolio Holders	<ul style="list-style-type: none"> • Demonstrate ownership of individual policy areas • Approve governance policies as appropriate
Audit & Governance Committee	<ul style="list-style-type: none"> • Review the draft AGS and advise the Cabinet as appropriate • Monitor the effectiveness of the governance arrangements • Monitor compliance with the Code of Corporate Governance • Approve governance policies as appropriate
Corporate Continual Improvement Board	<ul style="list-style-type: none"> • Commission remedial action to address issues • Review related reports en route to the Cabinet e.g. AGS
Governance Panel	<ul style="list-style-type: none"> • Refer to the Terms of Reference – Annex D
Heads of Service and Assistant Directors	<ul style="list-style-type: none"> • Appoint Policy Custodians as required • Promote the delivery of policies within their service • Participate in the governance review and ensure that officers under their charge cooperate within the given timescales • Ensure governance improvements required within their service are acted upon in a timely manner and reported as necessary
Policy Custodians	<ul style="list-style-type: none"> • Maintain and regularly review policies to ensure they reflect legislative changes, best practice and organisational changes • Ensure policies are communicated effectively • Operate a standard process of version control on all policies • Ensure actions identified through the corporate governance review are acted upon in a timely manner and reported as necessary
Risk and Governance Manager	<ul style="list-style-type: none"> • Coordinate the corporate governance review • Carry out the annual assessment of core principles • Annually review the Code of Corporate Governance • Ensure provision of Corporate Governance training for staff and members
Internal Audit Team	<ul style="list-style-type: none"> • Conduct the annual review of policy compliance • Provide information on the internal control environment to inform the AGS

REVIEWING AND REVISING THE CODE

22 This Code of Corporate Governance will be reviewed annually to reflect any changes. For any

queries or comments on this document please contact:

Cath Edwards, Risk and Governance Manager, [Change and Efficiency Business Services](#)

GLOSSARY

Annual Governance Statement (AGS)	A statement required by the Accounts and Audit Regulations (Amendment) (England) 2006 explaining how the council has complied with the code of corporate governance. It is signed by the Chief Executive and Leader of the Council and published as part of the annual Statement of Accounts.
Chartered Institute of Public Finance and Accountancy (CIPFA)	The leading accountancy body for public services.
Constitution of the Council	Sets out how the Council operates, how decisions are made and the procedures that are followed to ensure efficiency, transparency and accountability.
Control Risk Self Assessment (CRSA)	An annual self assessment undertaken using questionnaires to ascertain the levels of compliance with governance policies.
Corporate Governance	How local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
Custodian Assurance Statement (CAS)	An annual submission from each Policy Custodian providing assurance that each policy is up to date and detailing any work that has been undertaken throughout the year.
Effectiveness review	A requirement of the Accounts and Audit Regulations 2006 for the council to annually conduct a review of the effectiveness of its system of internal audit.
External Audit	An external annual review of the Council's accounts.
Governance Panel	Chaired by the Head of Legal and Democratic Services, the panel ensures that the council has a robust appraisal of governance. It advises Corporate Board, Audit & Governance Committee and Cabinet on the adequacy of the governance arrangements and proposes areas for improvement through the Annual Governance Statement.
Internal Audit Team	An independent appraisal function that objectively examines, evaluates and reports on the adequacy of internal control. They are part of the Policy and Performance Service within Chief Executives Office.

Monitoring Officer (Head of Legal and Democratic Services)	<p>The statutory officer in accordance with section 5 of the Local Government and Housing Act 1989 with responsibility for:</p> <ul style="list-style-type: none"> • Maintaining the Constitution • Ensuring lawfulness and fairness of decision making • Receiving reports • Receiving and dealing with allegations of misconduct • Access to information • Advising whether executive decisions are within the budget and policy framework • Providing advice
Policy Custodian	<p>Officer(s) with oversight for a governance document. They have responsibility for ensuring that it is up to date and promoted across the authority.</p>
Corporate-Continual Improvement Board	<p>Chaired by the Chief Executive Strategic Director for Environment and Infrastructure, it ensures effective self-regulation, oversight and assurance of governance.</p>
Section 151 Officer (Chief Finance Officer and Deputy Director for Business Services)	<p>The statutory officer with responsibility for:</p> <ul style="list-style-type: none"> • the proper administration of the Council's affairs under section 151 of the Local Government Act 1972 • Ensuring lawfulness and financial prudence of decision making • Contributing to corporate management • Providing advice • Giving financial information
Society of Local Authority Chief Executives and Senior Managers (SOLACE)	<p>The representative body for senior strategic managers working in local government, promoting effective local government.</p>

Supporting Governance documents

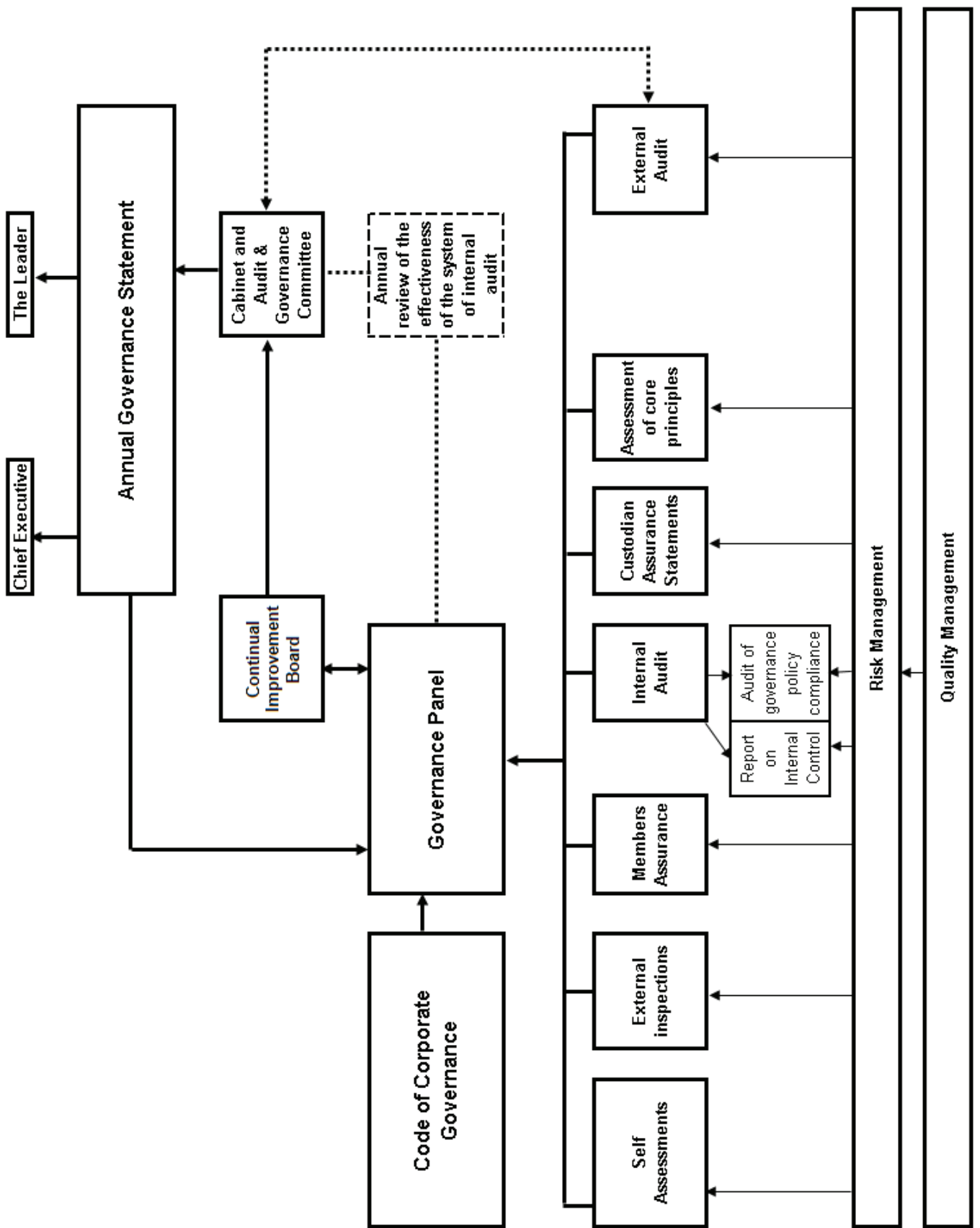
<p><u>RESIDENTS</u> Actively involving local people and stakeholders</p> <p>Our Commitment to Public Involvement Fairness and Respect Communication and Engagement Strategy</p>	<p><u>QUALITY</u> Ensuring a high quality service</p> <p>Complaints Freedom of Information People Strategy</p>
<p><u>VALUE</u> Taking informed and transparent decisions that promote value for money</p> <p>Procurement Standing Orders Cabinet Forward Plan Scheme of Delegation Standing Orders</p>	<p><u>PEOPLE</u> Maintaining high standards of conduct</p> <p>Capability Change Management Codes of Conduct (Officers and Members) Arrangements for dealing with complaints about Members Disciplinary Ending Harassment, Bullying and Discrimination</p> <p>Grievance Safer Recruitment Member/Officer Protocol</p>
<p><u>PARTNERSHIPS</u> Having clear relationships</p> <p>Surrey Compact Voluntary, Community and Faith Sector (VCFS) Framework Partnership Framework and Principles: <ul style="list-style-type: none"> • Memorandums of Understanding • Joint Working Arrangements </p>	<p><u>STEWARDSHIP</u> Ensuring effective risk and performance management systems</p> <p>Data Protection IT Security Premises Security Strategy Against Fraud and Corruption Regulation of Investigatory Powers Act (RIPA)</p> <p>Financial Regulations Risk Management Health and Safety Whistleblowing</p>

Document	Custodian
Arrangements for dealing with complaints about Members	Head of Legal and Democratic Services
Cabinet Forward Plan	Cabinet Business Manager
Capability	Deputy Head of Human Resources
Change Management	Deputy Head of Human Resources
Code of Conduct for Staff	Deputy Head of Human Resources
Code of Conduct for Members	Head of Legal and Democratic Services
Communications and Engagement Strategy	Head of Communications
Complaints	Customer Services Improvement Manager
Data Protection	Corporate Information Governance Manager
Disciplinary	Deputy Head of Human Resources
Emergency Management and Business Continuity Resilience Policy	Head of Emergency Management
Ending harassment, bullying and discrimination	Equality Inclusion and Wellbeing Manager
Fairness and Respect	Senior Policy Manager Lead Manager, Policy and Strategic Partnerships
Financial Regulations	Chief Finance Officer
Freedom of Information	Freedom of Information Officer
Grievance	Deputy Head of Human Resources
Health and Safety	Senior Health and Safety Manager
IT Security	Head of IMT
Member / Officer Protocol	Head of Legal and Democratic Services
Our Commitment to Public Involvement	Senior Performance and Research Manager
Partnership Framework and Principles	Strategic Director for Change and Efficiency
People Strategy	Head of HR and Organisational Development
Premises Security	Area Delivery Manager
Procurement Standing Orders	Head of Procurement and Commissioning
Regulation of Investigatory Powers Act (RIPA)	Community Protection Manager
Risk Management Strategy	Risk and Governance Manager
Safer Recruitment	Deputy Head of Human Resources
Scheme of Delegation	Head of Legal and Democratic Services
Standing Orders	Democratic Services Lead Manager
Strategy against Fraud and Corruption	Chief Internal Auditor

Surrey Compact	Lead Manager, Policy and Strategic Partnerships Democratic Services Lead Manager
VCFS Framework	Lead Manager, Policy and Strategic Partnerships Democratic Services Lead Manager
Whistle blowing	Deputy Head of Human Resources

Annex C

Governance Review Process



Governance Panel - terms of reference

Scope

The Governance Panel (the panel) ensures that the Council has a robust method of scrutiny and appraisal of Governance. The panel advises [Corporate-Continual Improvement Board](#)¹, Audit & Governance Committee (A&GC) and Cabinet on the adequacy of the arrangements and proposes areas for improvement through the Annual Governance Statement (AGS).

The panel reviews reports from Internal Audit, Risk & Governance, External Audit and other relevant documents.

The Role of the Governance Panel

The Governance Panel collectively, is responsible for:

- Reviewing reports from Internal Audit, Risk & Governance, External Audit and other relevant inspectorates
- Agreeing the sample of governance policies to be tested
- Approving changes to the Code of Corporate Governance
- Reviewing significant changes to governance policies
- Reporting on significant governance improvements and weaknesses to the Audit and Governance Committee
- Being a key point of escalation to [Corporate-Continual Improvement Board](#)
- Monitoring improvement plans and reporting to the Audit & Governance Committee
- Reporting progress and key concerns to members

Membership

The following officers form the Governance Panel:

Chair	-	Head of Legal and Democratic Services (Monitoring Officer)
Standing members	-	Chief Finance Officer (Section 151 Officer)
	-	Deputy Head of HR & Organisational Development
	-	Chief Internal Auditor
	-	Representative from Policy and Performance
	-	Risk & Governance Manager
Advisors	-	Policy custodians
	-	Representatives from Internal Audit

¹ Consisting of ~~the Chief Executive~~ [Strategic Director for Environment and Infrastructure \(Chair\)](#), ~~Assistant Chief Executive, Strategic Directors,~~ Chief Finance Officer, Head of HR and Organisational Development, ~~and~~ Head of Policy and Performance, [Heads of Service/Assistant Directors from Adult Social Care; Childrens, Schools and Families; Environment and Infrastructure; Customers and Communities.](#)

Individual Roles and responsibilities

Chair

- Proactively chair panel meetings, ensure meetings are effective and actions have been completed
- Present panel reports to ~~Corporate Board~~[Continual Improvement Board](#), A&GC and Cabinet and feed back to the rest of the panel members
- Report back to the panel on key issues from other governance meetings as appropriate, including partnerships

Panel members

- Proactively participate at panel meetings
- Report back to the panel on key issues from other governance meetings as appropriate, including partnerships

Risk and Governance Manager

- Provide reports to the panel on areas of risk and governance, including strategic and significant service risks, annual governance review reports and progress reporting
- Prepare panel reports for ~~Corporate~~[Continual Improvement](#) Board, A&GC and Cabinet
- Report key issues from external audit and inspection reports including the Annual Audit Letter and the Annual Governance Report
- Undertake the annual review of the Code of Corporate Governance and recommend changes to the panel

Chief Internal Auditor

- Provide reports to the panel on internal control and Control Risk Self Assessment (CRSA) findings

Policy Custodians

May be required to attend any panel meetings at the request of the Chair

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AUDIT & GOVERNANCE COMMITTEE
29 May 2014

2013/14 Annual Governance Statement

Purpose of the report:

This report presents the Annual Governance Statement, which provides an assessment of the council's governance arrangements for the financial year ending 31 March 2014.

The annual review of governance and publication of an Annual Governance Statement is a statutory requirement of the Accounts and Audit Regulations 2011.

Recommendations:

The Committee is asked to:

1. Review the contents of the draft Annual Governance Statement to satisfy themselves that the governance arrangements are represented correctly; and
2. Commend the draft Annual Governance Statement to the Cabinet for publication with the council's Statement of Accounts.

Introduction:

- 1 Surrey County Council's 'Code of Corporate Governance' describes the good governance principles adopted by the council and by which the governance arrangements are assessed. It also details the methodology by which the annual review of governance is undertaken.
- 2 The review of governance is overseen by the Governance Panel (Head of Legal and Democratic Services [chair], Chief Finance Officer, senior representatives from HR and Policy & Performance, Chief Internal Auditor and Risk & Governance Manager), which has the responsibility for the development and maintenance of the governance environment and production of the Annual Governance Statement (AGS).

Draft Annual Governance Statement:

- 3 The 2013/14 draft AGS developed by the Governance Panel is attached at Annex A. The Continual Improvement Board, Chief Executive and the Leader of the Council have been consulted and their comments are incorporated.

Monitoring and Review:

- 4 The Governance Panel will continually review the governance arrangements throughout the year, as well as focusing on the specific areas identified in the AGS. Governance update reports will be presented to the Audit and Governance Committee throughout the year as appropriate.

Implications:**Financial**

- 5 There are no direct financial implications arising from this report.

Equalities

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

Risk management

- 7 Effective governance arrangements lead to value for money and delivery of objectives.

Next Steps:

The AGS will be presented to Cabinet for approval on 24 June 2014 and will then be signed by the Chief Executive and the Leader of the Council and incorporated into the council's Statement of Accounts for 2013/14.

REPORT AUTHOR: Ann Charlton, Chair of Governance Panel

CONTACT DETAILS: Tel: 020 8541 9001 or ann.charlton@surreycc.gov.uk

Sources/background papers: Governance panel minutes. Working papers. Code of Corporate Governance. CIPFA/SOLACE framework *Delivering Good Governance in Local Government*.

Annual Governance Statement 2013/14

Context

Surrey County Council (the council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, including the arrangements for the management of risk.

The council is committed to fulfilling its responsibilities in accordance with the highest standards of good governance to support the 2018 vision “to be delivering great value for Surrey residents” and the council has adopted a Code of Corporate Governance (the code), through which good governance is evidenced.

This Annual Governance Statement outlines the council’s governance arrangements and achievements during 2013/14 and highlights areas to continue to strengthen governance and internal control in 2014/15. It also meets the requirements of regulation 4 of the Accounts and Audit (England) Regulations 2011, which requires the council to prepare an Annual Governance Statement.

The annual review of governance is overseen by the Governance Panel (the panel). The panel comprises the Head of Legal and Democratic Services [chair], the Chief Finance Officer, senior representatives from HR and Organisational Development and Policy and Performance, the Chief Internal Auditor and the Risk and Governance Manager. The review has provided a satisfactory level of assurance on the governance arrangements for the year.

The governance environment during 2013/14

Purpose and Outcome

The Corporate Strategy, ‘Confident in our future’, provides clear direction for staff as well as a signpost for residents, businesses and partner organisations and has the council’s four values of Listen, Responsibility, Trust and Respect at its heart. It is underpinned by a suite of supporting documents such as the interactive Medium Term Financial Plan, Investment Strategy and directorate strategies. The Chief Executive reports progress on delivering the Corporate Strategy to full County Council on a six-monthly basis.

The council has established a strategic framework for innovation and is developing new ideas and approaches through new models of delivery that aim to ensure that services are sustained and improved. The framework has been cited as an example of good practice within the Grant Thornton report Local Government Governance Review 2014, Working in Tandem. The council’s ‘Lean programme’ also uses a range of concepts, principles and tools that identify and support effective service delivery from the residents and service users’ perspective.

The council has established two Local Authority Trading Companies during the year and has put in place a Shareholder Board (comprising Members and the Chief Executive) that makes decisions on behalf of the council and oversees activity. Similarly, the council has progressed its Investment Strategy by investing in new assets during the year and has established a member led Investment Advisory Board to provide strategic oversight of this strategy. Both these Boards are supported by relevant internal and external professional advisors. In addition, a high level Programme Board, including the Strategic Director for Business Services, Section 151 Officer and Monitoring Officer, monitors the overall progress of the ‘New Models of Delivery Programme.’

Scorecards are used to monitor progress against the corporate strategy objectives, measured through a variety of key indicators related to staff, costs, residents, and performance. Finance, performance and risk information is reviewed by senior management and scrutinised by Select Committees and Cabinet. The Leadership risk register is regularly reviewed by the Continual Improvement Board and Audit and Governance Committee.

The council's Fairness and Respect strategy sets out priorities for improving outcomes for Surrey residents that are linked to the Corporate Strategy.

Leadership & Behaviour

The roles, responsibilities and delegated functions for officers and Members are set out in the Constitution of the Council. The Scheme of Delegation for members and officers is regularly reviewed and updated in consultation with services and the Cabinet, before being approved by full County Council.

The Cabinet comprises the Leader, Deputy Leader and eight Cabinet Members, with each Member holding the brief for a particular portfolio of services. During 2013/14 the Cabinet has been further supported by four Associate Cabinet Members who do not have voting rights, but support the Cabinet portfolio holder in the most complex areas. Decisions can be taken by individual members of the Cabinet or collectively by the full Cabinet (excluding Associates).

The functions of the Monitoring Officer (Head of Legal and Democratic Services) and Chief Finance Officer/Section 151 Officer (Chief Finance Officer and Deputy Director for Business Services) are specified by statute and between them they are responsible for ensuring lawfulness, fairness and financial prudence in decision-making.

The Chief Finance Officer meets her financial responsibilities and ensures fully effective financial management arrangements are in place by attending key meetings where significant financial issues are discussed, including the Continual Improvement Board, all Cabinet meetings and Audit and Governance Committee. She also has regular meetings with the Chief Executive, Monitoring Officer, Chief Internal Auditor and External Auditor, and has direct access to the Leader and the Chief Executive at all times. Throughout 2013/14 she continued to be able to instigate whole Cabinet / Corporate Leadership Team budget related workshops as required as these occurred monthly throughout the budget planning cycle, in addition to monthly finance briefings for all members and additional finance induction workshops specifically targeted at members joining the council following the May 2013 elections. Although during the year the Chief Finance Officer reported to the Strategic Director for Business Services, this did not impact on her powers and responsibilities in respect of the financial affairs of the council.

The Staff and Member Codes of Conduct set out the high standards of conduct expected by the council and training is provided through induction. The Codes of Conduct are supplemented by the Member/Officer Protocol, which provides principles and guidance for good working relations, and the Strategy Against Fraud and Corruption. The Monitoring Officer and the Member Conduct Panel deal with allegations of breaches of the Member Code of Conduct. The register of pecuniary interests for all members can be viewed online.

The Chief Executive continues to show his commitment to engage with and support staff by providing regular updates and key messages through emails and the intranet via a monthly blog. He also visits offices across the county with the Leader to meet and engage with staff.

Transparency and Stewardship

The council produces an Annual Report that demonstrates the delivery of priorities over the year through highlighting key data on performance, notable achievements and includes the AGS and summary accounts. The council also produces the four primary financial statements each quarter (Movement in Reserves, Income & Expenditure, Balance Sheet and Cash Flow) to provide management with robust information for measuring performance. The 2013/14

Statement of Accounts will be audited and approved for publication by July 2014. In the past this formal approval has been in early September.

The Investment Panel continues to ensure all proposed service capital investments have robust business cases before formal approval by Cabinet or Cabinet Member as appropriate. It is chaired by the Chief Finance Officer and Deputy Director for Business Services and since 2013/14 comprises five senior managers including the Chief Property Officer, Chief Internal Auditor and Head of IMT, as well as other heads of service to ensure a broad perspective for challenge.

The council is continuously improving its use of systems and technology to enhance and strengthen monitoring and reporting. New easy to use budget monitoring tools and performance systems were introduced in 2013/14 and are providing officers and members with up to date and consistent financial information.

The council's external auditors' report on financial resilience positively concluded 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's risk management policy statement and strategy are part of the Constitution and are reviewed annually. The Strategic Risk Forum was established in 2013/14 and draws together lead officers from across the council to review and challenge risks and ensure a consistent risk approach is adopted. During the year it has given particular focus on developing the council's awareness of its risk culture.

The council has six select committees who provide challenge to the Cabinet and continue to strengthen their policy development and review role. The Council Overview and Scrutiny Committee, comprising the select committee chairmen and representatives of the opposition parties, takes a council-wide view and leads on collaborative scrutiny issues.

Every County Council, Cabinet and Planning and Regulatory Committee meeting is webcast to enable people to watch meetings online.

The Audit and Governance Committee comprises six councillors (the Chairman is a Residents' Association/Independent Councillor) who have been specifically chosen to enable robust challenge and assurance from a position of knowledge and experience. The committee is focused on providing independent assurance on the council's control environment, the adequacy of the risk and governance arrangements and financial reporting.

A Pension Fund Board was established during the year to take decisions on behalf of the council as the administering body for the Local Government Pension Scheme. The formal and make up of this Board is recognised as representing best practice and follows a review of governance arrangements carried out by an independent advisor.

The annual review of the effectiveness of the system of internal audit encompassed a self assessment of conformance with the Public Sector Internal Audit Standards (PSIAS) and a review of the level of member and officer focus on audit findings and recommendations. The 2013/14 review concluded that in all significant respects, the council's Internal Audit function complies with PSIAS. The review provided positive assurance that senior officers across the council have a good level of awareness of audit activity taking place and of progress in implementing audit recommendations.

The gifts and hospitality register for officers is online and provides a means for staff to easily register anything offered or accepted, making the entire process transparent.

The council's Whistle-blowing policy encourages staff to raise concerns, such as bullying or harassment or fraud, through an anonymous, confidential and independent hotline. A variety of

12

communication channels are constantly used to publicise the policy and the supporting arrangements.

As part of the Council's policy on transparency and openness, information is made available to residents and businesses through the publication of expenditure invoices for spend over £500 and salaries of staff who earn over £58,200 (named from £100,000).

The performance of each directorate is monitored by the production of a scorecard of performance, which is presented to management teams to highlight areas of concern and success and encourage steps taken to improve upon success and remedy failings. These scorecards are then published online on a monthly basis.

People

The People Strategy is annually refreshed to reflect the council's people priorities. It covers employees and the wider workforce, including volunteers, charities and members of the public who help the council to help residents.

The council continues to invest in staff and Members to ensure engagement and motivation. Staff are given access to a number of tools and support through the STARS (Stretching Talent and Raising Skills) training and development programme that includes a range of e-learning and classroom based courses, online guidance and websites. Workplace coaches and a pilot high performance development programme (planned for roll out in 2014/15) are in place across the organisation to support staff with career development and/or find solutions to issues and problems.

The council holds the Charter for Elected Member Development. A career pathway for members has been created to encourage all members to work on their personal development and highlight key skills and learning that is needed to help them progress through their career path.

Engagement and collaboration

The Surrey Residents Survey, which is jointly commissioned with Surrey Police, gathers customer satisfaction data and the results form part of the corporate scorecard. Customer feedback procedures ensure that feedback is both consistent and appropriate and that outcomes are reported through a quarterly digest.

The council continues to develop Surrey-i, which publishes information about the council's residents and communities. It gives public service professionals, partner organisations and the public improved access to essential data, including customer needs, demand and supply side data. Information is now available in snapshots (eg on crime and health), which bring together information in a visual and user friendly way.

The council has strengthened the public participation arrangements for each of its 11 local committees that deal with local County Council decision making.

The Council worked together with residents and partners to cope with the severe flooding as well as aid the recovery post flooding. This included staff relocating from the Runnymede Centre to allow it to be used as a base for the army to help to support residents.

The council is part of the Governments Public Service Transformation Programme and is working closely with partners on projects including emergency service collaboration, Supporting Families and health and social care integration. The vision is that services will shift towards prevention and earlier intervention in order to deliver better value for money.

The SE7 Councils, consisting of seven South East councils, are continuing to work together to identify savings from joint working. Strong progress is being made in the waste and highways workstreams. The council is also building on successful arrangements with East Sussex County Council to develop further efficiencies.

Internal control environment

The internal control environment is a significant part of the governance framework and is designed to manage risks to a reasonable level. The overall opinion of the Chief Internal Auditor on the internal control environment for 2013/14 is “**some improvement needed**”. Controls evaluated are judged to be generally adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met. However, there are a number of areas where there is a need to enhance the governance arrangements in place, in particular:

- **Information Governance** - further work is required to raise awareness of the information governance risks across the organisation. Key to this is not only the need to ensure policies and procedures are clear and up to date and easily accessible to staff but to ensure local controls are in place to ensure compliance with them.
- **Social Care Debt** – improvements identified through Internal Audit and service led reviews, need to be fully embedded. This will ensure that more of the monies due to the council are received in a timely manner and appropriate action taken where credit balances exist.
- **Children in Care Health and Dental Checks** – there is a need to reduce the current delay between the time Children’s Services are notified of a completed health check and the corresponding paperwork being received so that the completion of the health check can be properly validated.

Management Action Plans are in place to address the recommendations made by Internal Audit and actions will be implemented by the identified responsible officers.

Focus for 2014/15

The council’s strategic plans need to remain focussed on continuing to strengthen our relationships with residents, businesses and all partners, developing innovative solutions, and planning and managing our finances carefully and responsibly.

The council will continue to take a more networked approach that ensures it acts as one team in delivering strategic objectives and priorities. This will help ensure high performance in the day to day delivery of services while mobilising the resources of the whole organisation to secure the most effective new ways of working.

Effective learning remains a key part of our approach. The learning process is crucial if we are to meet our responsibilities to residents now and in the future. As part of this we have a duty to understand and address any mistakes we do make.

Developing a strong and resilient organisation that can respond effectively to whatever lies ahead is key and strong relationships will be ever more essential over the coming years. Our relationship with partners and residents will determine our ability to deal with the challenges we face and successfully transform services.

Signed:

Leader of the Council
July 2014

Chief Executive
July 2014

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Audit & Governance Committee
29 May 2014

Property Asset Management System Implementation Update

Purpose of the report:

The purpose of this report is to update the committee on progress with the joint Surrey CC and Hampshire CC implementation of the Manhattan Atrium Property Asset Management System (PAMS).

Recommendations:

1. That the Committee now recognises this project and the further development of the PAM System as part of Property Services business as usual delivery, therefore this will be the final report to come to this Committee.

Introduction:

2. This is a progress update on the PAMS system being implemented in Property Services. The PAMS system is a modular based system and several modules went live in April 2013.
3. The Committee received a progress report in December 2013 including this information plus a live demonstration of the system at the conclusion of their December meeting.
4. PAMS is an externally hosted web based system, called Atrium Property. The system was procured jointly with Hampshire County Council and is being implemented in collaboration with them.
5. The implementation of PAMS has been phased based on agreed priorities for both Surrey and Hampshire County Councils. It is a modular system that covers the full range of property management activities.
6. At the time of the last update to Committee in December, the project team were working on Phase 2 modules and supporting business as usual processes from the go-live in Phase 1B.

7. The phases and deliverables referred to in this report relate to the project implementation timeline included in the December 2013 report. It is attached to this report as Appendix A.

Progress Update

8. Overall progress on the project has been very good with Surrey County Council taking a lead in the roll out of the system. Hampshire County Council, although working jointly with us are still yet to achieve a go-live.
9. For information, other Councils including Kent, East Sussex, Brighton & Hove, Eastbourne and Reading have recently procured from the PAMS Framework contract, recognising its value, and are in the early stages of their implementations.
10. The interest and buy-in to the contract from other councils demonstrates the success of this venture and opens up opportunities for collaborative working in the future.
11. However, this success has led to a small overhead with Surrey and Hampshire, as lead partners, setting up a "Service Panel" to oversee and grant permissions for any changes to the system requested by other councils.
12. The following section details progress since the December 2013 report.

Progress Since December 2013 Report

13. Since the go-live of Property Master Data, Help Desk and Building Maintenance functionality there has been significant progress in the implementation of the remaining project deliverables.
14. The following table outlines progress since the last report.

Phase	Deliverable	Status
2	Programme management for construction projects and office moves.	Live from 1 April 2014.
2	Project management and procurement for construction projects.	Live from 1 April 2014.
2	Project management and procurement for major and minor office moves.	Live from 1 April 2014.
2	Resource Management – assigning staff resources to projects.	Live from 1 April 2014.
2	Property Portal - On-line access to property information.	Tested and ready for go-live to "Pilot" users (10 schools).
2	Request Portal – On line access to fault reporting.	Tested and ready for go-live to "Pilot" users (10 schools).

2	Education Sufficiency & Suitability (inc. Calculation of school net capacity assessments).	User acceptance tests complete and go-live scheduled.
2	Landlord/Tenant Management (Managing leases, service charges and other agreements – payable and receivable).	User acceptance tests complete and go live scheduled.
2	Recording of property acquisitions & disposals.	System developed and ready for go-live in mid-June 2014.
3	Storing of building manuals and other reference files.	Tested and ready for go-live with Property Portal (listed above)
3	Performance Monitoring and Benchmarking	Performance Monitoring enabled for Building Maintenance business area.
	Training Plan	In place and underway to cover training for all Property staff, selected service staff and contractors.
	GIS Integration with existing property data sets.	Live from April 2014.
	CAD floor plan integration (Interface for spatial data).	Future development planned.

15. The system is live and is now part of our business as usual delivery. We will continue to evolve the system over time and we have a number of in-house super-users who will drive this work and continue to embed the system. There have been time-delays from our original schedule, but this has not affected the budget. The learning points for the service in undertaking a major implementation such as this include:
- a) Allowing more time or more time-contingency to configure the system and prepare the data to transfer
 - b) Ensure all resources - Project team, stakeholders and Supply-side are aware of the likely commitment on their time at the start, especially when a fast-paced implementation is required.
 - c) Working in partnership has great advantages but some disadvantages in terms of the consultative decision making taking more time.
16. As well as the new deliverables outlined in the table above, there has been considerable progress in improving parts of the system that went live in April 2013.
- They include:
- a) the adoption of the system by more external suppliers
 - b) the development of financial monitoring reports
 - c) the capture of more detailed information about our properties and associated plant and equipment

Conclusions:

17. Significant progress in the implementation of PAMS has been made. A Phase 2 go-live was achieved for programme and project management for construction projects and office moves, and the majority of remaining functionality is ready for go live in May 2014.
18. The parts of the system that are currently live represent the high volume and high value business areas in Property Services. Along with process reviews, this is helping us achieve leaner and more efficient ways of working.
19. The main foundation stones are now in place to develop the system to meet operational needs going forward. We have the right resources with the right skills to take this system forward.
20. Some issues have arisen that have delayed the implementation but these have been managed by the project board to minimise the overall effect on delivery timescales.
21. 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.

Financial and value for money implications

22. There are no direct financial implications of this report. All financial implications of the PAMS project and any impact on the 2014/15 budget have been considered in the business case and are funded from the “invest to save” budget.
23. The project is on track with allocated budget of £90,000k. Spending is in line with the budget and not predicted to overspend. Current actual expenditure is £65,175.

Equalities and Diversity Implications

24. There are no direct equality implications.

Risk Management Implications

25. 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:

26. Property Services will continue to develop the system as part of our business as usual delivery.
27. Staff and suppliers have been and will continue to be trained in the use of PAMS as defined in the training and project plans

28. 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.

Report contact: [Nigel Jones – Performance Manager]

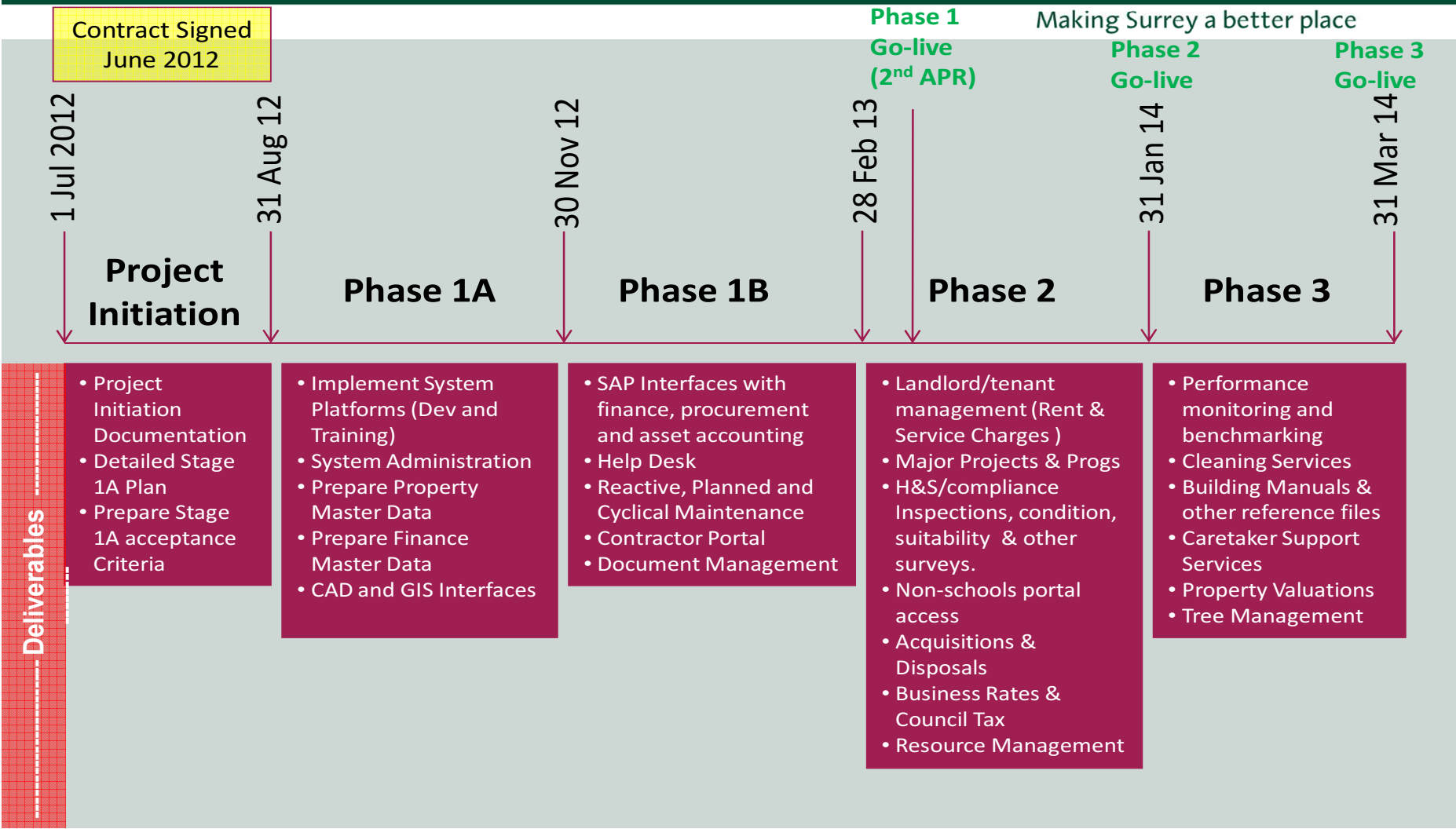
Contact details: [020 8541 9920]

Sources/background papers:

Audit & Governance Committee

PAMS Implementation Update - Timeline

www.surreycc.gov.uk



Deliverables



Audit & Governance Committee
29 May 2014

**Briefing on CIPFA's 2013 Edition of Audit Committees:
Practical Guidance for Local Authorities and Police**

Purpose of the report:

This briefing asks the committee to note the publication of CIPFA's revised and updated 2013 edition of *Audit Committees: Practical Guidance for Local Authorities and Police* and recommends that the committee undertakes a self-assessment of its effectiveness and a training needs analysis.

Recommendations:

It is recommended that Audit & Governance Committee:

- i. Notes the publication of CIPFA's revised and updated 2013 edition of *Audit Committees: Practical Guidance for Local Authorities and Police*.
- ii. Undertakes a self-assessment and a review of its training needs.

Introduction:

1. In December 2013, the Chartered Institute of Public Finance & Accountancy (CIPFA) published a revised and updated edition of its report *Audit Committees: Practical Guidance for Local Authorities and Police*. The Guidance has been circulated to members of the Committee as background information.
2. The Guidance includes a greater focus on supporting improvement. This includes the knowledge and skills that audit committee members require and a focus on where the audit committee adds value. The publication provides practical support to those wishing to evaluate their existing committee and plan improvements. Self-assessment by the Audit & Governance Committee would complement the annual review of the effectiveness of the system of internal audit which it sponsors.
3. This report sets out the functions of audit committees according to the CIPFA Guidance, and proposes next steps for the committee in response to the Guidance.

4. The 2013 edition of *Audit Committees: Practical Guidance for Local Authorities and Police* updates the core functions of the audit committee in relation to governance, risk management, internal control and audit to reflect the changes since the *Position Statement on Audit Committees in Local Government* issued in 2005. These include new legislation affecting audit committees in Wales and the police. The introduction of the Public Sector Internal Audit Standards, annual governance statements and associated guidance are also considered for their impact on the audit committee. The revised guidance also emphasises the need for audit committees to fulfil their potential effectiveness through self-assessment and identifying training need.

5. The 2013 Guidance describes Audit Committees as ‘a key component of governance’.

“The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes”.

CIPFA’s 2013 Position Statement on the role and functions of an audit committee is attached as Annex 1. This Statement outlines the core and potential functions of an audit committee as well as highlights the factors which promote audit committee effectiveness.

6. Effective audit committees are said to add value to their authorities by supporting improvement across a range of areas, including:

- Promoting the principles of good governance and their application to decision making.
- Contributing to the development of an effective control environment.
- Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.
- Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.
- Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence
- Aiding the achievement of the authority’s goals and objectives through helping ensure appropriate governance, risk, control and assurance arrangements.
- Supporting the development of robust arrangements for ensuring value for money.
- Helping the authority to implement the values of ethical governance, including effective arrangements for countering risks of fraud and corruption.
- Promoting measures to improve transparency and accountability and effective public reporting to the authority’s stakeholders and the local community.

Assessing the committee's effectiveness

7. While an audit committee's effectiveness should be judged by the contribution it makes to, and the beneficial impact it has on, the local authority's business, it can be difficult to clearly identify a contribution that is characterised by 'influence' and 'support'. An assessment tool which can help to evaluate the impact of the committee is included with the Guidance and can be adapted for use by the Audit & Governance Committee.
8. The Guidance goes on to suggest that a good standard of performance against recommended practice, as well as a knowledgeable and experienced membership, are essential requirements for delivering effectiveness. The Guidance sets out an evaluation which can be adapted to support a self-assessment against recommended practice. However, it is stressed that meeting recommended practice should not be regarded as a tick-box activity and that achieving recommended practice does not mean necessarily that the committee is effective.

Training needs analysis

9. The Guidance suggests that there is a range of knowledge and experience which audit committee members can bring to the committee and help it to perform effectively. While every member of the committee could not be expected to be an expert in all areas, there are some core areas of knowledge that they would need to acquire. Regular training and briefings are recommended to help Members to keep up to date or extend their knowledge.
10. The Guidance sets out a knowledge and skills framework for audit committee members and the committee chairman. It is recommended that this framework be adapted for a training needs analysis by the committee. This would allow officers to develop an effective programme of support for the committee.

Methodology

11. If the committee agrees to conduct a self-assessment of its effectiveness and a training needs analysis, it is recommended that this takes place between the 29 May 2014 and 1 September 2014 meetings of the Committee. At this time, the existing committee will have been in place for over a year. Findings and follow-up actions can be reported to Council through the Committee's Annual Report which will be agreed on 1 December 2014.

14. It is proposed that a task group of three Members, including the Chairman and Vice-Chairman of the committee, lead this work; gathering evidence to conduct an analysis of the committee's effectiveness using assessment tools adapted from the CIPFA Guidance. This will include interviewing key officers and Members about the committee. Each member of the Committee will also be asked to complete a Knowledge & Skills Assessment based on the knowledge and skills framework in the CIPFA Guidance. This will allow officers to develop an effective training programme in collaboration with the committee's Chairman.

Conclusions:

13. In conclusion, the 2013 edition of *Audit Committees: Practical Guidance for Local Authorities and Police*, emphasises the need for audit committees to improve their effectiveness through self-assessment and identifying training need.

Financial and value for money implications

14. The Accounts and Audit (England) Regulations 2011 state that the Council is responsible for ensuring that financial management is adequate and effective and that the system of internal control is sound and facilitates the effective exercise of functions and the management of risk. Furthermore, Section 151 of the Local Government Act 1972 requires the Council to 'make arrangements for the proper administration of its financial affairs'.
15. The Chief Financial Officer has responsibility for discharging the requirement for sound financial management. An effective audit committee which provides support and challenge, as well as adequate and effective internal audit arrangements, enables the Chief Financial Officer to be truly effective.

Equalities and Diversity Implications

16. There are no direct equalities implications arising from this report

Risk Management Implications

17. An effective audit committee is an important source of assurance about the Council's arrangements for managing risk.

Next steps:

1. Members of the committee to complete a Knowledge & Skills Assessment.
2. A sub-group of the committee to undertake an assessment of the committee's effectiveness, with a final report being brought to the meeting of 1 September 2014.

Report contact: Cheryl Hardman, Regulatory Committee Manager,
Democratic Services

Contact details: 020 8541 9075
cherylh@surreycc.gov.uk

Sources/background papers:

- CIPFA (2013) Audit Committees: Practical Guidance for Local Authorities and Police (www.cipfa.org)

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CIPFA's Position Statement: Audit Committees in Local Authorities and Police¹

- 1 **Audit committees are a key component of an authority's governance framework.** Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
- 2 **The purpose of an audit committee is to provide to those charged with governance² independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.** By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.
- 3 **The core functions of an audit committee are to:**
 - Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievements of the authority's objectives.
 - In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and professionalism
 - support the effectiveness of the internal audit process
 - promote the effective use of internal audit within the assurance framework.
 - Consider the effectiveness of the authority's risk management arrangements and the control environment. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships with other organisations.
 - Monitor the effectiveness of the control environment, including arrangements for ensuring value for money and for managing the authority's exposure to the risks of fraud and corruption.
 - Consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control.

1. The scope of this statement includes all local authorities in the UK and the audit committees for police and crime commissioners and chief constables.

2. In police bodies, *'those charged with governance'* are the police and crime commissioner and the chief constable.

- Support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
- Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

4 Audit committees can also support their authorities by undertaking a wider role in other areas including:

- Considering governance, risk or control matters at the request of other committees or statutory officers.
- Working with local standards committees to support ethical values and reviewing the arrangements to achieve those values.
- Reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.³
- Providing oversight of other public reports, such as the annual report.

5 Although no single model of audit committee is prescribed, all should:

- Act as the principal non-executive, advisory function supporting those charged with governance.⁴
- In local authorities, be independent of both the executive and the scrutiny functions; in police bodies, be independent of the executive or operational responsibilities of the police and crime commissioner or chief constable.
- Have clear rights of access to other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups.
- Be properly accountable to the authority's board or equivalent bodies
- Meet regularly – at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public.
- Be able to meet privately and separately with the external auditor and with the head of internal audit.
- Include, as regular attendees, the chief financial officer(s) or appropriate senior and qualified substitute, the chief executive, the head of internal audit and the appointed external auditor. Other attendees may include the monitoring officer (for standards issues) and the head of resources (where such a post exists). These officers should also be able to access the committee, or the chair, as required. The committee should have the right to call any other officers or agencies of the authority as required.⁵
- Report regularly on their work, and at least annually report an assessment of their performance.

3. *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes (2011 Edition)*, CIPFA, 2011.

4. In police bodies, 'those charged with governance' are the police and crime commissioner and the chief constable.

5. While recognising the independence of the chief constable in relation to operational policing matters.

6 Good audit committees are characterised by:

- A membership that is balanced,⁶ objective, independent of mind, knowledgeable and properly trained to fulfil their role.
- A membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives.
- A strong independently minded chair – displaying a depth of knowledge, skills and interest.⁷
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.

Additional guidance to support those acting as audit committee members in local authorities can be found in CIPFA's publication *Audit Committees: Practical Guidance for Local Authorities and Police* (2013), available from www.cipfa.org.uk/publications

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6. The political balance of a formal committee of an authority will reflect the political balance of the council. However, it is important to achieve the right mix of apolitical expertise.
 7. There are many personal qualities needed to be an effective chair, but key to these are promoting apolitical open discussion, managing meetings to cover all business and encouraging a candid approach from all participants. An interest in and knowledge of financial and risk management, audit, accounting concepts and standards, and the regulatory regime are also essential. A specialism in one of these areas would be an advantage.

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