

Notice of Meeting

Audit & Governance Committee



Date & time
Thursday, 25
September 2014
at 10.00 am

Place
Committee Room C,
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: 31 JULY 2014

(Pages 1
- 22)

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 (*19 September 2014*).
2. The deadline for public questions is seven days before the meeting (*18 September 2014*).
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

5 RECOMMENDATIONS TRACKER

(Pages
23 - 32)

To review the Committee's recommendations tracker.

6 COMPLETED INTERNAL AUDIT REPORTS

(Pages
33 - 42)

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 July 2014.

7 LEADERSHIP RISK REGISTER

(Pages
43 - 54)

The purpose of this report is to present the latest Leadership Risk Register and updates the committee on any changes made since the last meeting.

- 8 ETHICAL STANDARDS ANNUAL REVIEW** (Pages 55 - 66)
- To enable the Committee to monitor the operation of the Members' Code of Conduct over the last 12 months and to consider what advice and guidance about ethical standards it recommends to be offered to Members in the next 12 months.
- 9 ANNUAL COMPLAINTS PERFORMANCE REPORT** (Pages 67 - 100)
- The purpose of this report is to give the Audit & Governance Committee an overview of the council's complaint performance in 2013/14 and how feedback from customers has been used to improve services.
- 10 AUDIT & GOVERNANCE EFFECTIVENESS REVIEW: FINAL REPORT** (Pages 101 - 140)
- On 29 May 2014, the committee agreed that a task group should undertake a self-assessment of the committee's effectiveness in line with CIPFA's revised and updated 2013 edition of *Audit Committees: Practical Guidance for Local Authorities and Police*. This work is now complete and the task group's findings are brought to the committee for consideration.
- 11 DATE OF NEXT MEETING**
- The next meeting of Audit & Governance Committee will be on 1 December 2014.

David McNulty
Chief Executive
Published: 17 September 2014

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MINUTES of the meeting of the **AUDIT & GOVERNANCE COMMITTEE** held at 1.00 pm on 31 July 2014 at Ashcombe Suite, County Hall, Kingston upon Thames, Surrey KT1 2DN.

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

Cheryl Hardman, Regulatory Committee Manager
Kevin Kilburn, Deputy Chief Finance Officer
Sue Lewry-Jones, Chief Internal Auditor
Sheila Little, Director of Finance (Section 151 Officer)
Verity Royle, Senior Principal Accountant – Management Accounting

105/14 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Will Forster.

106/14 MINUTES OF THE PREVIOUS MEETING: 29 MAY 2014 [Item 2]

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

107/14 DECLARATIONS OF INTEREST [Item 3]

There were none.

108/14 QUESTIONS AND PETITIONS [Item 4]

There were none.

109/14 RECOMMENDATIONS TRACKER [Item 5]**Declarations of Interest:**

None.

Witnesses:

Verity Royle, Senior Principal Accountant – Management Accounting

Key points raised during the discussion:

1. In relation to A35/13 (Council Tax collection rates), an update would be provided at the next meeting.
2. In relation to A9/14 (Officer Interests), the Vice-Chairman reported that he had reviewed the papers and the Chief Internal Auditor had done some further investigation and he was now satisfied that the process was effective.
3. In relation to A13/14 (Risk Register), the Senior Principal Accountant – Management Accounting said that this would be addressed under item 13.
4. In relation to A14/14 to A16/14 (Annual Governance Statement), the Chairman informed the committee that all the suggested amendments had been made.

Actions/Further information to be provided:

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

RESOLVED:

That the recommendations tracker was noted and the committee agreed to remove the completed actions.

Committee Next Steps:

None.

110/14 COMPLETED INTERNAL AUDIT REPORTS [Item 6]

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. She highlighted that four audits had reached an audit opinion of effective. The audit of Surrey Arts had found that significant improvement was needed and that the Communities Select Committee would be looking at this in September.
2. A Member queried how much money was involved in the audit of Surrey Arts. The Chief Internal Auditor confirmed that in financial terms this was not a big area. Musical instrument hire brings in £31,000 per year. Surrey Arts had recently moved to a new site, partly to generate more income. The service had asked for an audit to help it identify where to make improvements.
3. There was concern amongst Members that coordination and management support of Operation Horizon was not working well. The Chairman highlighted that Operation Horizon had replaced more roads during the year than the target 100km. He also pointed out that the cost was 55% more than had been budgeted. He did not feel that the reasons for this had been fully explained. The Chairman agreed to write a letter to the portfolio holder raising these concerns
(Recommendations tracker ref: R4/14).
4. Members suggested that more clarity was required on who was undertaking what work on the Highways. The Chief Internal Auditor stated that the permit scheme was included in the Audit Plan this year and this report may address Members' concerns.
5. Officers informed the committee that residents in care homes were not consulted during the audit of Accounts Receivable. This was a review of central processes.
6. The Chairman queried the finding of Internal Audit that some improvement was needed on Capital Expenditure Monitoring and whether this finding differs from Grant Thornton amber finding in its Value for Money report. The Chief Internal Auditor felt that the findings were similar. The Deputy Chief Finance Officer suggested that amber is in line with 'some improvement needed'.
7. Members were concerned that the SEN Strategy had not been updated since 2012. The Chief Internal Auditor stressed that the audit opinion was that there had been some improvement to funding for residential provision. The SEN Strategy was a wider matter. Members queried why a consultant was necessary to undertake the remodelling of the Council's residential (maintained) school provision and when this work would be complete. The Chairman agreed to write a letter to the portfolio holder addressing these issues
(Recommendations tracker ref: R5/14).

Actions/Further information to be provided:

- i. The Chairman to write to the Cabinet Member for Highways, Transport and Flooding Recovery with regard to concerns about Operation Horizon.

- ii. The Chairman to write to the Cabinet Member for Schools and Learning with regard to the SEN Strategy.

RESOLVED:

That the committee notes the report.

Committee Next Steps:

None.

111/14 SOCIAL CARE DEBT [Item 7]

Declarations of Interest:

None.

Witnesses:

Paul Carey-Kent, Strategic Finance Manager – Adult Social Care, Public Health & Fire

Toni Carney, Benefits & Charging Consultancy Team Manager

Jackie Knutton, Order to Cash Process Owner

Reem Burton, Lead Auditor

Sue Lewry-Jones, Chief Internal Auditor

Keith Witham, the Chairman of Adult Social Care Select Committee, had been invited to attend the meeting for this item. He was unable to attend but had sent his comments which were tabled and are attached as Annex A to the Minutes.

Key points raised during the discussion:

1. The Strategic Finance Manager introduced the report and highlighted the regular monitoring of social care debt levels by the Adult Social Care Select Committee.
2. Members expressed concern about the stalled improvement of the proportion of payments for social care collected by direct debit over the past couple of years. The Strategic Finance Manager explained that a lot of work was underway to raise the proportion, including the survey to understand why some clients do not want to use direct debit. The main issue was clients' desire for full control of their payment timings.
3. Officers were asked if giving alternative dates to pay for social care had been considered if income streams did not match up with the current dates. The Order to Cash Process Owner agreed that an alternative date could be considered. At present, the date is set at the 21st of the month. This allows for ten days notice of the direct debit and ensures that non-payments are recorded to roll into the next cycle. Another Member argued against this suggestion, highlighting that the Council is providing a service and should be able to be tougher about collecting payments. At present, the Council is spending too much time acting as a credit controller. The Strategic Finance Manager explained that the Council is not a commercial supplier and has a responsibility to provide social care even if the individual has not set up a direct debit. The committee agreed to request that the service to consider a second date to pay social care within the month (**Recommendations tracker ref: A18/14**).

4. A Member pointed out that, according to the Chairman of Adult Social Care Select Committee, levels of debt at Surrey County Council were not excessive compared to other local authorities. The Chairman identified that two local authorities had a higher proportion of service users paying by direct debit than Surrey. He asked that the service contact them to find out if any lessons could be learnt (**Recommendations tracker ref: A19/14**).
5. The Chairman asked about why service users are only given information about costs once they have already started receiving a service. This brings them into debt from the start. The Strategic Finance Manager agrees that this does cause difficulties and that the Rapid Improvement Event had addressed this issue. The Benefits & Charging Consultancy Team Manager explained that it was not always possible to financially assess a person before they start to receive a service. The Rapid Improvement Event had led to a 'pay for care conversation' before the start of service provision where possible.
6. The Benefits & Charging Consultancy Team Manager explained that the client group have fluctuating incomes and therefore do not want to commit to direct debits.
7. Members suggested that voluntary providers could be approached to ask for support in increasing the proportion of service users paying by direct debit, eg the Citizen's Advice Bureau. Also, it was suggested that incentives could be employed. The Order to Cash Process Owner informed the committee that these were recommendations on the Management Action Plan.
8. The Chairman stated that the committee would monitor performance against the Management Action Plan (**Recommendations tracker ref: A20/14**).

Actions/Further information to be provided:

- iii. The Strategic Finance Manager – Adult Social Care, Public Health & Fire to consider introducing a second date to pay social care within the month and report back to the committee.
- iv. Officers to identify best practice at the two local authorities which have a higher proportion of service users paying by direct debit than Surrey.

RESOLVED:

That the committee notes the debt position for Adult Social Care services.

Committee Next Steps:

The committee to monitor performance against the Social Care Debt Audit's Management Action Plan.

112/14 STATEMENT OF ACCOUNTS 2013/14 [Item 8]

Declarations of Interest:

None.

Witnesses:

Nikki O'Connor, Finance Manager – Assets & Accounting
Sheila Little, Director of Finance

Andy Mack, Engagement Lead – Grant Thornton
Kathryn Sharp, Senior Manager – Grant Thornton
Guy Clifton, National Value for Money Lead – Grant Thornton

Key points raised during the discussion:

1. The Finance Manager – Assets & Accounting introduced the report and highlighted that it was the earliest that audited reports had been brought to committee. A final review had been undertaken by the Grant Thornton technical team in the past 12 hours which had led to a number of changes. The amended pages were tabled and are attached as Annex B to these Minutes. The amendments did not change the outturn position of the Authority or the bottom line of any of the primary statements.
2. The amendments were explained to the committee. Two additional notes had been agreed relating to the Cash Flow Statement – Notes 40 and 41, these provided additional details on material items contained within the cash flow statement. In addition, changes had been made to the cash flow statement itself in relation to the collection fund adjustment. This was a late change to the accounts due to delays in the receipt of business rate figures from the borough and district councils. This adjustment had been incorrectly omitted from the version of the cash flow statement distributed to members previously. Note 12 had been restated to show the write-off of Academy Schools as impairment rather than de-recognition.
3. The original Note 38 had tried to restate the 2012/13 position according to the new version of IAS19. It had been decided to remove the restated figures and not to try to make them comparable to the 2013/14 figures.
4. Members queried whether it would be helpful to add a Note explaining that the Council is paying interest on Academy moneys that it no longer owns. The Finance Manager – Assets & Accounting agreed that there was an ongoing cost to the council of borrowing for capital expenditure on academy buildings but that this borrowing could not be separately identified as capital borrowing for specific schemes does not occur. Borrowing is done in line with the Treasury Strategy. This approach was not unique to Surrey County Council and occurs across local government.
5. Members asked if the delay in certification of completion of the audit would prevent the accounts from being signed off following the meeting. The Grant Thornton Engagement Lead explained that there were two stages to closing an audit. Firstly, the approval of the accounts, then the certification of completion of the Audit. It was common practice to wait for September when the assurance statement in respect of the authority's Whole of Government Accounts consolidation pack is issued.
6. The term 'componentisation' was queried. The Finance Manager – Assets & Accounting explained that land was not depreciated at all. A material item within a building would be depreciated at a different rate to the property itself. Separate components within our asset register would be created for these different components.
7. A Member highlighted that some staff would appear in both Note 28 and Note 29 and that these weren't completely distinct categories.
8. The Chairman queried who approved the exit payment to the former Strategic Director for Adult Social Care. Officers confirmed that the Chief Executive approved this payment.

9. The Chairman queried how the level of provision of bad debt was decided. The Finance Manager – Assets & Accounting explained that a number of methodologies were applied to decide the provision of bad debt, dependent on the nature and age of the debt.
10. The Chairman asked if it was necessary to retain the Equal Pay provision of £1.5m and if it was possible that there would still be claims. The Finance Manager – Assets & Accounting agreed that the time set for claims ended on 31 March 2013 but explained that the high profile case in Birmingham had led to an extension to the time allowed for claims. In addition, recent rulings on the minimum wage meant that it was considered appropriate to retain the provision at present.
11. The Chairman stated that he was content with dealing with the firefighters' pensions relating to injury awards as a contingent liability rather than as a specific provision.
12. Grant Thornton's Engagement Lead stated that it was a high quality set of Statements and that the streamlining and decluttering had contributed to the achievement of the shorter timeframes. Grant Thornton was happy with the provisions and contingent liability assumptions. The Statements were not in Plain English but were well-presented within the constraints of International Financial Reporting Standards which were inherently technical in nature. The hard work that had been put into bringing forward the timetable for signing off audited accounts was praised. He pointed out that Surrey had volunteered to bring forward the timetable but by 2017/2018 the date for all local authorities to approve their accounts is proposed to be brought forward to 31 July.
13. The Engagement Lead informed the committee that he expected to issue and audit opinion by early August. His original intention had been to sign the opinion by Thursday 31 July and the short delay was due to the need to complete some final internal reviews. Grant Thornton would work with the Council to bring forward the timetable for 2014/15 with a view to achieving a July opinion and this would include a review of the firm's own internal review processes to ensure these are as effective as possible.
14. A Member complained that the late amendments had made the accounts difficult to understand and scrutinise. The Engagement Lead stressed that the amendments had not been fundamental to the accounts and were simply about accurate disclosure.
15. The Chairman queried the finding that initial working papers provided to support the revenue figures did not agree to the financial statements. The Finance Manager – Assets & Accounting explained that while the figures in the financial system were correct, they were not exporting to Excel properly for Grant Thornton testing. A way of manually working around this had been found and a less manual solution would be investigated for the future. The Senior Manager from Grant Thornton agreed that they were satisfied with the figures provided.
16. A Member queried the amber findings on two issues regarding internal controls. The Finance Manager – Assets & Accounting explained that the NBV issue with the asset register would be reconciled and had they more time it was likely that this could have been resolved before the end of the audit. The management response is stated in the Action Plan on page 271 of the agenda papers.

17. In response to a question about schools which are excluded from the council's balance sheet, the Finance Manager – Assets & Accounting highlighted Note 14 which was not yet a requirement for inclusion but is likely to become so.
18. The Director of Finance informed the committee that she would not sign the letter at Annex C of the report until after the committee meeting. She also confirmed that the amendments to the accounts reported at the meeting did not require any changes to the letter.
19. The Director of Finance paid tribute to the team who had worked on the Statement of Accounts for outstanding performance throughout the process. The committee endorsed this praise.
20. The Director of Finance expressed her disappointment that the accounts would not be signed off immediately following the meeting. She informed the committee that there would be discussions on lessons learnt following the last-minute recommendations from Grant Thornton. For example, the technical review of the accounts happened later than it should have done. The Engagement Lead from Grant Thornton agreed that there had been excellent project management at the council. He stated that he was very impressed with the council's achievement in bringing forward the accounts timetable so significantly, which reflected very well on all in the finance team. He was willing to explore with the council ways to improve the process for next year. This would include reviewing Grant Thornton's arrangements for sign off including around project management and resilience.

Actions/Further information to be provided:

None.

*The committee agreed to consider **Item 9: Surrey Pension Fund Accounts 2013/14 and Grant Thornton External Audit Findings Report** before taking decisions on both Item 8 and Item 9.*

113/14 SURREY PENSION FUND ACCOUNTS 2013/14 AND GRANT THORNTON EXTERNAL AUDIT FINDINGS REPORT [Item 9]

Declarations of Interest:

None.

Witnesses:

Phil Triggs, Strategic Manager – Pensions & Treasury
 Alex Moylan, Senior Accountant
 Sheila Little, Director of Finance

Andy Mack, Engagement Lead – Grant Thornton
 Kathryn Sharp, Senior Manager – Grant Thornton
 Guy Clifton, National Value for Money Lead – Grant Thornton

Key points raised during the discussion:

1. The Strategic Manager – Pensions & Treasury introduced the report.
2. The Strategic Manager – Pensions & Treasury agreed that the cross-reference to Note 24 under Note 4 should be to Note 25. This would be amended.

3. A Member pointed out that IAS 19 refers only to local authority accounts and not to the pension fund accounts. He suggested that the reference be removed or changed.

Actions/Further information to be provided:

None.

RESOLVED:

- i. That the Committee APPROVES the 2013/14 Pension Fund financial statements as attached in Annex A to the report.
- ii. That the Committee NOTES the content of the External Audit Findings for Surrey Pension Fund Report as attached in Annex C to the report.
- iii. That the Committee identified no issues that need to be referred to Cabinet in relation to the external auditor's conclusions and recommendations.
- iv. That the Committee AUTHORISES the Director of Finance to sign the representation letter, as set out in Annex D to the report, on the authority's behalf.

Committee Next Steps:

None.

*The committee then returned to **Item 8: Statement of Accounts 2013/14** to consider the recommendations.*

RESOLVED:

- i. That the Committee APPROVES the 2013/14 Statement of Accounts as attached in Annex A to the report, subject to authorising the Director of Finance in consultation with the Chairman of the Audit & Governance Committee to make further minor amendments, for publication on the council's website and in a limited number of hard copies.
- ii. That the Committee NOTES the contents of the 2013/14 Audit Findings Report as attached in Annex C to the report.
- iii. That the Committee APPROVES the officer response to recommendations of the external auditor.
- iv. That the Committee NOTES the Director of Finance's letter of representation, as set out in Annex C to the report.
- v. That the Committee identified no issues in the Audit Findings Report that should be referred to Cabinet.

Committee Next Steps:

None.

114/14 EXTERNAL AUDIT REPORT ON VALUE FOR MONEY FOR SURREY COUNTY COUNCIL [Item 10]

Declarations of Interest:

None.

Witnesses:

Guy Clifton, National Value for Money Lead – Grant Thornton

Key points raised during the discussion:

1. Grant Thornton's National Value for Money Lead introduced the report and highlighted the amber findings for one aspect of financial control. This was an impressive result with only one area rated amber and 39 areas rated as green. He informed the committee that Grant Thornton's national report on value for money would be published after the completion of value for money reports for all the local authorities audited by the company.
2. The committee debated the finding of amber as a result of issues resulting from the capital programme position. Members argued that it is very difficult to avoid re-profiling capital expenditure over the medium to long-term. Grant Thornton was asked whether many of the local authority clients had achieved green in this area. The National Value for Money Lead stated that in his view the finding was fair. A national approach to moderation of the RAG rating system was employed to ensure consistency across all clients. It was suggested that the potential for slippage could be reflected in capital profiling. He could not advise on the findings for other local authorities yet as Surrey had followed a faster timetable this year but that the timetable for completion of other reports is the end of September 2014.

*At this point the Chief Executive arrived for **Item 12: Annual Report of Surrey County Council**. The Chairman suggested that Item 12 be taken at this point. The committee would then return to Item 10.*

115/14 ANNUAL REPORT OF SURREY COUNTY COUNCIL [Item 12]

Declarations of Interest:

None.

Witnesses:

David McNulty, Chief Executive

Sheila Little, Director of Finance

Verity Royle, Senior Principal Accountant – Management Accounting

Key points raised during the discussion:

1. The Senior Principal Accountant introduced the report. She explained that it was very different to the previous year. An extensive exercise had been undertaken to look at what other corporate bodies do for their Annual Report and to produce an Integrated Report. The intention had been to sign off the report following the meeting but this cannot happen until the Accounts are signed off.
2. The Chief Executive gave the Leader of the Council's apologies for not being in attendance as he had been called away. He thanked officers for their work on the report.
3. Members agreed that the Annual Report was a vast improvement from the previous versions.

4. It was suggested that the table showing senior officers by salary band on page 493 of the committee papers bears little resemblance to the table in the Statement of Accounts. The Senior Principal Accountant explained that there are two different requirements regarding this disclosure: the Transparency Code and the CIPFA Code of Practice. A note is included on page 494 of the committee papers. It was suggested that Table 11 be re-titled to show these are current Members.
5. It was pointed out that the Member allowances table on page 495 of the committee papers only included existing Members and not those who had stood down at the 2014 elections and received some payment before they left. The table therefore implies that existing Members have had a sharp increase in allowances. The Senior Principal Accountant explained that a large number of Members had stood down at the last election. Including them all would have distorted the figures and made the list extremely long.
6. Members asked how the information in the report would be publicised. The Chief Executive responded that a good communications strategy was in place and that we are engaging with residents using different mechanisms. Residents are encouraged to access information online.
7. It was suggested that the Fairer Funding message was getting repetitive and would turn residents off. The Chief Executive explained that that the Leader is focussed on the way that Surrey is funded. This includes public sector partners such as Health and the Police. Historical methods of funding do not reflect the reality of life in Surrey. It would be remiss of the Council not to draw attention to this. While services are becoming more efficient and unit costs are going down, demand is increasing and grant levels are falling. The Chairman suggested that facts and figures from this report could be supplied to Surrey MPs. The Chief Executive agreed that we need to keep reminding the Surrey MPs that the current funding mechanisms put Surrey at a significant disadvantage. He also stressed that without proper investment in Surrey, it was difficult for the county to play its part in the economic recovery. The Chairman went on to suggest that the Annual Report talks about the past but misses out the future financial challenges. The Chief Executive accepted the point.
8. A Member asked if the council was monitoring borough and district council local plans, given the impact of additional housing on the local infrastructure. The Chief Executive assured the committee that the council was working closely with borough and district councils on the impact. He felt that there was a good understanding about the impact on school place planning amongst officers. However, the county council continues to draw attention to difficult competing pressures.
9. In response to a question about the impact on budgets of bad weather, the Chief Executive informed the committee that recovery following the floods was still ongoing. There was an overall impact on assets. However, the new approach to highways resurfacing had meant that there was less damage to roads that had recently been resurfaced. It was necessary to focus attention on long-term changes to flood defences.

The Chief Executive left at 3.45pm.

10. The Senior Principal Accountant informed the committee that the next steps are to publish the Annual Report on the Council website once the Accounts are signed off. Communications will tweet that that the Report is available. There will be a limited number of printed copies. Some Members carry copies with them to share with stakeholders. It was suggested that other Members could also do this. The Chairman suggested that officers have a further discussion with Communications about how else the report could be advertised eg through Surrey Matters (**Recommendations tracker ref: A21/14**).

Actions/Further information to be provided:

None.

RESOLVED:

That the committee NOTES and ENDORSES the Annual Report for the authority..

Committee Next Steps:

None.

*The committee then returned to **Item 10: External Audit Report on Value for Money for Surrey County Council** to consider the report and recommendations.*

Key points raised during the discussion:

3. The Chairman stressed that borrowing had been at year-end to address funding peaks and troughs. The end of the year is the most difficult time as grants have been spent and Council Tax has all been collected. The National Value for Money Lead agreed that the borrowing was precautionary and at an advantageous interest rate.
4. The committee debated whether to refer the amber finding to Cabinet for consideration. It was agreed that it was not serious enough to pass to Cabinet and officers outlined how they would address the finding. The Chairman requested that the Director of Finance bring a report to committee following the Rapid Improvement Event on the capital programme (**Recommendations tracker ref: A22/14**).

Actions/Further information to be provided:

The Director of Finance to bring a report to committee following the Rapid Improvement Event on the capital programme.

RESOLVED:

That the committee NOTES the contents of the Value for Money Report.

Committee Next Steps:

None.

Declarations of Interest:

None.

Witnesses:

Phil Triggs, Strategic Manager – Pensions & Treasury
Alex Moylan, Senior Accountant
Sheila Little, Director of Finance

Key points raised during the discussion:

1. The Strategic Manager – Pensions & Treasury introduced the report.
2. In response to a query, the Strategic Manager – Pensions & Treasury stated that the council had a long-term relationship with Capita as its treasury management advisor. The contract is up for review shortly. There are not many alternatives in the market but they would be looked at in the short-term.
3. The Strategic Manager – Pensions & Treasury informed the committee that the recent loss of the UK's AAA credit rating had not had significant impact UK Gilt yields and therefore little impact on the rates of interest that the council would pay for new Public Works Loans Board debt.
4. The Director of Finance informed the committee that given predictions for the financial climate over the next year, the Cabinet would be holding an informal workshop to broadly steer treasury management strategies early on in the budget-setting process.

Tim Hall left at 4.28pm.

Actions/Further information to be provided:

None.

RESOLVED:

- i. That the committee NOTES the content of the Treasury Management Annual Report for 2013/14; and
- ii. That the committee ADOPTS the revised Treasury Management Risk Register.

Committee Next Steps:

None.

117/14 LEADERSHIP RISK REGISTER [Item 13]

Declarations of Interest:

None.

Witnesses:

Verity Royle, Senior Principal Accountant – Management Accounting

Key points raised during the discussion:

1. The Senior Principal Accountant confirmed that there had been few changes to the Leadership Risk Register from the previous meeting.

Actions/Further information to be provided:

None.

RESOLVED:

- i. That the committee NOTES the content of the Leadership Risk Register; and
- ii. That the committee identified no matters to draw to the attention of others.

Committee Next Steps:

None.

Meeting ended at: 4.35 pm

Chairman

Dear Nick,

I have checked my diary and its going to be unlikely I can make it at 1pm on 31st July, sorry.

When the Committee last discussed the level of Social Care Debt the committee felt that SCC's levels of debt were not excessive when compared with other local authorities. It was commented that raising invoices in a timely fashion had a greater positive impact on the Directorate's budget than the small amounts of debt that were considered to be non-recoupable.

Also, the Cabinet Member said he felt the Rapid Improvement Event had greatly improved business processes, and that the Directorate was better equipped to track social care debt. He highlighted the fact that people were informed of the costs they were accruing far earlier than previously, and that this enabled a better means of managing social care debt.

We simply decided to monitor the situation by receiving a further update on Income/Debt in Adult Social Care Directorate in 12 months

I hope these comments will help the Audit and Governance Cttee

regards
keith

Keith Witham
Chairman, Adult Social Care Select Committee

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Cash Flow Statement

2012/13 £000		2013/14 £000
-2,240	Net surplus (-) / deficit on the provision of services	185,354
-131,439	Adjustments to net surplus / deficit on the provision of services for non-cash movements	-259,634
-15,872	Adjustments for items included in the net surplus / deficit on the provision of services that are investing and financing activities	-42,427
-149,551	Net cash flows from operating activities	-116,707
134,291	Purchase of property, plant & equipment, and investment property	216,876
-6,284	Proceeds from the sale of property, plant & equipment	-2,934
4,118	Movement in short-term and long-term investments	-30,025
8,330	Other receipts & expenditure from investing activities	1,802
140,455	Net cash flows from investing activities	185,719
3,632	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	5,906
1,136	Repayment of short-term and long-term borrowing	73,851
	Receipts of short-term and long-term borrowing	-42,079
4,768	Net cash flows from financing activities	37,678
-4,328	Net increase (-) / decrease in cash & cash equivalents	106,690
-109,791	Cash & cash equivalents at the beginning of the reporting period	-114,119
-114,119	Cash & cash equivalents at the end of the reporting period (Note 17)	-7,429

The cash flows from operating activities in 2013/14 include interest received of £5.038m (2012/13, £2.412m) and interest paid of £21.624m (2012/13, £16.698m).

Notes to the Accounts

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Note 12: Property, plant & equipment - movements during 2013/14

	Land and buildings £000	Vehicle, plant and equipment £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total property plant & equipment £000
Cost (revalued)							
Balance at 01/04/13	1,316,421	71,557	645,886	4,575	36,353	53,661	2,128,453
Additions*	64,088	4,043	80,577		10,302		159,010
Donations		44					44
Revaluations recognised in the Revaluation Reserve	89,895	31					89,926
De-recognition - other		-6,592					-6,592
Reclassifications	-1,139						-1,139
Assets reclassified (to)/from Assets Held for Sale	-1,063				7,887		6,824
Other Movements in assets and valuation	65		24,312			-24,377	
At 31/03/14	1,468,267	69,083	750,775	4,575	54,542	29,284	2,376,526
Accumulated Depreciation and Impairment							
At 01/04/13	-405,005	-45,250	-394,127		-4,091		-848,473
Depreciation charge	-35,884	-6,181	-35,048				-77,113
Impairment losses recognised in the Revaluation Reserve	-11,498						-11,498
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-21,702		-1,112				-22,814
De-recognition - other		6,517					6,517
Impairment - academies	-104,399	-127					-104,526
Reclassifications							
Assets reclassified (to)/from Assets Held for Sale							
At 31/03/14	-578,488	-45,041	-430,287		-4,091		-1,057,907
Net Book Value							
at 31/03/13	911,416	26,307	251,759	4,575	32,262	53,661	1,279,980
at 31/03/14	889,779	24,042	320,488	4,575	50,451	29,284	1,318,619

* These amounts include assets acquired under PFI schemes (see note 36 for additional details) and excludes de-minimus capital expenditure and revenue expenditure funded from capital under statute.

Notes to the Accounts

	Land and buildings £000	Vehicle, plant and equipment £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total property plant & equipment £000
Cost (revalued)							
Balance at 01/04/12	1,265,864	70,976	593,288	4,480	36,206	31,165	2,001,979
Additions*	41,370	6,155	52,598	282		33,107	133,512
Donations		21					21
Revaluations recognised in the Revaluation Reserve	17,235	12					17,247
De-recognition - disposals	-3,070	-5,607			-117		-8,794
Reclassifications	288				-288		0
Assets reclassified (to)/from Assets Held for Sale	-5,266			-187	552		-4,901
Other Movements in assets and valuation						-10,611	-10,611
At 31/03/13	1,316,421	71,557	645,886	4,575	36,353	53,661	2,128,453
Accumulated Depreciation and Impairment							
At 01/04/12	-332,671	-44,201	-363,276	0	-4,056	0	-744,204
Depreciation charge	-37,743	-6,360	-29,739	0	0	0	-73,842
Impairment losses recognised in the Revaluation Reserve	-4,052						-4,052
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-4,336		-1,112				-5,448
De-recognition - disposals	701	5,311			11		6,023
Impairment - academies	-27,584						-27,584
Reclassifications	-9				9		0
Assets reclassified (to)/from Assets Held for Sale	689				-55		634
At 31/03/13	-405,005	-45,250	-394,127	0	-4,091	0	-848,473
Net Book Value							
at 31/03/12	933,193	26,775	230,012	4,480	32,150	31,165	1,257,775
at 31/03/13	911,416	26,307	251,759	4,575	32,262	53,661	1,279,980

* These amounts include assets acquired or replaced under PFI schemes (see note 36 for additional details) and excludes de-minimus capital expenditure and revenue expenditure funded from capital under statute.

Notes to the Accounts

2

	Local Government Pension Scheme		Firefighters' Pension Scheme	
	Restated 2012/13 £000	2013/14 £000	Restated 2012/13 £000	2013/14 £000
Comprehensive Income & Expenditure Statement				
<i>Cost of Services:</i>				
- current service cost	45,631	67,840	9,700	11,300
- past service cost	-1,437	-456		
- (gain)/loss on settlements	-4,008	-17,232		
<i>Financing & Investment Income & Expenditure</i>				
- other operating expenditure (trading services)	1,141			
- net interest on the net defined benefit liability		27,736	18,100	19,900
- interest cost	74,834			
- expected return on scheme assets	-58,988			
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	57,173	77,888	27,800	31,200
Other Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement				
Remeasurement of the net defined benefit liability comprising:				
- return on plan assets (excluding the amount included in the net interest expense)		-59,189		
- actuarial gains and losses arising on changes in demographic assumptions		42,018		11,000
- actuarial gains and losses arising on changes in financial assumptions		-12,009	45,200	18,200
- other experience		96,439	-100	-100
- actuarial (gains) and losses	89,042			
Total remeasurement of the net defined benefit liability	89,042	67,259	45,100	29,100
Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	146,215	145,147	72,900	60,300
Movement in Reserves Statement:				
- reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	-57,173	-77,888	-27,800	-31,200
Actual amount charged against the General Fund Balance for pensions in the year:				
- employers' contributions to the scheme/ retirement benefits paid direct to pensioners	55,524	59,317	12,061	13,557

Notes to the Accounts

Note 40 - Cash Flow: Adjustments for Non-Cash Movements

2012/13		2013/14
£000		£000
-84,973	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	-109,088
67,585	Employer's pensions contributions and direct payments to pensioners payable in the year	72,874
158	Deferred Income in respect of PFI schemes	166
-73,842	Charges for depreciation & impairment of non-current assets	-77,187
-2,230	Amortisation of intangible assets	-2,331
-16,053	Revaluation losses on property, plant & equipment	-42,091
-27,584	Impairment of academies	-104,526
-7	Contributions to provisions	-3,639
656	Net gain/loss on sale disposal of property, plant & equipment	528
-40,974	Movement in creditors	19,684
2,841	Movement in third party balances	2,822
-92	Movement in inventories	-141
40,667	Movement in debtors	-17,824
	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	
1,618		1,466
21	Donated asset adjustment	44
118	Finance lease repayment	59
652	Movement in Capital Receipts in Advance	-450
<u>-131,439</u>		<u>-259,634</u>

Note 41 – Cash Flow Statement: Purchase of property, plant & equipment

2012/13		2013/14
£000		£000
117,444	Purchase of Property Plant & Equipment	145,655
-	Purchase of Investment Property	28,048
975	Purchase of Intangible Assets	746
	Revenue Expenditure Funded from Capital Under Statute	
<u>15,872</u>		<u>42,427</u>
<u>134,291</u>		<u>216,876</u>

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**Audit & Governance Committee
25 September 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 9 September 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
R3/14	29/05/14	2013/14 Annual Governance Statement	To COMMEND the draft Annual Governance Statement, subject to the amendments outlined above, to the Cabinet for publication with the council's Statement of Accounts.	Cabinet	On 24 June 2014, Cabinet approved the Annual Governance Statement for inclusion within the Statement of Accounts and Annual Report. Audit & Governance Committee is to continue to monitor the governance environment and report to Cabinet as appropriate. A half year governance update is scheduled for the meeting on 1 December 2014.
R4/14	31/07/14	Completed Internal Audit Reports	The Chairman to write to the Cabinet Member for Highways, Transport and Flooding Recovery with regard to concerns about Operation Horizon.	Cabinet Member for Highways, Transport and Flooding Recovery	A letter was sent to the Cabinet Member on 1 September 2014 and was circulated as part of the committee bulletin (attached as Annex B).
R5/14	31/07/14	Completed Internal Audit Reports	The Chairman to write to the Cabinet Member for Schools & Learning with regard to the SEN Strategy.	Cabinet Member for Schools & Learning	A letter was sent to the Cabinet Member on 1 September 2014 and was circulated as part of the committee bulletin (attached as Annex B).

Audit & Governance Committee Recommendations Tracking

Recommendations (ACTIONS)

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
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> <p>On 29 May, the Director of Finance assured the committee that the Surrey Treasurers' Association was keeping this issue on the agenda. The Chairman responded that the Audit & Governance Committee would continue to monitor the situation.</p>
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.
A12/14	29/05/14	Internal Audit Annual Report 2013/14	The Chief Internal Auditor to consider the need for an audit of recovery rates following damage to Council property.	Chief Internal Auditor	A relevant note has been added to the Audit Universe to highlight this as an area to consider as part of the 2015/16 annual planning process.

Audit & Governance Committee Recommendations Tracking

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
A17/14	29/05/14	Property Asset Management System Implementation Update	The committee to be made aware of the results of any evaluation of the delivery of expected benefits through the information bulletin.	Performance Manager, Property Services	To be scheduled for the November bulletin.
A18/14	31/07/14	Social Care Debt	The Strategic Finance Manager – Adult Social Care, Public Health & Fire to consider introducing a second date to pay social care within the month and report back to the committee.	Strategic Finance Manager – Adult Social Care, Public Health & Fire	The Strategic Finance Manager – Adult Social Care, Public Health & Fire to provide a response at the 25 September meeting of the committee.
A19/14	31/07/14	Social Care Debt	Officers to identify best practice at the two local authorities which have a higher proportion of service users paying by direct debit than Surrey.	Strategic Finance Manager – Adult Social Care, Public Health & Fire	The Strategic Finance Manager – Adult Social Care, Public Health & Fire to provide a response at the 25 September meeting of the committee.
A20/14	31/07/14	Social Care Debt	The committee to monitor performance against the Social Care Debt Audit's Management Action Plan.	Strategic Finance Manager – Adult Social Care, Public Health & Fire	The Strategic Finance Manager – Adult Social Care, Public Health & Fire to provide a response at the 25 September meeting of the committee.
A22/14	31/07/14	External Audit Report on Value for Money for Surrey County Council	The Director of Finance to bring a report to committee following the Rapid Improvement Event on the capital programme.	Director of Finance	A report has been scheduled for March 2015.

Audit & Governance Committee Recommendations Tracking

Completed Recommendations/Referrals/Actions – to be deleted

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 is on the agenda for 25 September 2014.
A9/14	29/05/14	Completed Internal Audit Reports	The Vice-Chairman to review the background papers to the audit of Officer Interests and report back to the committee.	Vice-Chairman	The Vice-Chairman has reviewed the papers and reported back to the committee on 31 July 2014.
A13/14	29/05/14	Risk Management Annual Report	Risk L15 (Central Government policy development) to be developed to have a greater focus on the Care Act.	Risk and Governance Manager	This was addressed on 31 July 2014.
A21/14	31/07/14	Annual Report of Surrey County Council	Officers to discuss with Communications different channels for advertising the Annual Report.	Senior Principal Accountant – Management Accounting	The Annual report has been distributed to local MPs, Members, Chamber of commerce and other partners. It has been circulated on external and internal website and in Surrey matters.

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	2
3. Further information	2
4. Updates from other committees	3
5. Upcoming	4
6. Committee Contact Details	4

Update from previous Audit & Governance Committee meetings

Audit & Governance Committee: Effectiveness Review	A task group of the Audit & Governance Committee has continued its review of the committee's effectiveness. A final report will be brought to the meeting on 25 September 2014.
Annual Report	The Council's Annual Report 2013/14 has now been published on the public website. You can find it in the Key Strategies Bookcase .
Letters	At the meeting of Audit & Governance Committee on 31 July 2014, it was agreed to refer issues on Operation Horizon and the SEN Strategy to the relevant Cabinet Members. Letters were sent on 1 September and are attached below. The responses will be included with the next edition of the bulletin.

Internal Audit update

5

Current Audits	The following audits are currently in progress or at the planning stage: Surrey Choices Financial Assessments and Charging SAP - Change Control Process Surrey Fire and Rescue Operation Assurance Domestic Abuse Direct Payments (Children's) Organisation Ethics Carbon Reduction Scheme/Green House Gases Local Sustainable Transport Fund Waste Management and Minimisation
Counter Fraud Work	
National Fraud Initiative	Internal Audit is currently preparing for the latest National Fraud Initiative (NFI) data matching exercise. This is a biennial process coordinated by the Audit Commission which aims to identify fraud across the public sector. The council is required to provide data including: payroll data and contact information for employees and pensioners; vendor data and payment information; insurance claimant information; and adult social care data about individuals in residential care or receiving direct payments. Internal Audit will ensure the relevant data is available and in the correct format for submission using the secure facility within the NFI website by the October 2014 deadline.
Fraud Awareness Presentations	As part of on-going counter fraud work, the Internal Audit team have developed and piloted a presentation designed to raise awareness of the risk of fraud. This will now be rolled out to services/teams across the organisation together with an offer to facilitate fraud risk workshops as required.
Counter Fraud Fund	The Department for Communities and Local Government has recently announced the creation of a counter fraud fund of approximately £16million to increase the capacity and capability of local government to tackle losses from non-benefit fraud. Internal Audit is working on a bid submission that focuses on working more collaboratively with our district and borough partners, including sharing both data and expertise.

Further information

Independent Commission on Local Government Finance May 2014	May 2014 saw the first meeting of The Independent Commission on Local Government Finance, a body tasked with making recommendations for the reform of local government finance. It will also find better ways to fund local services and promote economic growth in England. It has been established by the LGA and the Chartered Institute for Public Finance (CIPFA), the professional body for public finance professionals and is chaired by Darra Singh, partner in EY (formally Ernst & Young)'s government and public sector team.
Local Government Transparency Code 2014 May 2014	The Local Government Transparency Code 2014 has been issued to meet the Government's desire to place more power into citizens' hands to increase democratic accountability and make it easier for local people to contribute to the local decision making process and help shape public services. The Code and a set of frequently asked questions are attached.

<p>IFAC and CIPFA release new framework for good governance in the public sector</p> <p>2 July 2014</p>	<p>The International Federation of Accountants® and the Chartered Institute of Public Finance and Accountancy have together developed the International Framework: Good Governance in the Public Sector, to encourage more effective public sector governance.</p> <p>The Framework encourages better governed and managed public sector entities by improving how they set and achieve their intended outcomes. Enhanced stakeholder engagement, robust scrutiny and oversight of those charged with primary responsibility for determining an entity’s strategic direction, operations, and accountability leads to more effective interventions and better outcomes for the public at large.</p>
<p>Local authority appoints lawyer amid claims of bullying by councillors</p> <p>2 July 2014</p>	<p>Portsmouth City Council has appointed a solicitor to investigate allegations of bullying by councillors.</p>
<p>PAC chair calls for review of public audit</p> <p>3 July 2014</p>	<p>The chair of the Public Accounts Committee has called for an examination into the future of public audit following the abolition of the Audit Commission.</p>
<p>Regulatory compliance and quality review programme: Annual Report 2014</p> <p>July 2014</p>	<p>Audit Commission’s annual report provides an overview of the quality of work across all their appointed audit suppliers. In addition there is an annual report for each external audit firm.</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 her meeting on 17 July 2014, the Cabinet Member for Schools and Learning considered the following report:</p> <ul style="list-style-type: none"> • Approval of Schools’ Deficits 2014/15 <p>At its meeting on 22 July 2014, the Cabinet considered the following reports:</p> <ul style="list-style-type: none"> • Local Government Ombudsman report with a finding of maladministration • Finance and Budget Monitoring Report for June 2014 • Legal Services Framework • Services to Schools and School Improvement Contract Extension – Babcock 4S Ltd • Woking Town Centre Regeneration • Establishment of a Transport-Related Local Authority Trading Company <p>At his meeting on 22 July 2014, the Leader of the Council considered the following report:</p> <ul style="list-style-type: none"> • Financial Support to Voluntary, Community and Faith Bodies
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Council Overview & Scrutiny Committee	<p>At its meeting on 2 July 2014, the Council Overview & Scrutiny Committee considered the following reports:</p> <ul style="list-style-type: none"> • Budget Monitoring – May 2014 <p>At its meeting on 4 June 2014, the Council Overview & Scrutiny Committee considered the following report:</p> <ul style="list-style-type: none"> • Year End Financial Budget Outturn 2013/14
Communities Select Committee	<p>At its meeting on 23 July 2014, the Communities Select Committee considered the following report:</p> <ul style="list-style-type: none"> • Regulation of Investigatory Powers Act 2000 (RIPA) Review 2013/14

Upcoming

The next meeting of the Audit & Governance Committee is on 25 September 2014. The following items are on the agenda:

- Council Complaints 2013/14
- Ethical Standards – Annual Review
- Leadership Risk Register
- Completed Internal Audit Reports
- Audit & Governance Effectiveness Review: Final Report

Committee Contacts

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
25 September 2014

Completed Internal Audit Reports

SUMMARY AND PURPOSE:

The purpose of this report is to inform Members of the Internal Audit reports that have been completed since the last meeting of this Committee in July 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 six audit reports issued since the last report to this Committee in July 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	Energy Management	Some Improvement Needed	0
2	Agency Staffing Contract	Significant Improvement Needed	2
3	Grants to Voluntary Bodies	Some Improvement Needed	2
4	LA Trading Company Governance Arrangements	n/a	0
5	Management of Citrix Systems	n/a	0
6	Looked After Children – Personal Monies	Unsatisfactory	10

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

SELECT COMMITTEE REVIEW:

- 7 The Grants to Voluntary Bodies and Agency Staffing Contract audit reports are due to be considered by the Council's Overview and Scrutiny Committee at its meeting on 2nd October 2014.

IMPLICATIONS:

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

WHAT HAPPENS NEXT:

- 10 See Recommendations above.

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

Completed Audit Reports (August - September 2014)

Annex A

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Energy Management	<p>This audit involved assurance work on Energy and Environmental matters undertaken on a government return; a SCC report that is published on the external website; and a presentation to Members ahead of a policy review.</p>	<p>The time timetable to complete year-end checking of data used for statutory returns on SCC's use of carbon fuels remains challenging. Errors could lead to prosecution of officers and fines for SCC.</p> <p>Progress against some environmental targets has not been regularly reported to Members.</p> <p>Currently, there are no clear targets in the Medium Term Financial Plan for energy saving investment.</p> <p>SCC spend on outsourced services contains substantial spend on energy and other activity behind carbon emissions.</p>	<p>Some Improvement Needed</p>	<p>Develop data collection and processing systems on energy use so that automated routines facilitate the production of regular exception reports. This may reduce the time needed for the year end checking exercise and provide more time to investigate potential anomalies. (M)</p> <p>Consider how best to report progress on the targets in the new Carbon and Energy Policy. E.G. include in the annual Green House Gases report on the SCC external website. (M)</p> <p>SCC's new Energy and Carbon Policy should include a target for savings to be delivered on expenditure on energy against the Authority's MTFP 2015/16 - 2019/2020. This quantification will require further development of SCC's methodologies to appraise energy investment. (M)</p> <p>The new Energy and Carbon Policy should set out the broad expectations of the authority with regard to sustainable energy behaviour and cashable cost savings from improved contract and supply chain management. (M).</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Agency Staff Contract	<p>This Authority's agency staff contract is accessed by managers across the organisation with an overall cost £11.7m in 2013/14 (£12.7 in 2012/13). The commercial aspects of this contract are managed by Procurement whereas the more operational and day to day contract management is the responsibility of HR who help manage the contract on behalf of Services. Previous audits identified some problems with the operation and delivery of this contract.</p>	<p>The MSTAR agency framework contract due to commence in April 2013 was only signed in August 2014. This contract provided for reduced rates compared to the previous contract. Panel Vendors will need to be informed of the rates and may no longer wish to supply SCC with candidates in some harder to recruit roles.</p> <p>Several Childrens Services teams have a high number of agency staff in them, as well as use of long term locum staff. Service quality would potentially be strengthened with more permanent staff in these roles.</p> <p>Childrens Services have been raising issues regarding the performance of Manpower on this contract, which has contributed to them going 'off contract' to secure the temporary staffing that key services have needed.</p>	<p>Significant Improvement Needed</p>	<p>Ensure there are robust plans in place for a rapid implementation of the new MSTAR contract signed with Manpower in August 2014. These plans should ensure careful monitoring of the Panel Vendors response to rate reductions and the new routes to market that procurement are establishing. (H)</p> <p>Childrens Services should produce aspirational targets for the phased replacement of some of the long term locums in Children Services with permanent staff, along with a set of measures designed over a period of time to stimulate such change. (H)</p> <p>HR and Manpower should continue to work together to meet some of the specific concerns of Childrens Services on Manpower's performance, but particularly with regard to the quality and relevance of CV sent to managers and on the functionality of Manpower's system which leads to so many requests for the cancelation of orders. (M)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Agency Staff Contract cont'd		<p>The way that some agency staff were recruited 'off-contract' created some short term risks in terms of procurement and having adequate information held centrally on the agency staff engaged.</p> <p>The target for Panel Vendor agencies passing their safeguarding inspection audits conducted by Manpower is 85% overall. For sensitive roles, this target should be 100%.</p> <p>A large number of agency staff timesheets are paid via auto- authorisation, where the relevant line manager has not actually authorised the timesheet as required.</p> <p>The KPIs for the Manpower contract do not currently include a meaningful target which helps demonstrate the delivery of VFM.</p>	Significant Improvement Needed	<p>Where Childrens Services need further flexibility on procurement arrangements, they should ensure that they use the procedures within SCC Procurement Standing Orders to request such flexibility and also ensure that there is adequate planning and co-ordination with other Departments on how changes are to be implemented. (M)</p> <p>IMT should ensure that it does not go off contract to secure agency staff in a way that breaches SCC procurement rules. (M)</p> <p>Review all IMT agency roles and the associated cost every three months. (M)</p> <p>Consider how to increase the target for the percentage of agencies that pass safeguarding inspection audits. (M)</p> <p>Monitor which managers are failing to manually authorise timesheets for agency staff and consider what escalation to Service management is appropriate. (M)</p> <p>Arrangements for the new MSTAR contract and other routes to market need to be supported with effective measurements of value for money. (M)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
<p>Grants to Voluntary Bodies</p>	<p>The Council provides grant funding to voluntary bodies within Surrey to deliver a range of its services. Grant funding should support the Council's Corporate objectives; Voluntary, Community and Faith Sector (VCSF) Framework and meet SCC's Grant Criteria.</p> <p>Grants should be able to demonstrate that agreed outcomes are met, value for money, high quality and sustainable services for the benefit of Surrey residents. A new Grant Criteria and Funding Opportunities Guide was presented to Cabinet in May 2014 for their consideration and to reinforce strategic aims to optimise Social Value.</p>	<p>Regular monitoring that agreed services were being delivered under the Guildford Action for Families (GAFF) grant was not in evidence since 2009/10.</p> <p>A Partnership Agreement has been used for the GAFF grant instead of a Grant Agreement. This provides no legal assurances. The agreement was not signed for 2013/14 but has been signed for 2014/15.</p> <p>The GAFF grant was only offered to the provider given the funding and not widely advertised as is usually required. There may be new and improved providers that have moved into the area since this was last checked and so this arrangement may not represent best value for money.</p> <p>There was a lack of evidence of regular monitoring of the Local Prevention Framework (LPF)/EIKON grant.</p> <p>There is no record that EIKON was asked whether the LPF service to be delivered was reliant on funding by any other bodies or whether they received any other SCC funding.</p> <p>Within the grant application process and documentation, there appears to be no requirement to make a declaration of potential conflicts of interests, or say there are none.</p>	<p>Some Improvement Needed</p>	<p>Reintroduce regular reviews in respect of the GAFF grant to ensure that the service and outcomes in the Grant Agreement are delivered; this to be done before any more funding is released. (H)</p> <p>Clarify the legal status of the funding agreement for the GAFF grant to ensure that the funding agreement in place is legally compliant. (H)</p> <p>Review the market place before further funding is released to GAFF to see if any new providers are now available. (M)</p> <p>Hold Partnership meetings in respect of the LPF/EIKON Grant at the required frequency to discuss performance. (M)</p> <p>Find out if EIKON receives any other funding in respect of delivering the LPF service. (M)</p> <p>Require all future grants applicant to declare any potential conflicts of interest, or confirm there are none, and record this on the grant application. (M)</p> <p>A copy of the signed Grant Agreement should be held by Finance before grant payments are made and this should be recorded on the Grant Register. (M)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
LATC Governance Arrangements	<p>SCC currently owns a number of Local Authority Trading Companies (LATCs) including business services, property services and Adult Services. This audit looked at the high level governance arrangements in place for LATCS, specifically the role of the Shareholder Board.</p>	<p>The review found that the measures proposed are effective for ensuring good governance across LATCs. The structure and remit of the Shareholder Board is considered to be effective in safeguarding the interests of the Council.</p> <p>The audit highlighted areas where improvements could be made to further strengthen governance arrangements; revising the quorum of the Shareholder Board; agreeing procedures for the review of the company Articles of Association; clarifying the right of inspection to company account; and, consideration of declaring interests at Shareholder Board meetings.</p>	<p>Position Statement – no opinion given</p>	<p>Consideration should be given to increasing the quorum of the Shareholder Board. (L)</p> <p>Arrangements for reviewing the Articles of Association should be clarified. (L)</p> <p>Consideration should be given to establishing the right of the Council to inspect accounts and other records in the Articles of Association. (L)</p> <p>Consideration should be given to establishing procedures for the declaration of interest at Shareholder Board meetings to ensure that Members or Officers appointed as Directors of LATCs are not counted in the decision making process. (L)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Management of Citrix Systems	This review was intended to review general management processes and configuration surrounding this key IT infrastructure component. Due to delays in the upgrade project, a position statement on the project was created instead of the intended review.	<p>The delivery of the upgrade to the Citrix system is a key feature of the modern worker initiative. The costs and time estimates associated with this project have required significant re-scoping.</p> <p>The original go-live date for the Citrix upgrade was April 2014, in July 2014 the go-live date was reported as anticipated to be January 2015. In August 2014, the anticipated go-live date had slipped again to March 2015.</p> <p>The original agreed budget for the project was £575k; however the most recent forecast is £1,151k which is twice the original project estimate.</p>	Position Statement – no opinion given	None as due to issues with the project team testing could not commence in detail, hence the position statement.

<p>Administration of Looked After Children's Finances</p>	<p>Children may have personal money from various sources; benefit payments (Disability Living Allowance (DLA)), Child Trust Fund (CTF); Junior Individual Saving Accounts (JISA); relatives or compensation payments. Surrey County Council, as the corporate parent for looked after children (LAC), has a duty to ensure that any personal money held on behalf of children is protected from loss, misappropriation or mismanagement.</p>	<p>There are a number of areas of concern arising from this audit, most notably inequitable financial arrangements for children and the failure of the council to fulfil certain statutory duties. Key concerns include:</p> <ul style="list-style-type: none"> • No clear procedures for recording of children's personal finances they enter with or accrue during their time in care; • Unavailable central guidance leading to inconsistent local practices being developed; • Surrey Savings Scheme is intended to promote financial capability however failure to circulate guidance limits effectiveness of the scheme; • Audit testing of a sample of children who should have long term savings, suggests 34% do not hold a JISA or CTF. This suggests the council is not complying with legislation and is failing to fulfil its statutory duty to promote financial capability for LAC in line with national policy. 	<p>Unsatisfactory</p>	<p>Confirm which LAC who have been in care for 12 or more consecutive months, hold JISAs. (H)</p> <p>Review records and historic HMRC returns of all LAC to establish which children hold a CTF. (H)</p> <p>Take appropriate action for all children who do not have a CTF or JISA. (H)</p> <p>Maintain/monitor a central record of LAC's savings, JISAs and CTFs. (H)</p> <p>Update Foster Carer and Carer Handbooks with policies and procedures for recording of children's personal finances including DLA. (H)</p> <p>Update/ circulate 'LAC Savings Accounts' guidance so that a fair/ consistent approach is taken in safeguarding children's personal savings and promoting financial capability. (H)</p> <p>Review of LAC records to identify children who receive DLA. (H)</p> <p>Implement transparent reporting of LAC savings. (H)</p> <p>Include a request and confirmation of the LAC's savings accounts within the Leaving Care Policy and Procedures note. (H)</p>
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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.
Significant Improvement Needed	Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
Unsatisfactory	Controls evaluated are not adequate, appropriate, or effective to provide reasonable assurance that risks are being managed and objectives should be met.

² Audit Recommendations

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

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

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



Audit & Governance Committee
25 September 2014

LEADERSHIP RISK REGISTER

Purpose of the report:

The purpose of this report is to present the latest Leadership Risk Register and updates the committee on any changes made since the last meeting.

Recommendations:

It is recommended that the committee:

1. Review the Leadership Risk Register; and
2. 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.

Leadership risk register:

3. The Leadership Risk Register (Annex A) is owned by the Chief Executive and shows the council's key strategic risks. The register is reviewed by the Strategic Risk Forum (chaired by the Director of Finance) and then by the Statutory Officers Meeting on a monthly basis.
4. Since the last meeting there have been a number of changes. The Statutory Officers Meeting have proposed to amend the layout of the register to enhance clarity and begun a review of the strategic risks.
5. The changes to the layout are:
 - Added a note to proposed that the risk register covers a rolling 12 month period.
 - Defining the controls column to highlight decisions needed to manage the inherent risk
 - Adding a column for "processes in place" to demonstrate how risks are being mitigated
 - Having one column for the Officers and members who are the risk owners

6. There have been a number of changes to the actual strategic risks from the Statutory Officers Meeting and the remaining risks are being reviewed to ensure that the risk is accurately defined, the right controls are in place and the level of confidence in those controls is reflected in the residual risk column.
7. The following risks have so far been amended:
 - Future Funding (L14)
 - Medium Term financial Plan 2014-2019 (L1)
 - Partnership working has changed to Integration of health and social care (L16)
8. An additional strategic risk covering on the Comprehensive Spending Review 2015 (L18) has been added.
9. There will be further changes to the other strategic risks for the next meeting.

Implications:

Financial and value for money implications

10. Effective management of risks and financial controls helps to monitor costs and enable value for money.

Equalities and Diversity Implications

11. There are no direct equality and diversity implications.

Risk Management Implications

12. Effective risk management supports the achievement of the council's priorities and continuous improvement in service delivery.

Next steps:

The Leadership Risk Register will be presented to the next committee meeting.

Report contact: Verity Royle, Risk Manager,

Contact details: 020 8541 9225 or verity.royle@surreycc.gov.uk

Leadership risk register as at 1 Sept 2014 (covers rolling 12 months)

Owner: David McNulty

Ref	Dir. RRef.	Description of the risk	Inherent risk level (no controls)	Controls (i.e. decisions needed)	Processes in place (ie the 'how' risks are being mitigated)	Risk owners (combined officer and member)	Residual risk level (after existing controls)
L14	ASC5 BUS17 ,21, 22,23 CAC1 CSF4, 16,20, 22 EAI1,1 3	Future Funding The council is highly dependent on Council Tax for funding, and the ability to increase that in real terms is constrained (by current government policy). This could lead to a reduction in the council's financial resilience with the consequence that funding for key services will be seriously eroded.	High	Members make decisions to reduce spending and or generate alternative sources of funding, where necessary, in a timely manner Officers unable to recommend MTFP unless a credible sustainable budget is proposed	Structured approach to lobbying government to relax its approach to CT referendum adopted Targeted lobbying of government to secure a greater share of funding for specific demand led pressures (in particular School Basic Need) - Continued horizon scanning of the financial implications of existing and future government policy changes. - Development of alternative / new sources of funding (e.g. bidding for grants). - Review how systems and processes can lead to greater efficiencies. Notwithstanding actions above, there is a high risk of central government policy changes /austerity measures impacting on the council's long term financial resilience.	CLT / SL, DH / Cab	Medium (rating reflects level of confidence in controls and processes)
L18		Comprehensive Spending Review (CSR) 2015 Risk that CSR 2015: <ul style="list-style-type: none"> reduces further the total public sector funding available, and introduces a revised distribution mechanism which lowers the councils financial resilience 	High	Cabinet fully consider the implications of CSR in budget planning and agree an MTFP that reflects likely impacts.	- Focused contribution to Local Government Commission to review LG Funding throughout summer / autumn 2014 (Officer and Member level) - Development of scenarios for budget planning process - Officers (Finance and Policy in particular) to sustain pro-active horizon scanning for insight into potential funding change.	CLT/SL Cab / DH	High



Leadership risk register as at 1 Sept 2014 (covers rolling 12 months)

Owner: David McNulty

Ref	Dir. RRef.	Description of the risk	Inherent risk level (no controls)	Controls (i.e. decisions needed)	Processes in place (ie the 'how' risks are being mitigated)	Risk owners (combined officer and member)	Residual risk level (after existing controls)
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>lowers the councils financial resilience and could lead to adverse long term consequences for services if Members fail to take necessary decisions.</p>	High	<p>Prompt management action taken by Strategic Directors / Leadership Teams to identify correcting actions. (Evidenced by robust action plans)</p> <p>Members make the necessary decisions to implement action plans in a timely manner</p>	<p>- Monthly reporting to Continual Improvement Board, 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>- Budget Support meetings (CEO and DoF) continue to review and challenge the robustness of MTFP 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> <p>- - - Monthly formal budget reports focus on funding levels comparing actuals to forecasts.</p>	SD's / SL Cab / DH	High <i>(remains high if confidence in controls and processes not high!)</i>
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>	Trevor Pugh Mike Goodman	High

Leadership risk register as at 1 Sept 2014 (covers rolling 12 months)

Owner: David McNulty

Ref	Dir. RRef.	Description of the risk	Inherent risk level (no controls)	Controls (i.e. decisions needed)	Processes in place (ie the 'how' risks are being mitigated)	Risk owners (combined officer and member)	Residual risk level (after existing controls)
		<p>Waste (Continued)</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>			<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>		
L15	ASC5, 24 CSF4, 16	<p>Central Government policy development</p> <p>- Central government policy changes, including welfare reform and the Care Act, 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 <p>- Taking opportunities to influence central government e.g. via the Local Government Association.</p>	Nick Wilson and Dave Sargeant, Cab / MA / MF	High

Leadership risk register as at 1 Sept 2014 (covers rolling 12 months)

Owner: David McNulty

Ref	Dir. RRef.	Description of the risk	Inherent risk level (no controls)	Controls (i.e. decisions needed)	Processes in place (ie the 'how' risks are being mitigated)	Risk owners (combined officer and member)	Residual risk level (after existing controls)
		<p>Central Government policy development (Continued) - Central government policy changes, including welfare reform and the Care Act, 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>			<p>- 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. - Implementation of the recommendations of the Welfare Reform Task Group, approved by the Cabinet in April 2014, to mitigate the impact of reforms on Surrey Residents.</p>		
Page 6 48	ASC9 BUS22 ,23, 24 CEO1 3 CSF8, 20,23 EAI3	<p>Integration of health and social care 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>Completion and national approval of Surrey's Better Care Fund plan (which includes agreed financial plans, metrics to measure progress and risk sharing arrangements).</p> <p>Progress discussions with Clinical Commissioning Groups in Surrey about plans for integration beyond the Better Care Fund.</p> <p>Members continue to endorse approaches to integration across the County.</p>	<p>Governance arrangements: - robust partnership governance arrangements are in place through the Better Care Board (which is co-chaired by the Asst. CEO & SD ASC), Public Sector Transformation programme and Surrey's Health and Wellbeing Board; - regular monitoring of progress and risks against key H&SC integration workstreams and agreed financial framework (incl. the Better Care Fund); - prioritisation of resources and clear senior leadership across Council directorates to support the development of H&SC workstreams; and - continued focus on building and maintaining strong relationship with partners through regular formal and informal dialogue.</p>	<p>Dave Sargeant / Nick Wilson / Susie Kemp</p> <p>Mel Few / Mary Angell / Michael Gosling</p>	High

Leadership risk register as at 1 Sept 2014 (covers rolling 12 months)

Owner: David McNulty

Ref	Dir. RRef.	Description of the risk	Inherent risk level (no controls)	Controls (i.e. decisions needed)	Processes in place (ie the 'how' risks are being mitigated)	Risk owners (combined officer and member)	Residual risk level (after existing controls)
L11	ASC12 BUS26 CEO7 CSF18	<p>Information Governance</p> <p>- Failure to effectively act upon and embed standards and procedures by the council leads to financial penalties, reputational damage and loss of public trust.</p> <p>- 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</p>	High		<p>- Encrypted laptops</p> <p>- Secure environment through the Egress encrypted email system</p> <p>- Internal Audit Management Action Plans in place that are monitored by Audit & Governance Committee and Select Committees</p> <p>- Twice-yearly communications campaign linked to known peaks for breaches, and a refreshed and re-launched information security e-learning package.</p> <p>- SCC has received GCSx accreditation certificate</p> <p>- introduction of the Information Governance Board and the launch of the data classification project, both of which will start in the first quarter of 2014/15, will help to manage this risk.</p> <p>Despite the actions above, there is a continued risk of human error that is out of the council's control.</p>	<p>Corporate Leadership Team</p> <p>DLG</p>	High
L4	BUS20,26	<p>IT risk</p> <p>- Failure of IT systems due to:</p> <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		<p>- Proactive and effective security controls in place</p> <p>- Robust IT incident response plan</p> <p>- Training and regular communication to staff via email and snet</p> <p>- IT system resilience provided through Primary and Secondary Data Centres</p> <p>- Ongoing shift to digital platform will enable and support the necessary culture change.</p>	<p>Julie Fisher</p> <p>DLG</p>	High

Leadership risk register as at 1 Sept 2014 (covers rolling 12 months)

Owner: David McNulty

Ref	Dir. RRef.	Description of the risk	Inherent risk level (no controls)	Controls (i.e. decisions needed)	Processes in place (ie the 'how' risks are being mitigated)	Risk owners (combined officer and member)	Residual risk level (after existing controls)
L3	ASC18 CAC8, 18,19, 22 CEO3 EAI4,5 ,7	Business Continuity, Emergency Planning - Failure to plan, prepare and effectively respond to a known event or major incident results in an inability to deliver key services	High		<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. - External risks are assessed through the Local Resilience Forum. - Combined Environment & Infrastructure and Communities Select Committees Task Group agreed to identify improvement and best practices during the recent flooding. 	<p>Corporate Leadership Team</p> <p>DLG / HC</p>	Medium
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. Trained coaches who are available in all services to support staff. New High Performance Development Programme to be commissioned for roll-out across the organisation. - Questions in the Staff Survey provide a measure of the staff satisfaction with the council and its management of change. 	<p>Corporate Leadership Team</p> <p>Cab</p>	Medium

Leadership risk register as at 1 Sept 2014 (covers rolling 12 months)

Owner: David McNulty

Ref	Dir. RRef.	Description of the risk	Inherent risk level (no controls)	Controls (i.e. decisions needed)	Processes in place (ie the 'how' risks are being mitigated)	Risk owners (combined officer and member)	Residual risk level (after existing controls)
		Staff resilience to major change (Continued) 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.			- 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 (eg. employee assistance). - Staff are encouraged to get involved in finding innovative solutions to redesign services.		
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, MF/MA	Medium
L17	ASC28 BUS27	Supply chain / contractor resilience - Poor understanding, monitoring or management of the councils supply chain leads to service failure.	High		- 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. - Risk management training provided to contract managers to enable a consistent approach.	Corporate Leadership Team Cab	Medium

Key to references:

ASC = Adult Social Care
 BUS = Business Services
 CAC = Customers and Communities

CEO = Chief Executive's Office
 CSF = Children, Schools and Families
 EAI = Environment and Infrastructure

Movement of risks

Ref	Risk	Date added	Residual risk level when added	Movement		Current residual risk level
L1	Medium Term Financial Plan	Aug 12	High	-	-	High
L2	Staff resilience to major change	May 10	High	Jan 12	↓	Medium
L3	Business Continuity, Emergency Planning	May 10	Medium	Aug 12	↓	Medium
L4	IT risk	May 10	Medium	June 13	↑	High
L5	Safeguarding	May 10	Medium	-	-	Medium
L7	Waste	May 10	High	-	-	High
L11	Information governance	Dec 10	High	-	-	High
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
L18	Comprehensive Spending Review 2015	Sep 14	High			
Risk removed from the register:						
L6	<i>Resource Allocation System in adults personalisation</i>	<i>May 10</i>	-	<i>Aug 12</i>	*	-
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>	*	-
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>	*	-

Movement of risks

Leadership level risk assessment criteria

Due to their significance, the risks on the Leadership risk register are assessed on their residual risk level ie. the level of risk after existing controls have been taken into account, by high, medium or low.

Risk level	Financial impact	Reputational impact	Performance impact	Likelihood
	<i>(% of council budget)</i>	<i>(Stakeholder interest)</i>	<i>(Impact on priorities)</i>	
Low	< 1%	Loss of confidence and trust in the council felt by a small group or within a small geographical area	Minor impact or disruption to the achievement of one or more strategic / directorate priorities	Remote / low probability
Medium	1 – 10%	A sustained general loss of confidence and trust in the council within the local community	Moderate impact or disruption to the achievement of one or more strategic / directorate priorities	Possible / medium probability
High	10 – 20%	A major loss of confidence and trust in the council within the local community and wider with national interest	Major impact or disruption to the achievement of one or more strategic / directorate priorities	Almost certain / highly probable

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Audit & Governance Committee
25 September 2014

ETHICAL STANDARDS ANNUAL REVIEW

Purpose of the report:

To enable the Committee to monitor the operation of the Members' Code of Conduct over the last 12 months and to consider what advice and guidance about ethical standards it recommends to be offered to Members in the next 12 months.

Recommendations:

1. That the Committee notes the report and considers:
 - What (if any) further advice guidance and training should be offered to Members over the next year, or any longer period and
 - How frequently it wishes to receive reports to enable it to monitor the operation of the Code of Conduct.

Introduction:

2. The Localism Act 2011 places the Council under a statutory duty to promote and maintain high standards of conduct by its members and co-opted members
3. The Council has a Code of Conduct governing elected and co-opted Members' conduct, when acting in those capacities. The Council's Code of Conduct, viewed as a whole is consistent with the following seven principles:
 - Selflessness
 - Integrity
 - Objectivity
 - Accountability
 - Openness
 - Honesty
 - Leadership

The Code also includes provisions for the registration and disclosure of pecuniary and other interests. No revisions have been made to the Code since it was adopted by the Council in 2012.

4. Members are required to register "disclosable pecuniary interests" with the Monitoring Officer and these must be published on the Council's website.

5. The Act also requires the Council to appoint “at least one independent person” whose views must be sought after an investigation into a complaint has been conducted and before a decision on it is made. It also allows Members who have had an allegation made against them to seek the views of the independent person if they wish.
6. The Council has delegated to the Audit and Governance Committee the roles of:
 - monitoring the operation of the Members’ Code of Conduct and;
 - promoting advice guidance and training on matters relating to the Code of Conduct.
7. The Committee is also responsible for granting dispensation to Members relating to interests set out in the Members’ Code of Conduct, although there has been no request for such a dispensation in the period covered by this report.

The Code of Conduct

8. At the Council meeting of 17 July 2012 Members agreed that they wanted to adopt a simple, high level code. The current Members’ Code of Conduct is based on the Department of Communities and Local Government (“DCLG”) “illustrative” text of a Code of Conduct for Members and is annexed to this report for ease of reference.
9. The Code does however make links to other Council protocols, including the Member Officer Protocol which requires both staff and councillors to treat each other with dignity, trust and courtesy.

Independent Person

10. The Act requires the appointment of at least once independent person who cannot be a councillor, officer or a relative or friend of any one of them. Professor Michael Joy OBE. Professor Joy was appointed by Council for a term of four years from December 2012.

Arrangements for receiving and handling complaints

11. The Act requires the Council to adopt arrangements for dealing with complaints of a breach of the Members’ Code of Conduct. Any such complaints must be dealt with in accordance with those arrangements. Before any final decision is reached on a complaint that has been investigated, the Independent Person’s views must be sought. A copy of the Council’s arrangements is annexed to this report. These arrangements are designed to promote informal resolution rather than an adversarial approach, the latter tends to result in long and expensive investigations, some of which have been disproportionate to the seriousness of the complaint.

Register of Pecuniary Interests

12. All Members are required to notify the Monitoring Officer, within 28 days of taking office, of any disclosable pecuniary interests they have, including those of a spouse, civil partner or someone with whom the member is living as husband and wife or as civil partner. All Surrey County Council Members have completed entries and the Council’s register is published on line in accordance with legal requirements.
13. Legal and Democratic Services prepared guidance for members about disclosable pecuniary interests and a copy of this was enclosed in all Members’ induction files following the election in May 2013. Staff followed this up with individual assistance to any member who had difficulties in accessing the system.

14. Each elected Member's entries on the Register of Interests are now easily accessible on their individual page on the Council's website. Co-opted Members have also registered their interests, but these are not available on the Council's website.

Training and Guidance for Members

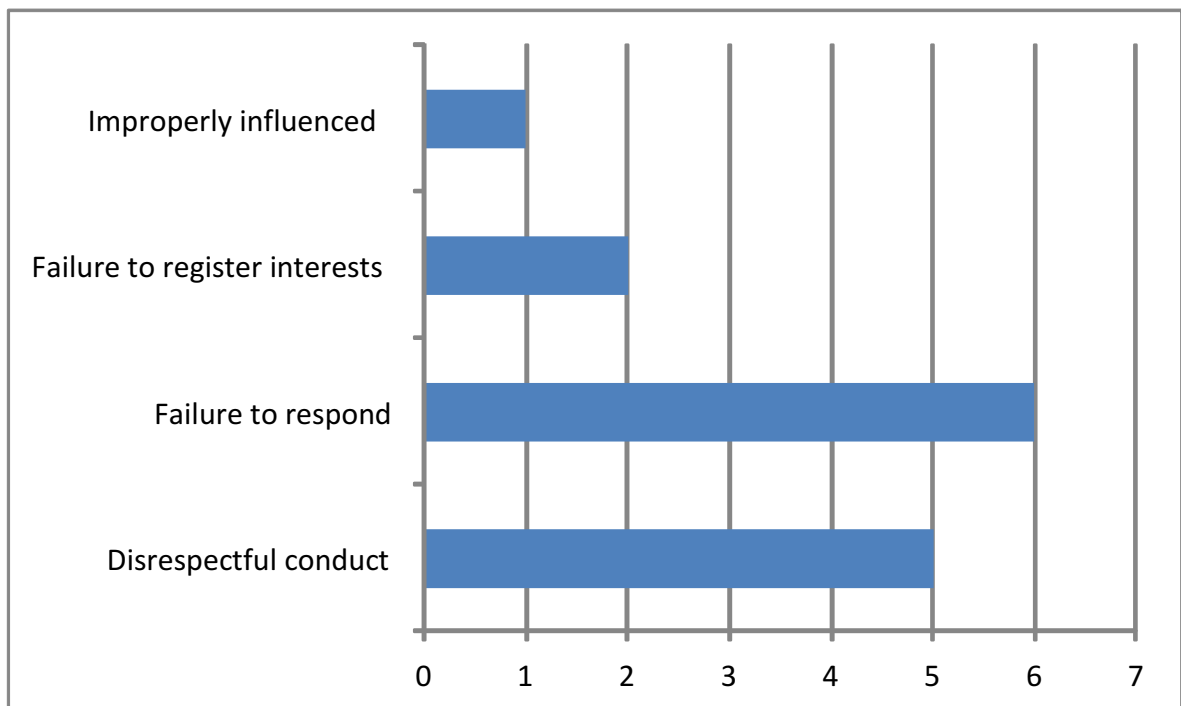
15. Comprehensive guidance and training was provided for every new and returning councillor in 2013 and in September last year the Audit and Governance Committee agreed that all that was needed during the next twelve months was reminders to Councillors about keeping the Register up to date. A reminder was sent to all Members and Co-opted Members in May 2014 and their attention was particularly drawn to the need to register any interest they have in companies which they own or in which they have a greater than 1% share.

Code of Conduct Complaints

16. The table below shows the number of complaints received by the Monitoring Officer, broken down by month, during the second year of the new regime. An initial sift is applied to these to decide whether, if proven, the subject matter of the complaint would amount to a breach of the Code of Conduct.

<u>Month</u>	<u>Number of Complaints</u>	<u>Potential breach of the Code?</u>
August 2013	2	0
October 2013	4	1
December 2013	2	1
January 2014	2	2
February 2014	1	0
June 2014	1	0
July 2014	2	1
Totals	14	5

17. Broken down into broad headings the reasons given for complaints about members this year were as follows:



Action on complaints that if proven may have been a breach of the Code

18. Of the five complaints that gave rise to a potential breach of the Code of Conduct one was considered for informal resolution. This did not prove possible as the parties were not prepared to engage in the process and after consultation with the Independent Person the process was concluded without resolution.
19. Three of the complaints have been subject to formal investigation.
 - In one case the investigator concluded that there was no evidence of a breach of the Code and, following consultation with the Chairman of the Member Conduct Panel and the Independent Person the matter was closed.
 - In two cases an investigation concluded that the Members concerned had failed to register a pecuniary interest or interests in a company which they owned and so had been in breach of the Code of Conduct. There was no evidence that any conflict of interest between the disclosable pecuniary interests and Council business had ever arisen. Both Members corrected their register entries when they were alerted to the omission and apologised publicly. Following consultation with the Independent Person, the Member Conduct Panel decided no further action was necessary.
20. A complaint received in July 2014 has recently been referred for investigation and the outcome is not yet known.

Risk Management Implications

21. The Council's Code of Conduct, Register of Interests and arrangements for dealing with complaints are statutory requirements and key elements of good governance. A lack of an appropriate Code of Conduct and/or robust and objective procedures for handling complaints could diminish public confidence in members' transparency about their personal interests and in decisions being taken solely in the public interest. An unduly onerous or complicated Code or procedures for handling complaints would diminish Member confidence in a fair approach and could hinder their decision making. Guidance and training is intended to assist Members in observing the Code and so mitigate the risk of complaints about Members.

Financial and value for money implications

22. Each external investigation of a complaint costs in the region of £5,000. In the last year one investigation was externalised and two were conducted in house

Equalities and Diversity Implications

23. There are no obvious equalities and diversity implications to which the Committee needs to pay due regard.

Next steps:

The Monitoring Officer will report any recommendations from this Committee to the Member Conduct Panel and will keep the Independent Person informed.

Report contact: Ann Charlton, Monitoring Officer and Director of Legal and Democratic Services

Contact details: 0208 541 9001 / ann.charlton@surreycc.gov.uk

Surrey County Council Member Code of Conduct

As a member or co-opted member of Surrey County Council you shall have regard to the following principles of public life – selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

Accordingly, when acting in your capacity as a member or co-opted member –

1. You must act solely in the public interest and should never improperly confer an advantage or disadvantage on any person or act to gain financial or other material benefits for yourself, your family, a friend or close associate.
2. You must not place yourself under a financial or other obligation to outside individuals or organisations that might seek to influence you in the performance of your official duties.
3. When carrying out your public duties you must make all choices, such as making public appointments, awarding contracts or recommending individuals for rewards or benefits, on merit and must be impartial and seen to be impartial.
4. You must co-operate fully with whatever scrutiny is appropriate to your office.
5. You must be as open as possible about your decisions and actions and the decisions and actions of Surrey County Council and should be prepared to give reasons for those decisions and actions.
6. You will on occasions be privy to confidential and sensitive information, such as personal information about someone, or commercially sensitive information which, if disclosed, might harm the commercial interests of the Council or another person or organisation. This information must not be revealed without proper authority.
7. You should be mindful of the requirement to declare and record any disclosable pecuniary interests in a manner conforming with the procedures set out in the box below.
8. You must, when using or authorising the use by others of the resources of your authority, ensure that such resources are not used improperly for political purposes (including party political purposes) and you must have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986. For guidelines on the personal use of Council IT resources by Members, please refer to the IT Code.
9. You must promote and support high standards of conduct when serving in your public post, in particular as characterised by the above requirements, by leadership and example.
10. In addition to compliance with the Member Code of Conduct, you are expected to comply with the following codes:
 - a. Member/Officer Protocol
 - b. Planning Code of Best Practice

Registering and declaring pecuniary interests

You must, within 28 days of taking office as a member or co-opted member, notify the authority's monitoring officer of any disclosable pecuniary interest as defined by regulations made by the Secretary of State, where the pecuniary interest is yours, your spouse's or civil partner's, or is the pecuniary interest of somebody with whom you are living with as a husband or wife, or as if you were civil partners.

In addition, you must, within 28 days of taking office as a member or co-opted member, notify the authority's monitoring officer of any gift or hospitality with a value of £100 or above which you have been offered (whether accepted or not).

If an interest has not been entered onto the authority's register, then the member must disclose the interest to any meeting of the authority at which they are present, where they have a disclosable interest in any matter being considered and where the matter is not a 'sensitive interest'¹

Following any disclosure of an interest not on the authority's register or the subject of pending notification, you must notify the monitoring officer of the interest within 28 days beginning with the date of disclosure.

Unless dispensation has been granted, you may not participate in any discussion of, vote on, or discharge any function related to any matter in which you have a pecuniary interest as defined by regulations made by the Secretary of State. Additionally, you must observe the restrictions the authority places on your involvement in matters where you have a pecuniary interest.²

¹ A 'sensitive interest' is described in the Localism Act 2011 as a member or co-opted member of an authority having an interest, and the nature of the interest being such that the member or co-opted member, and the authority's monitoring officer, consider that disclosure of the details of the interest could lead to the member or co-opted member, or a person connected with the member or co-opted member, being subject to violence or intimidation.

² There are currently no additional restrictions placed by the authority, however, Members should be aware that adverse interests could be considered as transcending the Code of Conduct.

Appendix 2

SURREY COUNTY COUNCIL

Arrangements for dealing with standards allegations under the Localism Act 2011

1. Context

- 1.1. Surrey County Council has 80 elected Councillors known as “Members” The Council is committed to promoting and maintaining high standards of conduct amongst its Members and has adopted a Code of Conduct setting out the conduct it expects of its Members and Co-opted Members as they carry out that role.
- 1.2. These are the Council’s arrangements for dealing with any complaint it receives, alleging that an elected or co-opted Member of Surrey County Council has failed to comply with its Code of Conduct. These arrangements will form the basis for investigating and deciding any such complaints.
- 1.3. The Council will appoint at least one Independent Person, whose views must be sought by the Council before it takes a decision on any allegation which it has decided should be investigated. The Council may also seek the view of the Independent Person at any other stage it chooses and a Member against whom an allegation as been made can also consult the Independent Person.

2. The Code of Conduct

- 2.1. A copy of the Council’s Code of Conduct for Members is set out below. It is also available for inspection on the Council’s website and on request from Democratic Services [*Please phone 020 8 5419 122 to speak to somebody in Democratic Services*].
- 2.2. The Code applies to Members when they go about the work of the Council or their role as a Member. The Council will not investigate complaints relating to a Member’s private life.

3. Making a complaint

- 3.1. Anyone wishing to make a complaint about the behaviour of a Surrey County Councillor (“Member”), should write or email to-

The Monitoring Officer
Surrey County Council
County Hall
Kingston Upon Thames
KT1 2DN
Or email monitoringofficer@surreycc.gov.uk

- 3.2. The Monitoring Officer is the member of the Council’s staff who has statutory responsibility for maintaining the Register of Members’ Interests and who is responsible for administering the system in respect of complaints of member misconduct. 3.3 Only written complaints will be investigated and the Council will require a name and a contact address or email address to acknowledge receipt of the complaint and keep the complainant informed of its progress. The Council does not normally investigate anonymous complaints, unless there is a clear public interest in doing so. The Monitoring Officer will disclose the name of the complainant to the Member unless specifically asked to withhold it. Only in very exceptional cases will the Council be able to progress a complaint to an investigation without disclosing the identity of the complainant to the Member.

4. How a complaint is resolved

- 4.1. The Monitoring Officer will review every complaint received. Where they are of the view that your complaint, if proven, would not amount to a breach of the Members Code of Conduct they will notify you of this and will not progress the matter further.
- 4.2. Wherever possible the Monitoring Officer will seek to resolve your complaint through informal resolution. Informal resolution may avoid the need for a formal investigation and could, for example, consist of the Member accepting that their conduct was unacceptable and offering an apology, or other remedial action by the Council. The Monitoring Officer will consult the Chairman of the Member Conduct Panel before recommending informal resolution and will notify you and the Member concerned of any recommendation and how that will be progressed.

5. When a complaint will be investigated

- 5.1. On some occasions informal resolution will not be possible, because one of the parties does not agree to cooperate with an informal process. If this happens the Monitoring Officer will seek a ruling from the Independent Person, who will decide whether the matter proceeds to an investigation or progresses no further. In order to inform that decision the Monitoring Officer will disclose information to the Independent Person, including details of the complaint, steps taken to achieve informal resolution and why this has not been successful. The complainant and the Member will be notified of the outcome.
- 5.2. On some occasions the Monitoring Officer may consider that the conduct alleged, if proved to have occurred, would amount to a breach of the Members Code of Conduct and would not be capable of informal resolution. If this is the case, after consultation with the Chairman of the Member Conduct Panel, the Monitoring Officer will decide whether the complaint merits formal investigation. In making that decision the Monitoring Officer will take into account both the seriousness of the alleged breach and the information provided in support of the complaint. Where the Monitoring Officer requires additional information in order to come to a decision, they may contact either the complainant or the Member to request that information.
- 5.3. If a complaint identifies criminal conduct or breach of other regulation by any person, the Monitoring Officer has the power to call in the Police and other regulatory agencies.

6. How is the investigation conducted?

- 6.1. If the Monitoring Officer decides that a complaint merits formal investigation, he/she will appoint an Investigating Officer. This may be a member of the Council's staff or an external investigator. The Investigating Officer will decide whether to speak to the complainant and to any other witnesses and may collect written evidence, such as correspondence, or minutes of meetings.
- 6.2. The Investigating Officer will contact the Member and provide them with a copy of the complaint, and ask the Member to provide his/her explanation of events, and to identify what documents the Investigating Officer needs to see and anyone they should interview. In very exceptional cases, where the Monitoring Officer, after consulting the Independent Person, considers that disclosing details of the complaint to the Member might prejudice the investigation, these will be withheld from the Member until the investigation has progressed sufficiently.

6.3. At the end of their investigation, the Investigating Officer will produce a draft report and will send copies of that draft report, in confidence, to the complainant and to the member concerned, to give them both an opportunity to identify any inaccuracies in the report and to comment on their findings. Having received and taken account of any comments that you may make on the draft report, the Investigating Officer will send his/her final report to the Monitoring Officer.

6.4. The investigation and the Investigating Officer's report will be kept confidential at this stage.

7. What happens if the Investigating Officer concludes that there is no evidence of a failure to comply with the Code of Conduct?

The Monitoring Officer will send a copy of the Investigating Officer's report to the Chairman of the Member Conduct Panel and to the Independent Person and seek their views on whether to convene a member Conduct Hearing Panel. Where a hearing is inappropriate the Monitoring Officer will write to the parties, notifying them that they are satisfied that no further action is required. The Monitoring Officer will send them both a copy of the Investigating Officer's final report, which will no longer be confidential at this point.

8. What happens if the Investigating Officer concludes that there is evidence of a failure to comply with the Code of Conduct?

Where the Investigating Officer concludes that there is evidence of a failure to comply with the Code of Conduct the Monitoring Officer will arrange for the Member Conduct Panel to hold a meeting, within three months of the Investigator's final report being issued, so that it can take a decision on the complaint.

8.1. The Monitoring Officer will invite the Member to reply in writing to the Investigation Officer's report, in particular to identify what is likely to be agreed and what is likely to be in contention at the hearing. The Member will be invited to give a view on whether the Panel should meet in public or in private. The Chairman of the Member Conduct Panel will set a date for the hearing and may issue directions as to the manner in which the hearing will be conducted, including whether or not the Member Conduct Panel will meet in public or private.

8.2. At the hearing, the Investigating Officer will present their report, call such witnesses as they consider necessary and make representations to substantiate their conclusion that the Member has failed to comply with the Code of Conduct.

8.3. The Member will also have an opportunity to give evidence, to call witnesses and to make representations to the Member Conduct Panel as to why they consider that they did not fail to comply with the Code of Conduct.

8.4. After hearing from all the parties the Member Conduct Panel may conclude either:

- that the Member did not fail to comply with the Code of Conduct or
- that the Member did fail to comply with the Code of Conduct, in which case it will also decide what action to recommend or to take.

The Member Conduct Panel will not announce its decision at the Hearing. Before reaching a final decision on the complaint and any sanction, the Chairman of the Member Conduct Panel will report its finding to the Independent Person, whose views will be sought and taken into account by the Panel before a final decision is made.

9. What action can the Member Conduct Panel take where a member has failed to comply with the Code of Conduct?

The Council has delegated to the Member Conduct Panel the power to take such action in respect of individual members as may be necessary to promote and maintain high standards of conduct. Accordingly the Member Conduct Panel may –

9.1. Decide that no action is needed

9.2. Censure the Member

9.3. Recommend to the Member's Group Leader (or in the case of un-grouped members, recommend to Council or to Committees) that he/she consider all any of the following sanction:

- The Member be removed from any or all Committees or Sub-Committees of the Council;
- the Member be removed from the Cabinet, or removed from particular Portfolio responsibilities;
- the member be removed from all outside appointments to which he/she has been appointed or nominated by the authority

9.4. Report its findings and recommendations to the next available meeting of the County Council.

The Member Conduct Panel has no power to suspend or disqualify the Member or to withdraw members' or special responsibility allowances.

10. How are the Panel's finding communicated to me?

As soon as reasonably practicable after the Panel has made its final decision, the Monitoring Officer will prepare a formal decision notice in consultation with the Chairman of the Member Conduct Panel, and send a copy to the complainant and to the Member and will make that decision notice available for public inspection.

11. Who are the Member Conduct Panel?

The Member Conduct Panel is a cross party Panel of Members of the Council chaired by the Chairman of the County Council. Any hearing will be conducted by three of their number, one of whom shall be the Chairman or Vice Chairman of the Council, who will chair the meeting. In the event that neither the Chairman nor Vice Chairman are able to chair the meeting the hearing will be conducted by three members of the Panel and the election of one of their number to chair the hearing will be the first item of business at the meeting.

12. Who is the Independent Person?

The Independent Person is a person who has applied for the post following advertisement of a vacancy for the post, and is the appointed by a positive vote from a majority of all the members of Council.

A person cannot be "independent" if he/she –

- is, or has been within the past 5 years, a member, co-opted member or officer of the Council; or
- is a relative, partner or close friend, of a member, co-opted member or officer of the Council;

13. Revision of these arrangements

The Council may by resolution agree to amend these arrangements, and has delegated to the Chairman of the Member Conduct Panel the right to depart from these arrangements where they consider that it is expedient to do so in order to secure the effective and fair consideration of any matter.

14. Appeals

A Member is expected to comply with the decisions taken through the process and has no right of appeal against a finding of breach of the Code of Conduct. However a Member may require that a further Member Conduct meeting reviews any sanction imposed at a hearing.

15. Local Government Ombudsman

Where a complainant concludes that the authority has failed to deal properly with a complaint they may make a complaint to the Local Government Ombudsman.

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Audit & Governance Committee
25 September 2014

Annual Complaints Performance Report

Purpose of the report:

The purpose of this report is to give the Audit & Governance Committee an overview of the council's performance in relation to complaint handling in 2013/14 and how feedback from customers has been used to improve services.

Recommendations:

It is recommended that:

1. The Audit & Governance Committee note the council's performance in 2013/14 and how feedback from customers has been used to improve services.

Introduction:

2. The council recognises that effective complaint handling is a critical component of delivering good customer service. As well as putting things right for the customer every complaint presents a potential opportunity to learn and improve.
3. Where fault is found Corrective Action Plans are put in place to improve the service and resolve the complaint for the customer. Specific examples are highlighted later in this report.
4. Even if a complaint is not upheld, there is always the opportunity to learn about why the customer has complained, and a need to understand their motives and feelings.

Complaint categories and performance in 2013/14:

- Every complaint is assigned one or more categories which describe the nature of the complaint. Complaints by Directorate and the assigned categories are shown in Figure 1 below.

Figure 1: Complaints by service and categories in 2013/14

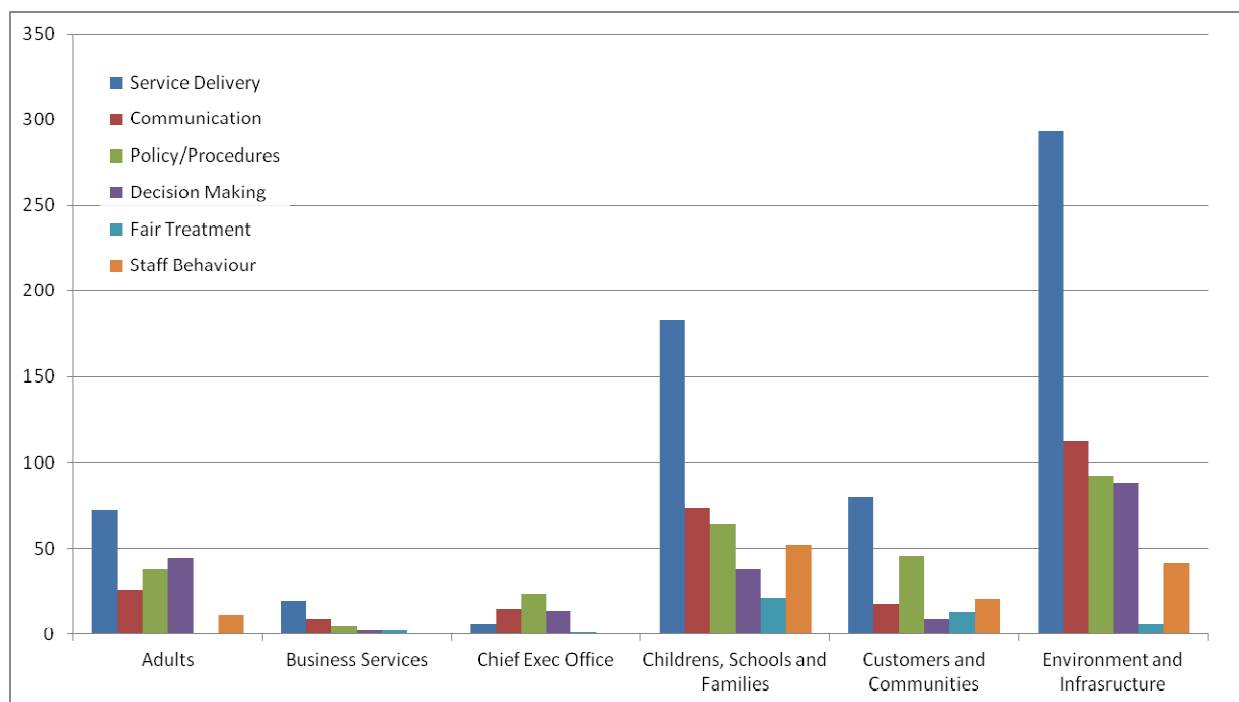


Table 1: Complaint categories in 2013/14

Directorate	Values					
	Service Delivery	Communication	Policy/Procedures	Decision Making	Fair Treatment	Staff Behaviour
Adults	72	25	38	44	0	11
Business Services	19	9	5	2	2	0
Chief Exec Office	6	14	23	13	1	0
Childrens, Schools and Families	183	73	64	38	21	52
Customers and Communities	80	17	45	9	12	20
Environment and Infrasructure	293	112	92	88	6	41
All	653	250	267	194	42	124

Table 2: Complaint handling performance in 2012/13 and 2013/14

Area	Response target	2012/13		2013/14	
		Complaints received	Performance against response target	Complaints received	Performance against response target
Business Services	90% within 10 working days	24	88%	28	86%
Chief Executives		2	100%	47	72%
Customer & Communities		199	95%	181	95%
Environment & Infrastructure		463	95%	625	91%
Adults social care	90% in 20 working days	213	94%	179	96%
Schools & Learning and Services for Young People	80% in 10 working days (extendable to 20 if necessary)	54	86% (within 10 working days) 94% (within 20 working days)	80	77% (within 10 working days) 92% (within 20 working days)
Children's social care	80% in 10 working days (extendable to 20 if necessary)	274	47% (within 10 working days) 71% (within 20 working days)	346	55% (within 10 working days) 77% (within 20 working days)
Total / weighted average		1,229	89%	1,486	88%

Complaint Trends

- The number of complaints has risen. This is accounted for as feedback is being actively encouraging and, as noted in the recent Government report 'More Complaints Please (April 2014)', there is a general rise in the number of complaints across all public and private sectors. The report describes that this does not always indicate that the quality of services is diminishing, but reflects in part rising expectations and new technologies making it easier for people to complain. People have a higher level of confidence, are more aware of their rights, and expect an increasingly effective service from all parts of the public and private sectors.
- There has been a rise in the number of complaints in the Chief Executive's Office who took responsibility for the management complaints about Ride London.

Performance

8. Despite the increase in volume of complaints, response performance for most Services remains above target. Of particular note is Environment and Infrastructure, which has seen a 35% increase in complaints received, while achieving 91% of responses within target. Children's Services response standards have also improved on last year's figures despite a 26% increase in volume. It should be noted that complexities of complaints in Children's Services significantly impact on timescales and the average time to respond at Stage 1 over the year fell to 13 days.
9. Where the council is at fault, compensation can be paid if deemed appropriate. All compensation awards are approved by the relevant Head of Service, and if greater than £1,000, in consultation with the portfolio holder. In 2013/14, the Council paid £43,039 compensation, compared to £13,394 in 2012/13. The difference is attributed to 3 payments made: £16,436 was for reimbursement of a residential placement, £8,500 was awarded in relation to a historic safeguarding failure and, £9,853 was awarded following the failure in the project management to relocate a traveller's site.

Complaint Escalation

10. We aim to resolve complaints satisfactorily at the earliest opportunity however customers who remain dissatisfied can escalate their complaint. Table 3 shows the number of complaints escalating through all stages and where fault was identified by the Local Government Ombudsman (LGO).

Table 3: Complaint escalation in 2013/14

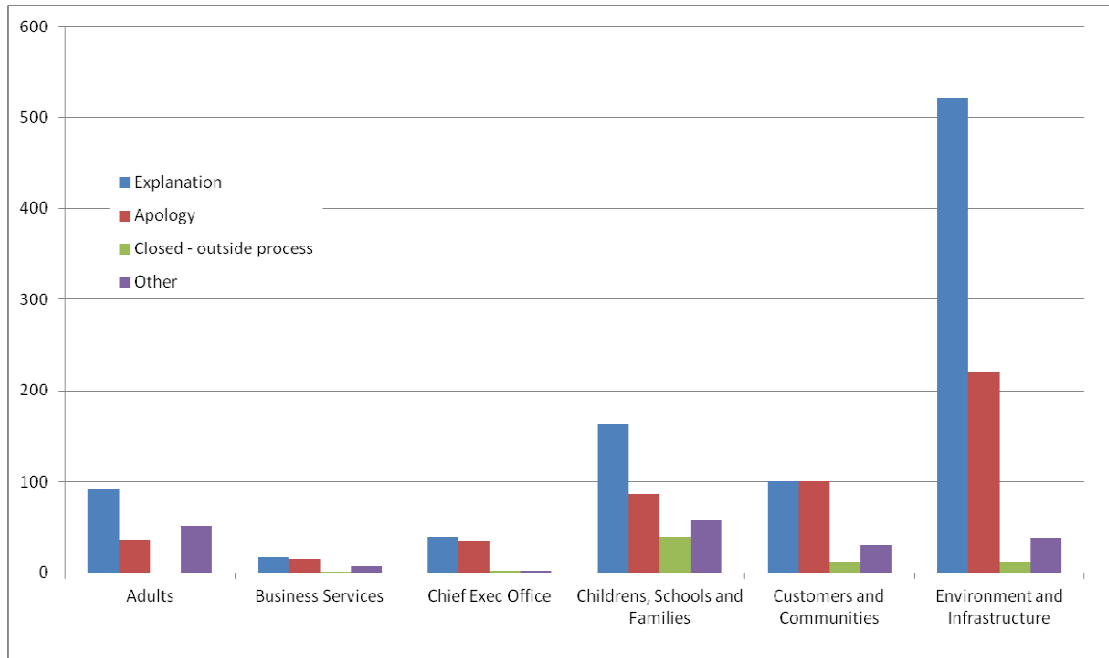
Area	Complaints received at stage 1	Complaints escalated to:			Complaints escalated to LGO in 2012/13 (fault found)
		Stage 2	Stage 3	LGO (fault found)	
Business Services	28	2	N/A	3 (0)	3(0)
Chief Executives	47	6		1(0)	0(n/a)
Customer & Communities	182	17		3(0)	0(n/a)
Environment & Infrastructure	624	141		18(1)	16(0)
Adults social care	179	N/A		12(2)	10(2)
Schools and Learning	80	7		10(0)	20(0)
Children's social care	346	15		1	21(2)
Total	1,486	188	1	68(5)	62(4)

11. The LGO rarely finds fault in the investigations carried out by our staff. This is due to the emphasis put on robust and in-depth investigations.

Complaint Outcomes

12. The outcomes from complaint investigations are monitored and analysed for trends or possible service improvements. Some complaints will result in more than one outcome or recommendation. Figure 2 shows the outcomes from complaints and how they were resolved. Figure 2 shows the outcomes from complaints and how they were resolved.

Figure 2: Complaint outcomes in 2013/14



Learning from complaints

13. Every complaint presents an opportunity to put things right for the complainant and also learn and improve. An individual complaint may result in corrective action being identified, or a number of complaints about the same service may identify a need to review a process or the information provided to customers.
14. Specific examples of learning identified through complaints are listed below:
- Children's Rights Services recommended a review of the guidance for major adaptations within the family home, and a review of the Occupational Therapy structure which has led to clearer information being provided for families and improved relationships.
 - Children's Rights Service made recommendations ensuring families are updated more regularly on the progress of assessments, and records are maintained accurately to ensure confidentiality. This has led to improved working practices and relationships with families.

- c) A review of practice regarding the transfer of Special Educational Needs (SEN) statements will lead to parents being more informed and better communication and working practices between schools.
- d) Following a joint investigation by the Care Quality Commission and Surrey County Council into a private provider's residential care home, staffing levels were increased and training revised. Surrey County Council also developed a new relationship with the care home and provided an allocated Practitioner as a professional liaison.
- e) A recommendation to provide the Adults Social Care Emergency Duty Team with access to information on the Carers Registration Scheme has improved their ability to support callers out of hours.
- f) Recommendations led to a joint review by Property, Schools Commissioning, Procurement and Planning & Development regarding the delivery and management of planning applications whereby the school and SCC are jointly named. The new process model provides clarity around roles and responsibilities and has led to more joined up working.
- g) A recommendation for the Parking Team in Highways to make it clearer that there is an option of mediated access through the Contact Centre has improved the system for capturing objections to parking schemes and provided greater accessibility.
- h) A review by Highways and Transport Development and Planning of the process for managing and monitoring small developments has led to more joined up working.

Conclusions:

15. What are we doing well?

- a) An improved awareness of the complaints processes has led to a significant increase in the number of complaints.
- b) Work with services has improved the quality of responses and led to a reduction in the number of complaints escalating (15% to 13%).
- c) Adults Customer Relations has built strong links with advocacy providers resulting in greater support for people wishing to complain.
- d) Adults Customer Relations has developed and now lead the Complaints Managers' group for social care and NHS staff in Surrey, resulting in improved external relationships and better working practices.

- e) The advocacy service in Children's Rights Service has seen an increase in contacts and has become the 'go to' advice and helpline for Surrey young people and staff. It has also collaborated closely with a national service enterprise in the development of the self advocacy 'app' MOMO (Mind of My Own).
- f) The Corporate Customer Relations team supported Highways through the Customer Service Excellence programme and continues to advise other council services working towards the quality standard.
- g) Improvements to complaint reporting is leading to a better analysis and understanding of service improvement opportunities.

16. What do we need to work on?

- a) We are currently redesigning our website to make it easier for customers to leave feedback and make a complaint.
- b) We are reviewing our systems to make complaint handling more efficient and to improve the analysis of trends to drive customer service improvements.
- c) Continue to work collaboratively across Adults Customer Relations, Corporate Customer Relations and Children's Rights Service to improve the collection, analysis and reporting of complaint information.
- d) Continue to work with services to promote the value of complaints internally, improve early resolution for customers and embed learning within the services.

Financial and value for money implications

17. There are no direct financial implications for the council in handling complaints; however there are times when compensation is awarded as an outcome of the complaint investigation.

Equalities and Diversity Implications

18. The complaints process enables customers to make their complaint through the website, by telephone or in person and does not have implications for people with protected characteristics.

Risk Management Implications

19. The complaints process does not have any direct risk management implications; however complaints do carry a risk to the council's reputation if not handled appropriately.

Next steps:

20. The Audit & Governance Committee to receive information on operation of the council's complaints procedures on an annual basis.

Report contact: Mark Irons, Head of Customer Services

Contact details: 0208 541 8567

Sources/background papers:

- SCC complaints database, ASC Annual Customer Relations Report, Children's Rights Service.
- Appendices
 - Appendix A – SCC complaints policy and procedures
 - Appendix B – ASC Annual Complaints Report 2013-14
 - Appendix C – Children's Annual Report 2013-14

Table 1: Complaints Policy

- We welcome complaints for the opportunities they give us to inform policy and improve service delivery.
- We encourage customers to complain by making it as easy as possible for them to find out how to do so.
- We maintain procedures for the management and investigation of all complaints made to officers and to Members, and continually monitor them to ensure they are fit for purpose.
- We investigate complaints thoroughly, objectively and impartially.
- When complaints are upheld we put things right.
- When we find maladministration has caused injustice we seek a remedy that would, so far as is possible, put the complainant back into the position they would have been but for the fault.

1. Surrey County Council's complaints policy and procedures and response standards:

- 1.1 The councils' complaints policy and procedures are based upon best practise advice from the Local Government Ombudsman (LGO) whose role is to provide an independent and impartial complaints review service.
- 1.2 Customer Services manages the complaints process for the council with the exception of complaints regarding Adults Social Care (ASC) and Children, Schools and Families (CSF) which are both governed by separate statutory procedures. Complaints made to ASC and CSF are managed by the ASC Customer Relations Team and the Children's Rights Service respectively. Schools have their own complaints procedures drawn up by governors.
- 1.3 Customers can make complaints directly to a service or via the council's website. Officers aim to make a satisfactory response in line with the timescales details in Table 2.

Table 2: SCC's complaints procedures and response standards

Area	Procedure	Response standard at a stage 1
Change & Efficiency	A two stage procedure	10 working days
Chief Executives		
Customer & Communities		
Environment & Infrastructure		
Adults social care	A single stage statutory procedure	20 working days
Schools & Learning and Services for Young People	A two stage procedure	10 working days (extendable to 20 if necessary)
Children's social care	A three stage statutory procedure	10 working days (extendable to 20 if necessary)

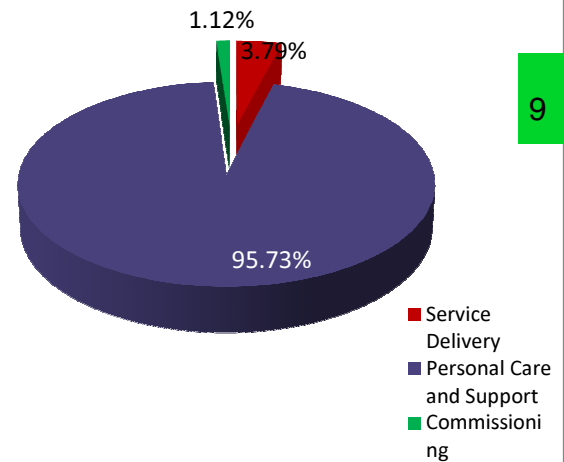
- 1.4 Please note: The Department for Health, who created the Adults Social Care complaint regulations in 2009, did not set a timescale for how long to respond. ASC has therefore set its own timescale of 20 working days (with flexibility to extend this with the agreement of the complainant).

2013/14 ASC Annual Customer Relations Report

Section A: Overall ASC Complaints & Compliments Activity

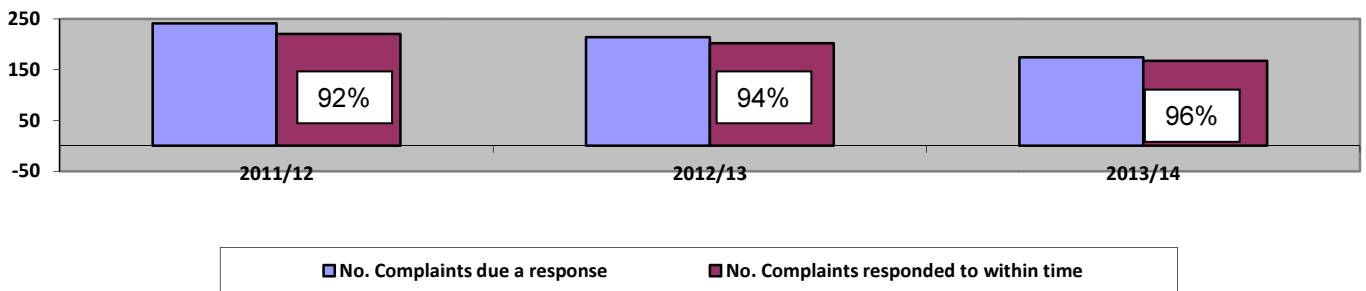
	2011/12	2012/13	2013/14
Volume of compliments received	396	553	680
Volume of complaints received	233	213	179
Individuals making a complaint	225	206	171
Complaints escalated to LGO	7	10	12
LGO Independent Investigations	0	0	0
Number complaints due a response	241	214	176
No. complaints responded to within agreed timescales (%)	221 (92%)	202 (94%)	169 (96%)
Target Response Times (%)	90%	90%	90%
Average response times (days)	23 days	22 days	22 days
Best Practice Response Times	20 days	20 days	20 days
Costs (compensation paid)	£1,511	£1350	£600

Volume of ASC Complaints Received



9

Response Handling Performance



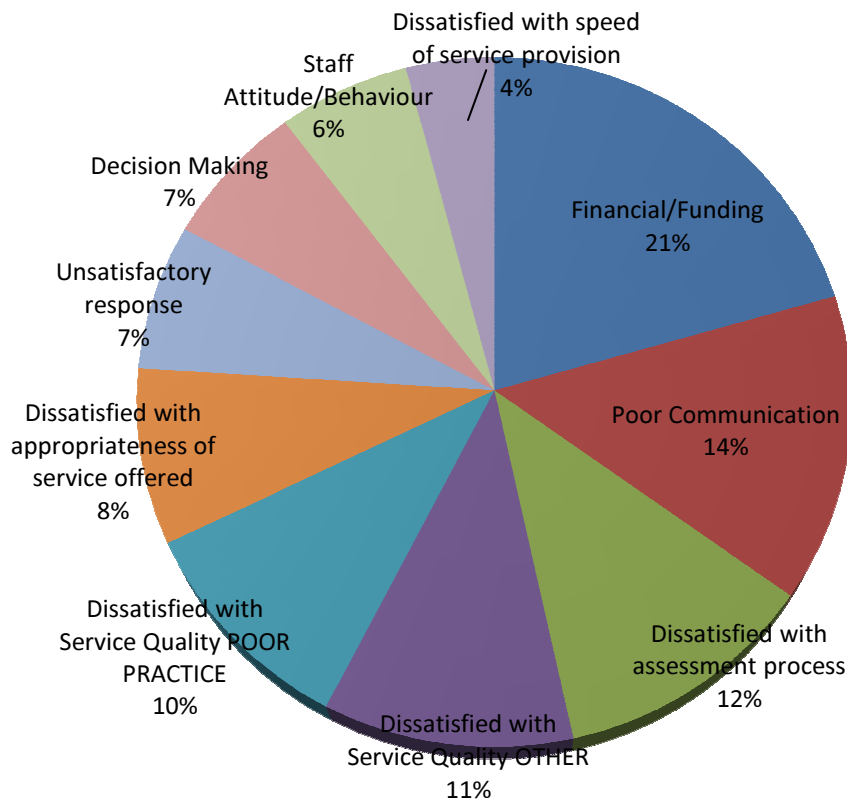
n's demanding target for yr). This year, : by 2% on the previous

led) compared to 2011/12 decrease. A range of his trend tells us. The y the trend with front line ng disenfranchised. ted to the Local

wever, settlement for e in settlement figures

Section B: Nature & Service Area of Complaints Received during 2013/14

Top Service area and Nature of complaints 2013/14



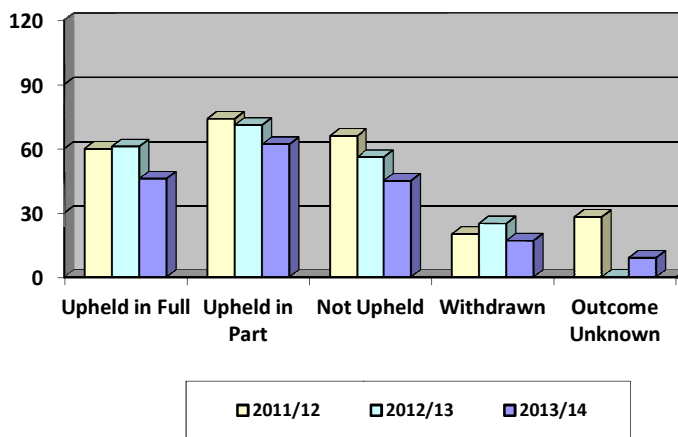
s years. In 2013/14, communication and communication was the most common area for complaints, marking a shift in peoples' concerns.

, which reflects a broad trend across the sector, with fewer common areas of concern.

Attitude/behaviour was the most common area for complaints, consistent with the previous year. This is perceived about the level of service.

Section C: Outcome & Resolution of Complaints

Outcome of Complaints	2011/12	2012/2013	2013/14
Complaints upheld in full	60 (24%)	61 (29%)	46 (25%)
Complaints upheld in part	74 (30%)	71 (33%)	62 (35%)
Complaints not upheld	66 (27%)	56 (26%)	45 (25%)
Complaints withdrawn	20 (8%)	25 (12%)	17 (10%)
Outcome unknown	28 (11%)	0 (0%)	9 (5%)



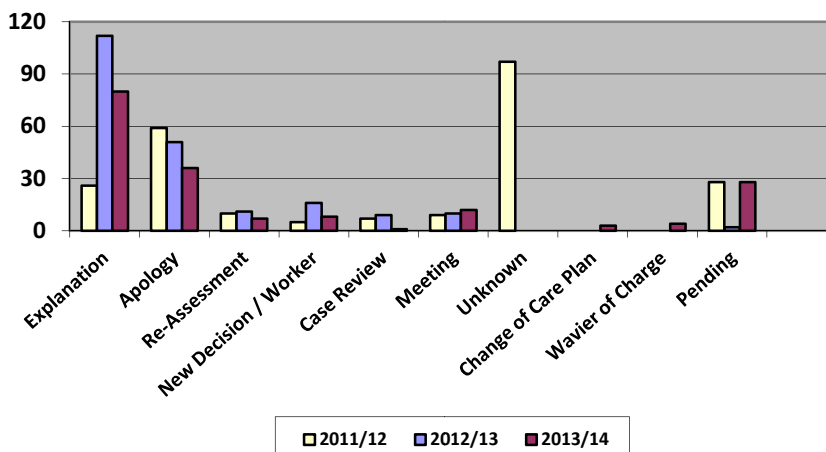
ie Headlines (2013/14)

f complaints were upheld in full art. This is consistent with 13 (62%) and does not translate concerns about the services per it shows that the complaints legitimately raised and that the treatment was fair in reaching these decisions.

me unknown is at 9 (5%) for 14. This reflects 9 complaints ed in 2013/14 but due a rise in 2014/15. Therefore, no aints were closed without ing this key piece of data (an eriment that the Department was o bring about by building on ss in this area in 2012/13). awn complaints stood at 17 As both a percentage and a gure, this fell from the previous f 25 (12%).

9

Resolution of Complaints	2011 / 12	2012/13	2013/14
Explanation	26 (11%)	112 (53%)	80 (45%)
Apology	59 (24%)	51 (24%)	36 (20%)
Re-Assessment	10 (4%)	11 (5%)	7 (4%)
New decision / care worker	5 (2%)	16 (8%)	8 (4%)
Case review/change of Practitioner	7 (3%)	9 (4%)	1 (1%)
Meeting	9 (4%)	10 (5%)	12 (7%)
Unknown	97 (40%)	0 (0%)	0 (0%)
Change of Care Plan	0 (0%)	0 (0%)	3 (2%)
Wavier of Charge	0 (0%)	0 (0%)	4 (2%)
Pending resolution	(28) 12%	2 (1%)	28 (16%)



ion Headlines (2013/14)

f complaints were resolved with lanation or apology. While this is the outcome that resolves the ty of complaints, it also reverses nd in 2012/13 where 77% of aints were resolved in this way. ppears due to other forms of tion becoming popular in 14, such as meetings, changing lans and waiving charges.

h 2012/13, all complaints have a ed resolution. This reflects ' diligence in completing data n the complaints they handle. 120) of all complaints have ig points and corrective actions ed. This is a reduction in tage terms on last year, where 76% (162).

ain actions identified were: ' and improve internal unications 13.41% (24), review ice for staff 10.61% (19) and ' and improve training for staff, (17).

Section D: Feedback Complaints Survey

Customer Relations issues the complaints feedback survey at the end of the complaints process. This is designed to ascertain feedback on the complaints process itself rather than satisfaction with the outcome of the complaint. The Department historically receives a low response rate (in 2012/13, we received 13 responses). In 2013/14, we received 9 responses. This low response is probably because complainants see the survey as “another thing” to consider and less relevant to making their complaint and seeking a resolution.

Of those 9 surveys, responses include:

- Most complainants scored making a complaint as “easy” (6 responses) as opposed to “hard” (2 responses). One respondent didn’t answer this question.
- All respondents scored the Department highly on our speed in acknowledging their complaint, providing a response that answered all of their issues, and what to do next at the end of the complaints process.
- Most respondents felt treated with dignity and respect (8 responses gave a score of either 1 or 2 and one respondent scored this lower at 3).
- 8 respondents were satisfied (scoring 1 or 2) with the way their complaint was handled. One was “very dissatisfied” (scoring 4).
- Views were mixed on how confident respondents were the Department could prevent the same problems (that gave rise to their complaints) occurring again. 5 responses scored 1 and 2 for how confident they were, while 3 responses scored 4 or 5. One respondent did not address this point.

Section E: Compliments

Emphasis of Compliments		Total
Commissioning		10
Personal Care and Support	<i>East</i>	115
	<i>Mid</i>	148
	<i>North West</i>	229
	<i>South West</i>	116
	<i>County wide</i>	30
Personal Care & Support Total		638
Service Delivery	<i>Learning Disabilities</i>	15
	<i>Older Peoples Services</i>	14
Service Delivery Total		29
Strategic Support / Policy & Strategy		3
Grand Total		680

9

Compliments Headlines (2013/14)

- 94% of all compliments received related to Personal Care & Support Teams
- 40% of PC&S compliments related to reablement teams
- 27% of PC&S compliments related to staff competency
- Of the four areas, the North West received the largest amount of compliments
- 64% of these were service led (solicited) and 36% initiated spontaneously by people using services (unsolicited).
- Total number of compliments (680) is higher than complaints (179) and is also an increase on the previous year (2012/13) where we received 553.
- Service users continue to be enthusiastic about providing positive feedback on our services.

Section F: Learning from complaints

Learning from complaints leads to changes to the way the Department delivers services, examples include:

- Agreed to share learning around communication with the whole team during future Best Practice Meeting. This learning was identified by the Team Manager even though the complaint of Poor Communication was not upheld (the difficulty with communication related to a third party local authority's involvement).
- Following a joint investigation by CQC and Surrey County Council into a private provider's residential care home, staffing levels were increased and training revised. Surrey County Council also developed a new relationship with the care home and provided an allocated Practitioner as a professional liaison.
- Following a complaint to the Emergency Duty Team, the Team Manager took steps to ensure that EDT staff had access to information on the Carers Registration Scheme. Previously, the

information was held only on social care systems that EDT did not routinely have access to. This was remedied for all people contacting EDT.

Section G: Achievements

- **The training agenda**
 - The Customer Relations Team provided training throughout the year to operational colleagues. Almost all attendees provided positive feedback on the training and its relevance to actual scenarios that they are regularly involved in.
- **Supporting Staff**
 - The Team has supported staff with individual strategies for complex complaints and in dealing with challenging cases, both within and outside the complaints process.
- **Publicity**
 - We have revised our online complaints information with a particular focus around inviting customer feedback. The Customer Relations Team also developed specialist publicity for people with Learning Disabilities, with our colleagues in Service Delivery.
- **Liaison with NHS groups**
 - Surrey County Council continues to lead on, organise and chair the Complaints Managers' group for social care and NHS staff in Surrey.
- **Complaints advocacy**
 - Customer Relations has built links with those advocacy providers supplying advocacy to people using Adult Social Care, people making complaints to the NHS in Surrey and throughout the South of England.
- **Quality Strategy**
 - Customer Relations has contributed to the Department's quality strategy through our work on the outcomes of individual complaints, securing specialist freelancers for investigations, and working on projects with Commissioning colleagues (specifically around Learning Disability services).

Objectives for 2014/15

- Promote good practice to neighbouring authorities and NHS bodies, around complaints handling, advocacy and delivering service improvements. Target partners for this promotion include Health Watch, NHS Complaints advocates, social care advocates and local authority Customer Relations Managers.
- Deliver ongoing training. Training is an integral feature of the Customer Relations Team's role. Objectives for the coming year include ensuring that senior Practitioners and Managers have attended the foundational training programme. The Customer Relations Team will also look at specialised training for Managers based on their feedback from last year's attendance.
- Closer work with Corporate and Families Customer Relations Teams to exploit internal expertise on good practice
- Develop our business relationship with the Ombudsman's office.

Contact details

For further details on complaints or compliments, please contact:

- Dilip Agarwal, Customer Relations Manager (07773) 563 207
- Karla Butler, Customer Relations Team (01483) 518300
- Caroline Kalmanovitch, Business Intelligence Manager (07855) 456 337

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Children's Rights Service

Children's Service
Statutory Complaints Report 2013 - 2014

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- 2 SCC CHILDREN'S SERVICES' COMPLAINTS ANALYSIS 2013 – 2014
- 3 ADVOCACY SUPPORT
- 4 MONITORING THE PROCESS
- 5 FINAL COMMENTS

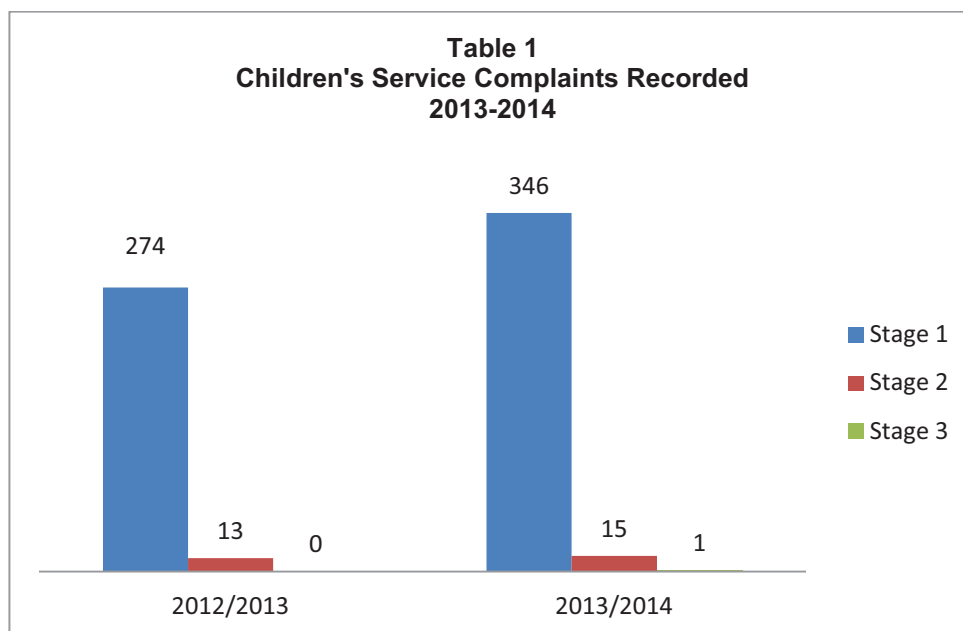
1 PURPOSE AND SUMMARY OF REPORT

- 1.1 All local authorities with Children's Social Care responsibilities are required to maintain and operate a Children's Act complaints process in line with statutory guidance. The management of this process should sit outside operational Children's Service's delivery and the responsible "complaints manager" should not report into Children's Service line management. The Authority must produce a statutory annual complaints report detailing complaints performance and activity.
- 1.2 In Surrey, the Children's Act Complaints Process is delivered by the Rights and Participation Service. This service sits at arm's length from operational teams in the Resources Division of the Children, Schools and Families Directorate.
- 1.3 The Children's Act Complaints Procedure considers complaints from and on behalf of children and young people, and their carers who are receiving a service under the Children's Act. Complaints can for example be made about the type or quality of service, the provision or lack of provision, about staff interventions with users. Young people making or thinking of making a complaint are entitled to an advocate. The Rights and Participation Service does, on occasion, receive complaints that are in reality concerns of a safeguarding nature and or not about Children's Act provision. Such concerns are referred to operational teams for action as appropriate and in accordance with the Safeguarding Board Procedures. These concerns are not considered under the Statutory Complaints procedure.
- 1.4 The procedure operates a three stage process. Stage one is local resolution, where the matter is responded to by the team working with the family or as close to the point of delivery as possible. These complaints may be made direct to the operational team or via the contact centre or complaints team or Councillor or any other officer of the council, although this process cannot consider complaints from any of these groups. The statutory guidance expects that most complaints will be responded to within 10 working days at stage one or 20 working days for more complex cases. Stage one complaints are responded to by operational managers. At stage two the process is managed by the Rights and Participation Service who will usually appoint an independent investigator and independent person to investigate the complaint and produce a report of their recommended findings. This stage can take between 1 to 6 months to complete. The third stage is a review panel hearing. The panel, which is made up of independent people will hear from the complainant and the service before reaching their recommended findings in relation to the complaint. Following stage three, if the complainant remains unhappy they can refer the complaint to the Local Government Ombudsman (LGO) for their consideration. The LGO may investigate the complaint and can issue a public report of their findings.
- 1.5 Complainants are advised that they have the right to request their complaint is progressed through the procedure at the end of each stage should they remain dissatisfied.
- 1.6 The Rights and Participation Service notes that Senior Managers within Children's Service occasionally respond to informal inquiries received from Members and MPs where it is deemed that a response via the complaint process would not be appropriate. During 2013-14, 35 MP/Cllr enquiries were recorded on the Customer Feedback Database. This is the database also used for recording complaints. It is interesting to note that of the 35 MP/Cllr enquiries, 8 were also known to the Rights and Participation Service as complainants whose complaints were being or had been addressed through the complaints process. Recording these types of enquiries on the database ensures that we are systematic in approach with a view to ensure that work is not duplicated and that responses are managed through the correct process.

2 SCC CHILDREN'S SERVICES' COMPLAINTS ANALYSIS 2013 – 2014

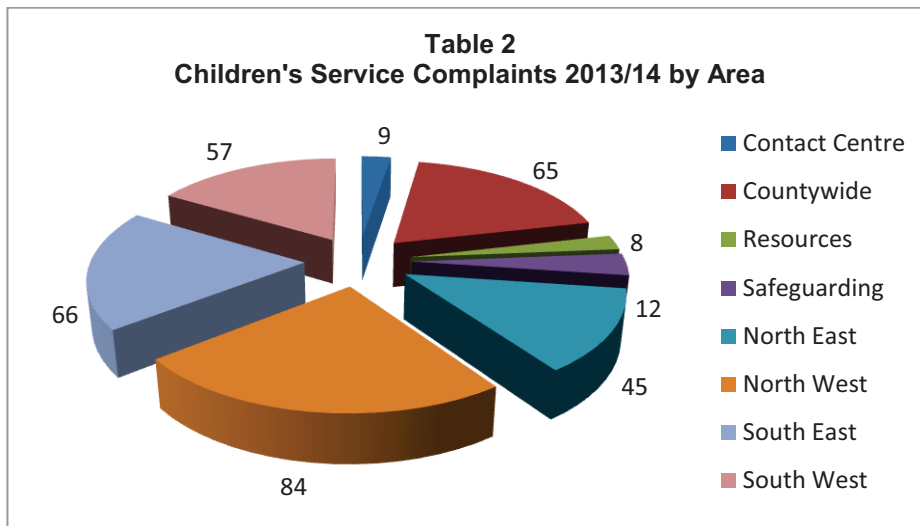
2.1 VOLUME OF COMPLAINTS RECORDED

2.1.1 Table 1: Children's Service Complaints received 2013 -2014

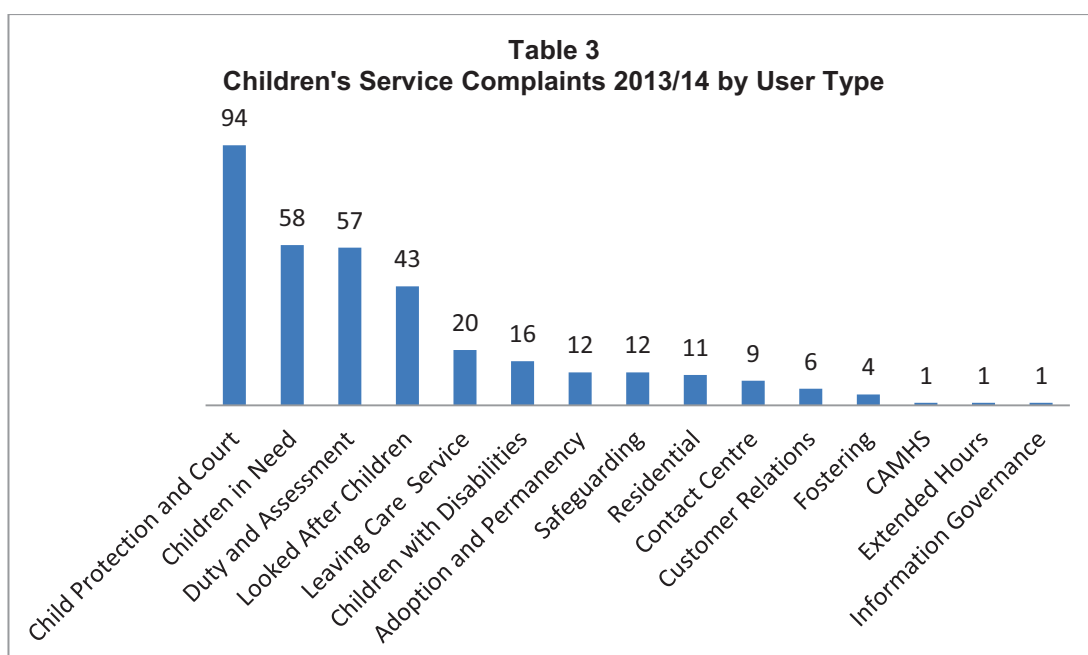


2.1.2 As illustrated in Table 1 above, the total number of complaints received between April 2013 and March 2014 for Surrey Children's Service has increased by 102 when compared to the previous 12 months. Increased numbers of complaints recorded reflects the accessibility of the process ensuring that residents' voices are being heard, listened to and acted upon with a view to making appropriate changes and where appropriate, improvements to Service Delivery. Whilst the total number of complaints escalating through the process has also increased, the proportion of complaints that have been escalated has remained level when comparing 2013/14 to the previous 12 months. During 2013/14, 4% of the complaints recorded escalated to independent investigation at the second stage of the process. This is equal proportionately when compared to the previous 12 months. The single complaint that progressed to the third stage of the process did not however complete the process and was instead considered at an early stage by the Local Government Ombudsman. The outcome of the Ombudsman's enquiry in that case was that there was no maladministration and no injustice.

2.1.3 Table 2 below details Children's Service complaints by service area over the last year. These relate to complaints *about* these areas, rather than complaints received *by* these areas. The chart demonstrates that the majority of complaints are in the main directed at the operational social care teams, which is to be expected. The chart indicates that the majority of complaints were recorded as being about the North West Area. The Rights and Participation Service will be monitoring recording levels in the next fiscal year with a view to ascertaining if this demonstrates any specific trend. The Participation arm of The Rights and Participation Service (RPS) regularly interacts with young people and in particular care leavers. Where these young people are dissatisfied with outcomes following social events organised by the Participation arm of the RPS, their concerns are recorded as being about the Rights and Participation Service as the organising agent in those instances. This year a single complaint in regard to service delivery from the Parent Partnership Service (PPS) (who support parents with children about to or undergoing the Statement of Educational Needs process) was also recorded. This is reflected within the complaints recorded as being about 'resources' as the PPS is part of the Rights and Participation Service.

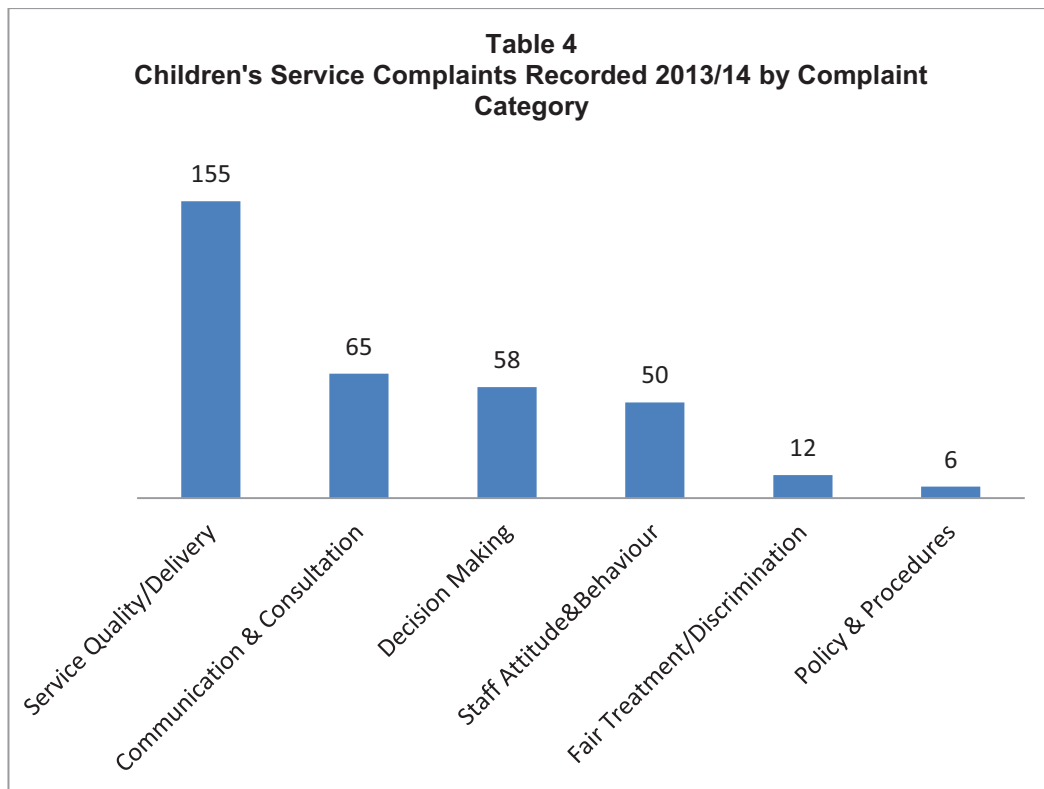


2.1.4 Table 3 below details number of complaints received by service user area. The data demonstrates that the majority of complaints received are from those receiving services from Child Protection and Court Proceedings Teams (CP &P) (94) which can include complaints about the content of reports requested by the Court relative to private proceedings. For example parents may use an Initial or Core Assessment as part of their evidence in Private Proceedings and the other party may then complain about the content of said assessment as in their view the assessment 'is biased against them'. It should be noted that these assessments are not written for the Court and the decision to share content rests with the family members and not Surrey Children's Service (SCS). The expectation is that the content would therefore be challenged in Court and not via the complaint process. Similarly the Court may direct SCS to undertake enquiries under specific sections of the Children's Act. The purpose of the enquiry and report is to assist the Court in making directions were there has been for example a Residence Order application by a parent. The expectation in this case is also that the concerns will be discussed as part of the ongoing legal proceedings and not addressed via the complaint process. The table also shows that levels recorded by the CP&P Teams, the Children in Need Teams (58), the Duty & Assessment Teams (57) and finally the Looked after Children Teams (43) account for 73% of all complaints received in relation to Children's Service in Surrey. This is not unexpected given that it is in the main these teams that are involved following referrals for intervention received from either partner agencies such as Health or the Police or concerns raised by families themselves.

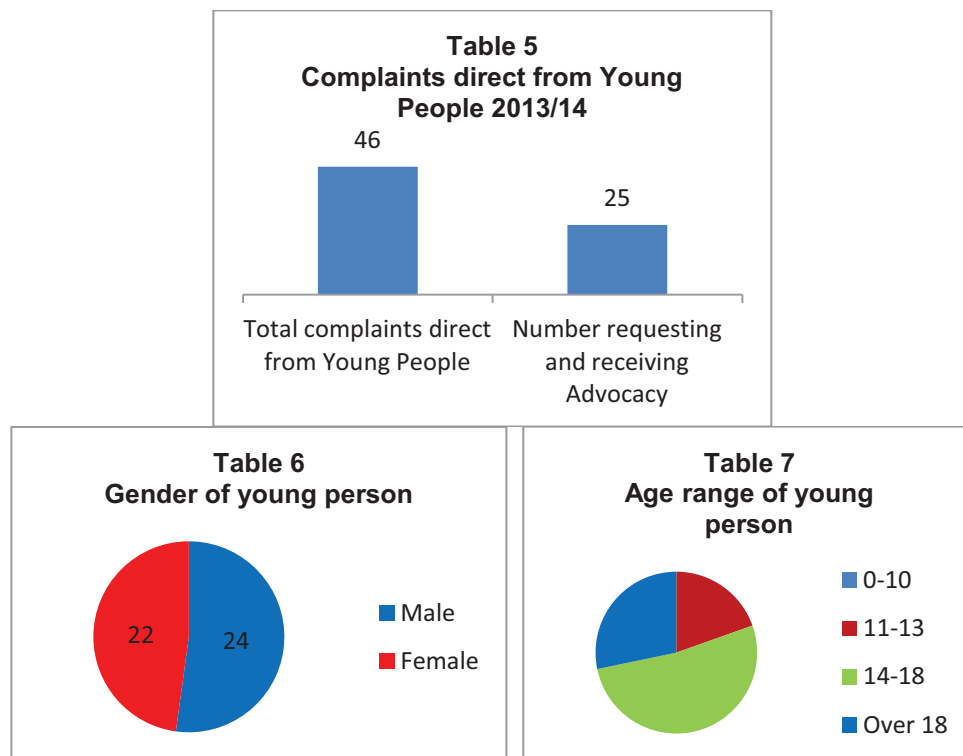


2.1.5 Table 4 below details the number of complaints received by category (type of complaint). The chart demonstrates that the majority of complaints are in regard to 'Quality of Service' provided. In the main, most complaints for this category relate either to a service user's perception of how well services have adhered to established practice and guidance or, to some degree, misunderstanding by the complainant of the role that Surrey Children's Services plays in private proceedings. The majority of these particular complaints are 'Not Upheld', are resolved by providing more explanation and generally do not result in any specific learning actions beyond emphasising the need to ensure that timely and full explanations are provided relative to decisions and actions taken. 'Communication and Consultation' is the next most common category of complaint. The main issues here relate to families' expectations around what constitutes regular or frequent communication from the allocated social worker. The third most common complaint category is 'Decision Making'. In the main, this category relates to complaints about the content of assessments and reports where parents disagree with the social workers' professional opinion as expressed within the content of the assessment or report. Records suggest that where there is disagreement with the outcomes arising from an assessment or report, this disagreement is expressed as a complaint suggesting that the outcome is flawed, with the content of the report or assessment referred to by way of example to support this view.

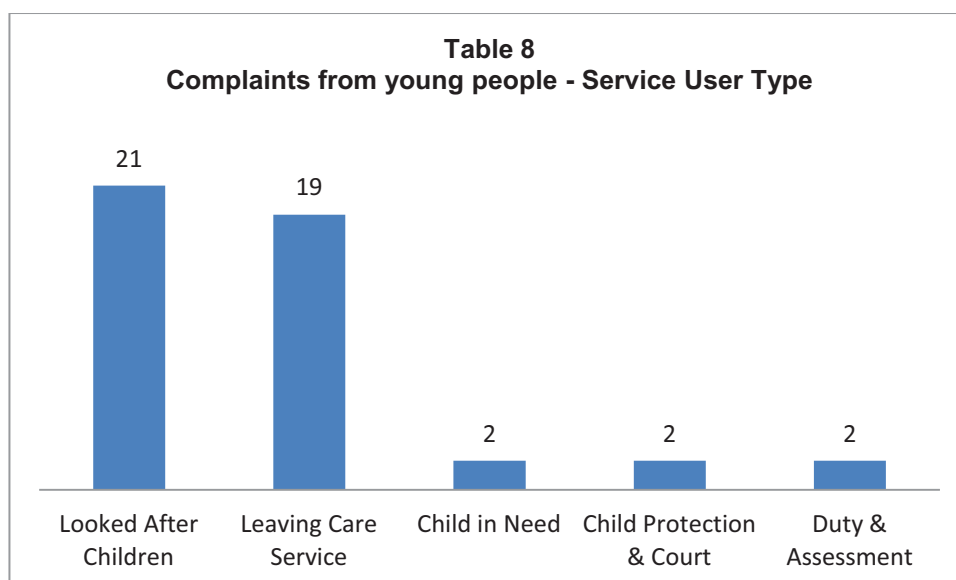
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2.1.6 In 2013-2014, 46 formal complaints were received directly from children and young people. This is an increase from the 39 recorded in the previous 12 months. Alongside this increase on last year in number of formal complaints, the Rights and Participation Service continues to note an increase in number of contacts from young people seeking support from the Rights and Participation Service to achieve informal resolution of problems and concerns. Tables 6 & 7 below show that 52% of young people making a formal complaint were aged between 14 and 18 and over and further, that males and females are equally accessing the complaints process. Table 5 below shows that of the 46 formal complaints recorded, 25 of the young people requested and received advocacy support. Of the 25 who received advocacy support, 8 were supported by an 'independent advocate' while the others elected to either receive support from Rights and Participation Service staff (15) or from an advocate of their choosing (2), for example a family member or friend or other professional such as a teacher



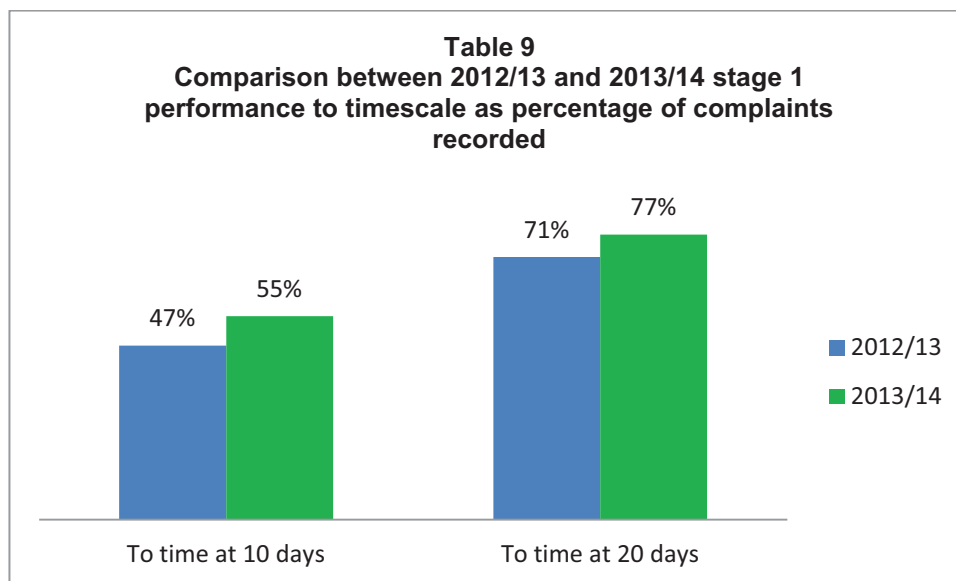
2.1.7 Table 8 below shows the breakdown of complaints recorded (direct from young people) by service type. The majority of these (87%) were received from either looked after young people or those leaving care. Care Leavers's main concerns remain around financial support and support to find secure accommodation. For looked after children, concerns remain around contact with family and concerns relating to placements. This year has seen a particular rise in complaints and contacts from young looked after Asylum Seekers.



2.1.8 Once again a number of complainants ,236, equating to 68% identified themselves as White British, which is not unexpected given the demography of the County's population. This figure does not differ significantly on a proportional basis when compared to the previous 12 months where 67% of complainants identified themselves as White British. Other ethnic identifications included Asian and Black Caribbean. Generally, the breakdown is reflective of the local area and is therefore a good indication of the accessibility of the procedure.

2.2 PERFORMANCE AGAINST TIMESCALES: HOW RESPONSIVE HAVE WE BEEN?

2.2.1 Table 9: Children's Service Performance at stage 1

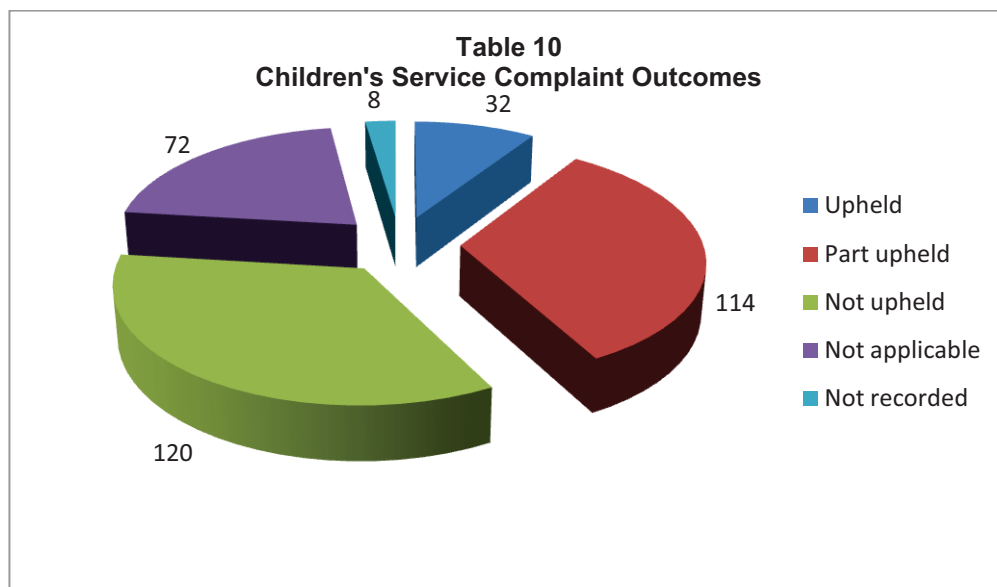


2.2.2 Table 9 above shows the detail of time taken to respond to complaints at S1, (local resolution) providing a comparison between the current reporting year and the previous one. The table shows performance for responses at both the 10 and 20 day statutory timescales. The table demonstrates that there was 55% compliance to the statutory timescales of 10 working days and 77% compliance at 20 days. It should also be noted that the average time taken to respond to a complaint at the first stage of the process is 13 days which is well within the 20 day timescale which is in turn, the timescale monitored by the Directorate. It is acknowledged and accepted that there will, in some circumstances, be cases which cannot be responded to within the 10-day timescale. These cases can be classed as meeting criteria for 'justifiable delay' for example, complaints direct from Young People requiring formal advocacy support, and complaints that stretch across more than one team or service such as Children with Disabilities and Special Educational Needs. During this reporting period there were 21 complaints that were deemed to meet the criteria for justifiable delay. These reflect 14% of the complaints that did not meet the 10 day response target. An increase in performance at both the 10 day and 20 day response target could be said to be indicative of an improved focus on complaints handling generally. However, it is more promising to note that the percentage of complaints progressing through the later stages of the process has remained stable at 4%, despite the significant increase in the numbers of complaints recorded at the first stage of the process.

2.2.3 Rights and Participation staff have continued to spend a significant amount of time interrogating the data and chasing responses. Operational teams are routinely reminded of their responsibilities to log complaints and update records. Changes in the Customer Feedback Database which is used for recording complaints has meant that routine reminders are also automatically generated to the person responsible for responding. This effort has resulted in improved performance against statutory targets and the decrease in the proportion of complaints escalating through the process. As indicated above there are instances where complaints are said to meet the criteria for justifiable delay and this will impact on the performance of the operational teams relative to complaint response times.

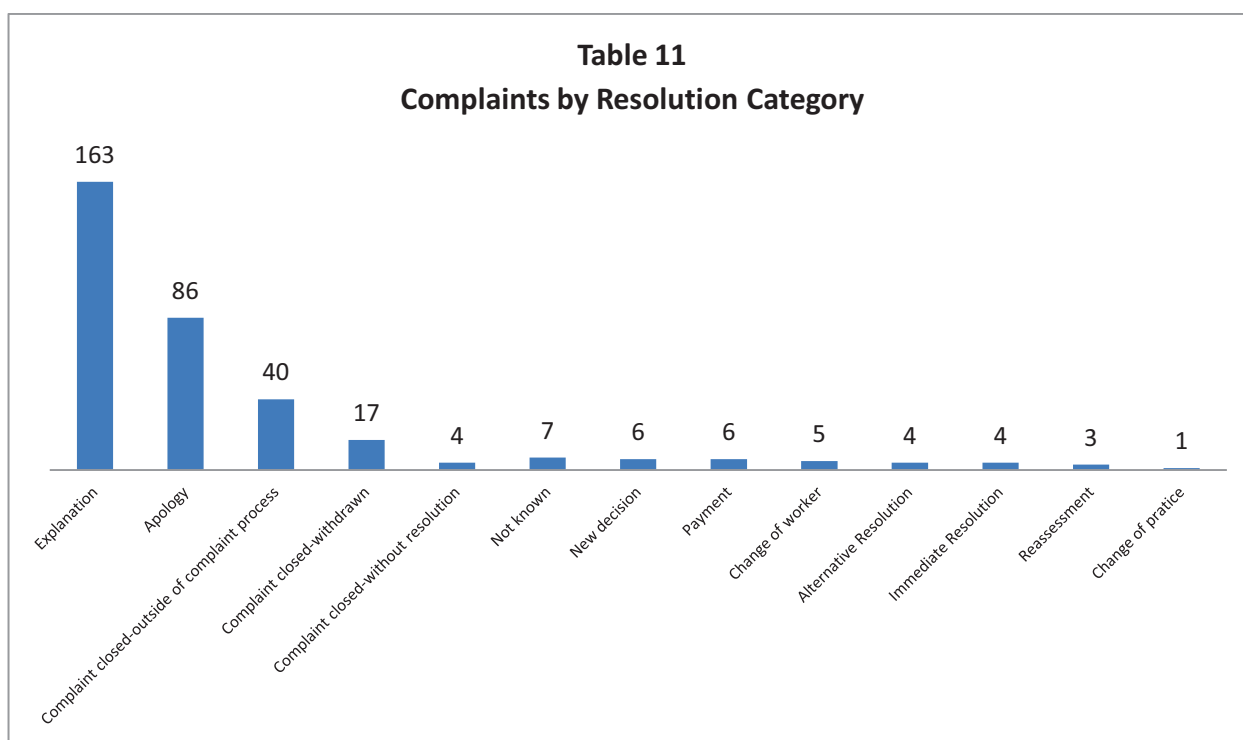
2.3 COMPLAINTS OUTCOMES & RESOLUTION

2.3.1 Table 10: Children’s Service complaints recorded by outcome.



2.3.2 Table 10 above shows that a majority (120) of complaints responded to at Stage one of the process were ‘not upheld’ (no fault found), another 114 were ‘part upheld’ (some fault found) and a further 32 of complaints were recorded as fully ‘upheld’ (fault found). During the year, complaints about matters that could not be considered via the complaints process, for example those about decisions reached in Court, show an outcome of ‘not applicable’. These account for 72 of the complaints recorded. In all these cases the complainants have been advised of alternative routes that may be available to them or to seek independent legal advice. The Rights and Participation Service will continue to liaise with Children’s Service with a view to improving service delivery in terms of learning arising from complaints with a focus on complaints that were either ‘upheld’ or ‘part upheld’. This will be implemented in the first instance by holding quarterly ‘learning from complaint’ briefings at Senior Management meetings with a focus on sharing learning across the Service as well as sharing of best practice.

2.3.3 Table 11 below details complaints recorded by resolution category

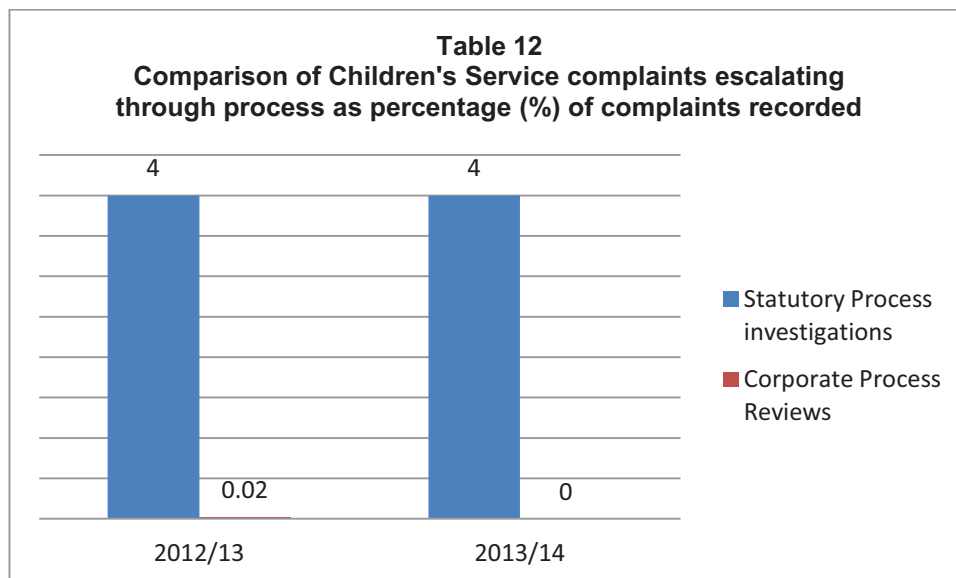


2.3.4 Given that 120 complaints recorded were 'not upheld' and a further 114 were 'part upheld', and that 163 of the 346 (47%) of complaints recorded were resolved by 'explanation', it can be argued that the quality and effectiveness of communication with families continues to cause most dissatisfaction. The majority of complaints recorded relate to the Child Protection & Court and the Duty and Assessment teams. This can be seen to suggest that as families 'in crisis' these families may not be 'absorbing' the explanations provided by the social care professionals in terms of why they are involved in the families' lives. This interpretation is further supported by the fact that the majority of complaints are being resolved by explanation.

2.3.5 Alongside what complaints tell us in terms of the need for improving the quality of communication between the Service and service users, the Rights and Participation Service routinely receives requests from both the Service and service users asking for support in managing communication and resolving issues. As a result, the Rights and Participation Service have become much more involved in leading on learning from complaints and will continue to provide management information on this as outlined above at 2.3.2

2.4 ESCALATION OF COMPLAINTS

2.4.1 Table 12: Complaints escalated to stage two (Corporate and Statutory processes)



2.4.2 During 2013-14, a total of 44 requests were received for complaints to be escalated to Stage two of the process. Of these 44, 15 requests were accepted. Of these 15, 14 complaints (4% of all the complaints recorded) progressed to full investigation under the statutory process and one was investigated under the corporate complaints process.

Of the remaining 29 escalation requests:

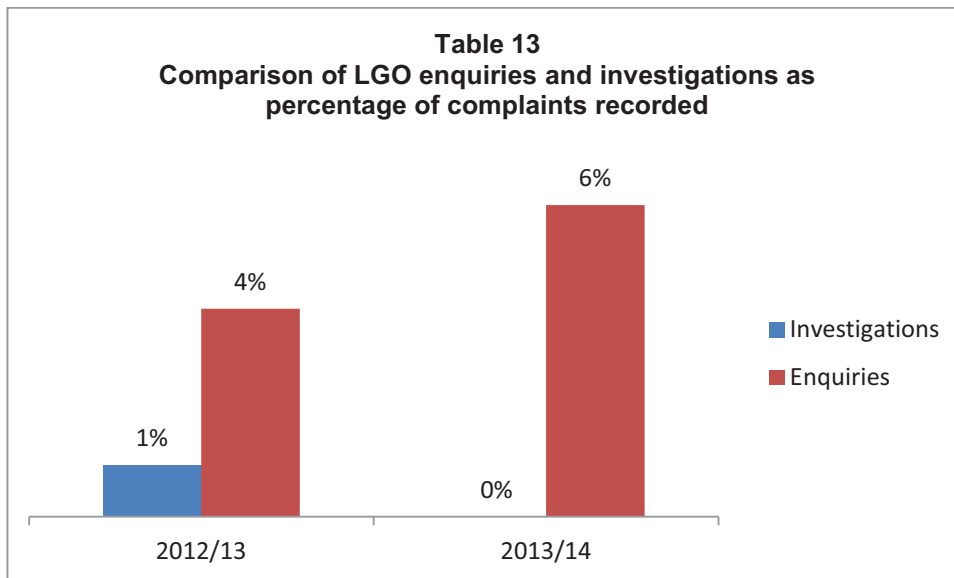
- 7 were declined as they were not appropriate for the complaint process
- 6 were declined as an alternative more appropriate route was available to the complainant e.g. seeking independent legal advice relative to matters currently being discussed as part of private proceedings in Court
- 4 were resolved by financial redress totalling £3073.72
- 2 additional offers of financial redress have been made totalling £7800 (one of £7500 has been declined and is now at independent investigation while the other offer has yet to be acknowledged by the complainant)
- 4 were resolved by additional apology

- 2 were resolved by additional explanation
- 1 was closed without resolution
- 3 are currently under consideration and awaiting allocation of independent investigators

2.4.3 None of the complaints recorded during the 2013-2014 year progressed to the third stage of the process. The single complaint that was responded to at the third stage of the process during this reporting period was recorded during the 2012-2013 fiscal year. Overall this is indicative of improved responses at S2 of the process.

2.5 LOCAL GOVERNMENT OMBUDSMAN ENQUIRIES

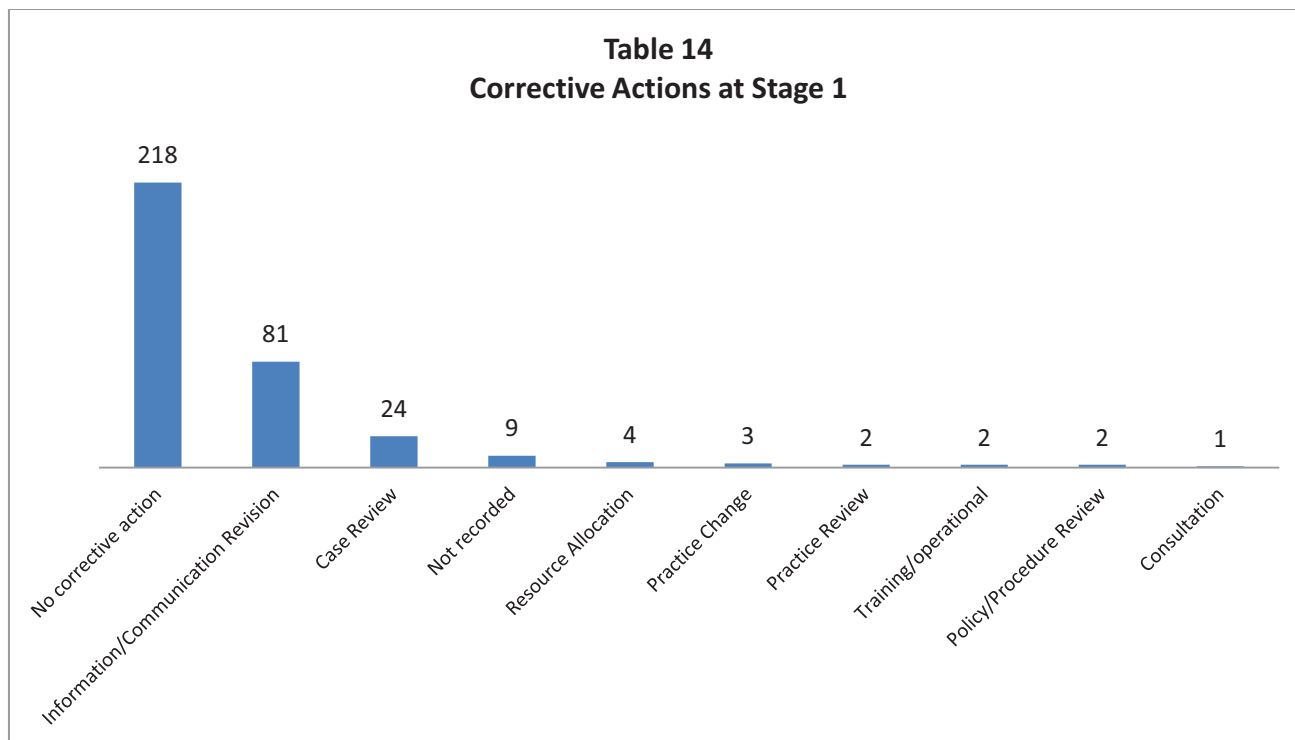
2.5.1 Table 13 below shows the total LGO enquiries and investigations received compared to previous year. It must be noted that not all enquiries from the LGO progress to full investigation. In the main this is because following initial enquiries the Rights and Participation Service is able to demonstrate that the Council has taken reasonable steps to resolve the complaint. On some occasions the Rights and Participation Service is able to agree a way forward with the LGO and with agreement from the complainant can lead to resolving the complaint satisfactorily for all parties without the need for a full and formal investigation. In the 2013-14 fiscal year no formal investigations were completed by the LGO.



2.5.2 The LGO issued no public reports in relation to Children's Service during this period. This is a positive result and shows that not only do we have a low rate of escalation to the LGO but that under external scrutiny the majority of complaints have been appropriately dealt with by the local authority.

2.6 LEARNING FROM COMPLAINTS

2.6.1 Table 14: Corrective actions identified at stage 1



2.6.2 Table 14 above shows that 128 complaints resulted in corrective actions being identified. This is a significant improvement when compared to the 79 identified in the previous 12 months. 218 (of 346 complaints due a response) were explicitly recorded as not leading to any corrective action. This supports the fact that the majority of complaints at stage 1 of the process are resolved by explanation. Robust responses at stage 1 of the process that clearly sets out and upholds acknowledged errors and omissions contribute significantly when considering whether or not a complaint should be escalated. For example, a robust response may provide the opportunity for agreement to an acceptable remedy as opposed to a full investigation at the second stage of the process thus avoiding further delay in resolution for the complainants and costs to both parties. In the 2013-14 fiscal year responses at stage 1 of the process included cases where peer reviews of assessments or court reports have been undertaken to establish whether or not, in the light of changed or new information, the outcome of said reports or assessments would have had an impact on the decisions taken. To date, whilst peer reviews have resulted in some corrective action, no changes in outcome have been identified.

2.6.3 At the close of the second stage of the process or LGO enquiries in regard to a complaint, the Rights and Participation Service develops and circulates corrective action plans (CAPs) to managers who are responsible for carrying out the actions and sharing these within their service area.

2.6.4 During this reporting period, the corrective action plans drawn up and circulated across Children's Service list, between them, a total of 58 separate corrective actions. The actions were identified by the Service and need to be completed in order to improve services and put matters right. In addition to the key learning themes discussed in the sections below, other actions arising include; ensuring that records are accurately maintained, ensuring that confidentiality is observed and ensuring that families are updated regularly in terms of progress with assessments and reports.

2.6.5 95% of the corrective actions identified this year were reported as completed by the Service. This is an improvement on last year's completion rate of 90%. The status of the remaining 5% is 'unknown' at the time of reporting. However these are pending completion of enquiries by the LGO which may result in revised corrective actions.

2.6.6 At stages 2 and beyond, the top 2 types of corrective actions taken as a result of escalated complaints are:

- Service Briefing (18 out of 58)
- Information Revision (15 out of 58)

2.6.7 The key learning themes identified at Stages 2 and beyond relate to:

1- Difficulties in managing expectations for families where more than one partner agency is involved such as for example; Children in Need who are open to Children with Disabilities and require funding for adaptations to the home. Funding decisions rest with the local Borough or District Council following assessments by Occupational Therapists which are arranged by Surrey Children's Services

2- Effective records managements including maintaining confidentiality.

2.6.8 Specific examples of learning from complaints identified by operational and Rights and Participation staff are listed below:

1. Review of SCC guidance regarding major adaptations within the family home
2. Review of the Occupational Therapy structure within the Countywide Service
3. Review of Terms of Reference for the Disability Resource Panel

2.7 SUMMARY: WHAT HAVE WE DONE WELL AND WHERE CAN WE IMPROVE?

2.7.1 What we are doing well?

- Significant increase in the numbers of complaints being recorded
- Significant increase in the numbers of complaints being made directly by young people. All young people wishing for support to make formal complaints or to resolve problems are being supported through the Rights and Participation Service
- Average response times for initial stage of the process remain within timescale
Maintained low levels of complaints escalating through the process
Continued decrease in numbers of complaints investigated by the Local Government Ombudsman
- Higher level of identification of learning at stages 2 and beyond
- Improved awareness of the complaint process promoting open and fair discussion around intervention by SCS

2.7.2 What do we need to improve?

- Performance in terms of response timescales at 10 working days at Stage1
- Increase use of peer reviews to promote sharing of best practice and inform robust responses at all stages of the process
- Service wide dissemination of learning arising from complaints at all levels of the process
- Ensuring complaints process is accessible to all children and young people including those looked after residing out of county and unaccompanied asylum seekers.

The Rights and Participation Service will continue to work closely with operational teams in regard to the 3 points identified above. This will include Children's Rights Managers having regular discussions with Team and Area Managers that are case by case specific as well as across the area together with a quarterly slot at Children's Service Senior Management Team Meetings (CSMT) to disseminate service wide learning arising from complaints.

3. ADVOCACY SUPPORT

- 9
- 3.1 Advocacy and Participation Services have now been successfully delivered by the Rights and Participation Service for over 4 years. The advocacy service provides the statutory complaint related advocacy support for children and young people in line with the requirements of 'Get it Sorted'. In order to do so, the Service manages a pool of self-employed independent advocates and commissions the independent advocacy support when requested by a child or young person. In other cases, the Advocacy service provides advocacy support and advice to children and young people assisting them to resolve their complaints and concerns or supporting them to advocate for themselves.
 - 3.2 Surrey complaints information, both online and paper based, is systematically circulated and promoted within Children's Services and advocacy provision in particular continues to be promoted with a particular focus on reaching Looked After Children or Care Leavers and the staff that work with them.
 - 3.3 Over the past year, the Advocacy service has evolved to become the 'go to' children's rights and advocacy advice and helpline for Surrey young people and staff. This is evidenced by the steady increase not only in number of contacts from young people seeking support from the Rights and Participation Service to achieve informal resolution of problems and concerns but also in number of contacts from staff seeking advice and guidance; particularly from the Leaving Care Team. It has developed to provide more flexible support options based on discussions and assessment with those making contact. In line with its ambition, the advocacy 'helpline' has supported young people to take a lead on their complaints : each interaction promoting choice and encouraging young people to:
 - a) make informed decisions about how they wish their complaint or enquiry to be dealt with
 - and
 - b) to experiment with problem solving strategies.
 - 3.4 The advocacy service has also this year closely collaborated with a national social enterprise in the development of the self-advocacy 'app' MOMO (Mind Of My Own). This 'app' is now available for free download on smart phones or computers by children and young people in Surrey to use in communicating concerns to services. The advocacy service has been promoting its use and will assess its benefits and impact over the next year.

4 MONITORING THE PROCESS

- 4.1 The Rights and Participation Service support Children's Service to manage and learn from complaints. The key services offered are: complaints advice and support, quality assuring of responses, mediation, complaint case debrief sessions, production of performance reports, liaising with Local Government Ombudsman, Complaints Visiting Workshops, 1-2-1 complaints handling coaching for operational managers, and development and monitoring of corrective action plans (CAPs).
 - 4.1.1 Rights and Participation staff offer Stage 2 complaints debriefing sessions to staff involved in complex Stage1. This provides the opportunity to discuss the process of the case, learning outcomes and how experience was for staff involved. No formal debriefing sessions took place

this reporting year as in consultation with the operational managers this was not deemed necessary. However as well as holding informal debriefing discussions with operational managers the Rights and Participation Service has provided both support to individual staff members involved in such cases as well as support in the form of facilitation of meetings with complainants.

- 4.1.2 The Rights and Participation Service continues to draw up corrective action plans following the outcome of complaints at stages 2 and 3 of the process. Plans are agreed and signed off by the senior operational manager who is responsible for taking actions forward. As already mentioned earlier in the report, it is proposed that a summary of corrective action plans specifically focussed on those with service wide implications will be discussed at CSMT during the coming year.
- 4.1.3 The Rights and Participation Service produces monthly reports for the Directorate Leadership Team in line with the Rights and Participation Service Delivery Plan. The Service also produces reports and summaries for inclusion in the Children's Service Report Card.
- 4.2 During 2014-2015 the Rights and Participation Service will focus on:
- *Increasing the use of peer review of assessments and reports at the first stage of the process to promote early in-house identification of service improvements arising from complaints*
 - *Reducing escalation rates through the process by improving quality of responses at Stage 1 with an emphasis on improved consideration and use of alternative resolution at an early stage in the process.*
 - *Working closely with staff to increase the number of children and young people enabled to speak up for themselves whether in the context of formal complaints or informal resolution of problems.*

5 FINAL COMMENTS

- 5.1 Overall this has been another positive year for complaints management across the services. Stronger working relationships continue to be developed between services and the Rights and Participation Service resulting in effective resolution of complaints at the earliest stage. Examples of this include:
- Consultation with operational teams where there is concern that addressing the complaint may not be in the best interest of the child, particularly if there are safeguarding concerns
 - Operational managers seeking advice from the Rights and Participation Service as to whether or not a matter that is in private legal proceedings should in fact be addressed through the process
 - Social care and leaving care professionals actively consulting Rights and Participation Service in regard to children and young people who may benefit from advocacy support
 - Consultation with operational teams across SCS and Education services where complaints involve both aspects of the Directorate
 - Closer working links and consultation between CEO staff and the Rights and Participation Service specifically in regard to enquiries by MP's and/or Cllrs.
- 5.2 The Rights and Participation Service will continue to work with services on improving recording and updating complaints information as well as focusing on learning as a continued priority in the coming year.

- 5.3 As identified earlier in this report, the Rights and Participation Service has noted improvements in the quality of responses at Stage1 of the process which in turn have resulted in early resolution and identification of learning leading to improvements in service delivery. This follows the continuing use of individual coaching for operational managers as provided by the Rights and Participation Service. The coaching includes discussions in meetings and over the telephone, both generic and case specific depending on individual cases and circumstances. During 2013/14 a total of 15 coaching sessions were delivered either to individuals or groups of managers. In turn this has contributed to closer working relationships between Rights and Participation Service and operational managers that continue into the current fiscal year.

Jessica Brooke/Mona Saad/Kate Sandow
Children's Rights Managers



Audit & Governance Committee
25 September 2014

**Audit & Governance Committee Effectiveness Review:
Final Report**

Purpose of the report:

On 29 May 2014, the committee agreed that a task group should undertake a self-assessment of the committee's effectiveness in line with CIPFA's revised and updated 2013 edition of *Audit Committees: Practical Guidance for Local Authorities and Police*. This work is now complete and the task group's findings are brought to the committee for consideration.

Recommendations:

1. That the Committee recommends to Council that its terms of reference be amended as follows:
 - i. A brief Statement of Purpose to be included: "The Council recognises the importance of undertaking scrutiny of the management of the internal control systems and the Audit & Governance Committee provides an independent and high-level focus on audit, governance and financial accounts matters".
 - ii. To amend section (b) under Regulatory Framework to read: To monitor the effectiveness of the councils' anti-fraud and anti-corruption strategy, *including by reviewing the assessment of fraud risks*".
 - iii. To add "To approve the Internal Audit Charter" under Audit Activity, following section (b).
 - iv. To amend section (b) under Audit Activity to read: "To approve the annual Internal Audit Plan & Inspection Plan *and monitor its implementation*".
 - v. To add "To provide oversight to the Annual Report of the Council" under Regulatory Framework, following section (e).
2. That a communications plan be prepared and implemented to raise the committee's profile and the profile of control systems with officers and backbench Members.

3. That work be undertaken to improve working arrangements between Audit & Governance Committee and the Select Committees.
4. That the committee develops a protocol for working with the newly established Statutory Responsibilities Network.
5. That the committee develops a map of partnership arrangements and negotiates its role alongside those arrangements with the Leader, according to their type and the risk attached.
6. That the number of committee meetings be increased to six per year, while the committee continues to adopt innovative ways of working outside formal committee meetings.
7. That the committee scrutinises the Assurance Framework upon completion of the assurance mapping process.
8. That Grant Thornton provides information on its performance to the committee, in a format agreed with the Chairman.
9. That the Chairman (or in his/her absence, the Vice-Chairman) be consulted upon the appointment or removal of the Chief Internal Auditor.
10. That the committee consider how to develop its involvement in major projects such as the New Models of Delivery project.
11. That the Chairman discuss with the Chairman of Adult Social Care Select Committee the possibility of joint scrutiny with that Committee as to whether robust arrangements are in place to achieve savings in Adult Social Care.
12. That the committee improve its approach to ensuring that the council has effective arrangements for countering fraud and corruption risks.
13. That the full committee continues with its regular training covering all areas of its work, while individualised training programmes are agreed with Members as requested.

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 includes a greater focus on supporting improvement. This included 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.
2. On 29 May 2014, the committee agreed to undertake a self-assessment and review of the committee's training needs. The self-assessment was delegated to a task group consisting of the Chairman and Vice-Chairman of the committee (Nick Harrison and Bill Barker), and Tim Hall. This report sets out how the task group approached its work, as well as its findings and recommendations.

Assessing the committee's effectiveness

3. 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 CIPFA Guidance and was adapted for use by the task group.
4. The CIPFA 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 includes a tool which was adapted to support an assessment of the committee against recommended practice. However, the task group was aware that good practice should not be regarded as a tick-box activity and that achieving recommended practice does not mean necessarily that the committee is effective.
5. To gather evidence in order to complete the assessments of effectiveness and good practice, the task group undertook an online survey of senior Members and officers. It also interviewed the following:
 - David Hodge (Leader of the Council and Cabinet Lead for Statutory Responsibilities)
 - David McNulty (Chief Executive)
 - Denise Le Gal (Cabinet Member for Business Services and Cabinet Lead for New Models of Delivery)
 - Sheila Little (Director of Finance)
 - Kevin Kilburn (Deputy Chief Finance Officer)
 - Nikki O'Connor (Finance Manager – Assets & Accounting)
 - Phil Triggs (Strategic Manager – Pensions & Treasury)
 - Sue Lewry-Jones (Chief Internal Auditor)
 - Internal Audit Team
 - Andy Mack (Grant Thornton)
 - Kathryn Sharp (Grant Thornton)
 - Cath Edwards (Risk & Governance Manager)
 - Ann Charlton (Director of Legal and Democratic Services; Monitoring Officer)
 - Nick Skellett (Chairman of Council Overview and Scrutiny Committee)
 - Eber Kington (Vice-Chairman of Council Overview and Scrutiny Committee)
 - Bryan Searle (Senior Manager Scrutiny & Appeals)
6. The task group also compared the committee's terms of reference with CIPFA's recommended terms of reference for local authority audit committees to assess if any changes should be made.

Training needs analysis

7. The CIPFA Guidance sets out a knowledge and skills framework for audit committee members and the committee chairman. It suggests that this can be used to guide Members on their training needs. It helpfully distinguishes between core areas of knowledge that all audit committee members should seek to acquire and a range of specialisms that can add value to a committee. Each member of the committee was given a Knowledge and Skills Assessment Survey based on CIPFA's knowledge and skills framework to complete. The findings from this survey were used to undertake a training needs analysis.

Self-assessment of good practice

8. The task group undertook a comparison of the committee's current terms of reference against CIPFA's suggested terms of reference. This is attached as **Annex 1**. Overall the task group was satisfied with the committee's current terms of reference, which it felt was a concise reflection of CIPFA's Position Statement on Audit Committees in Local Authorities. However, it recommends a small number of additions which explicitly reflect work that the committee already undertakes and emphasises the role of the committee as a key component of governance within the Council.

Recommendation 1

That the Committee recommends to Council that its terms of reference be amended as follows:

- i. A brief Statement of Purpose to be included: "The Council recognises the importance of undertaking scrutiny of the management of the internal control systems and the Audit & Governance Committee provides an independent and high-level focus on audit, governance and financial accounts matters".
- ii. To amend section (b) under Regulatory Framework to read: To monitor the effectiveness of the councils' anti-fraud and anti-corruption strategy, *including by reviewing the assessment of fraud risks*".
- iii. To add "To approve the Internal Audit Charter" under Audit Activity, following section (b).
- iv. To amend section (b) under Audit Activity to read: "To approve the annual Internal Audit Plan & Inspection Plan *and monitor its implementation*".
- v. To add "To provide oversight to the Annual Report of the Council" under Regulatory Framework, following section (e).

9. The task group used the evidence that it collected to complete its assessment of the committee against recommended practice (attached as **Annex 2**). It agreed that there was evidence of a good standard of performance against the recommended practice by the committee and by the council in its support for an independent and dedicated audit committee. The task group did identify a small number of areas for further development.
10. The committee has good relationships with key Members and officers and also engages with the rest of the Council through an Annual Report to Council, contributing to a quarterly newsletter on regulatory committees, and regularly referring matters and taking reports on issues to other committees and the Council. However, the task group received suggestions that more could be done to raise the committee's profile with officers and backbench Members, eg through publishing an annual article on S-Net.
11. There was some confusion expressed about the boundaries between Audit & Governance Committee and the Select Committees. While a joined-up approach to audit in particular has been agreed and implemented by Audit & Governance Committee and Council Overview & Scrutiny Committee and the Chairman of Audit & Governance Committee keeps an oversight of what is happening on Select Committees in order to avoid duplication, officers consistently raised a lack of clarity over the blurring of responsibilities as an issue.
12. It was also felt generally that Council did not challenge Audit & Governance Committee on its performance and so it was questioned whether the arrangements to hold the committee to account for its performance were operating effectively. However, minimal challenge could also be due to endorsement of the committee's work or lack of knowledge about the committee. The task group felt that these issues could be addressed through the development of a communications plan for the committee and further work to improve joint working between Audit & Governance Committee and the Select Committees.

Recommendation 2

That a communications plan be prepared and implemented to raise the committee's profile and the profile of control systems with officers and backbench Members.

Recommendation 3

That work be undertaken to improve joint working arrangements between Audit & Governance Committee and the Select Committees.

Evaluating the effectiveness of the audit committee

13. The task group also used the evidence it had collected to complete its evaluation of the committee's effectiveness using the assessment tool within the CIPFA Guidance (**attached as Annex 3**). The task group found clear evidence that the committee is actively and effectively supporting improvement within the Council, although it felt that there were always opportunities for the committee to do more.

Promoting the principles of good governance

14. The task group found clear evidence that the committee promotes the principles of good governance and their application to decision making. This includes the work it does in reviewing the Annual Governance Statement (AGS), reviewing the assurances underpinning the Statement and providing strong challenge on governance issues, as well as the way it models effective Member/officer working relationships, effective values and behaviours, and proper decision-making processes.
15. Feedback included ideas for how the committee could further improve understanding of governance, for example through being a visible leader on governance and by holding training or workshops on governance for senior Members and officers. This could be addressed through the development of a communications plan for the committee (see recommendation 2).
16. During the course of the review, the task group received information about the establishment of a Statutory Responsibilities Network for the Council. The task group felt that it would be necessary to understand how to use or work with the Statutory Responsibilities Network on aspects of its work, for example it was suggested that the AGS may in future be produced by the Network. It may be helpful to hold a joint meeting of the Network with the committee to produce the AGS.
17. Partnership governance was highlighted by many as a priority for the Audit & Governance Committee as Surrey County Council continues to develop a wide range of partnership arrangements. CIPFA states "Ensuring the adequacy of governance and risk management over such arrangements can be complicated but is very important as accountability for performance and stewardship of the public funds involved remains with the authority". CIPFA goes on to state that the audit committee's role should be clearly defined, and can include consideration of the assurance available on whether the partnership arrangements are satisfactorily established and are operating effectively, as well as reviewing what arrangements have been put in place to maintain accountability to stakeholders. The audit committee may also choose to develop its own partnership arrangements with the audit committees of partner organisations. Some examples raised during witness sessions of partnerships which the committee may wish to receive assurance on include the Emergency Service Collaboration, health and social care arrangements, and the new trading companies.

Recommendation 4

That the committee develops a protocol for working with the newly established Statutory Responsibilities Network.

Recommendation 5

That the committee develops a map of partnership arrangements and negotiates its role alongside those arrangements with the Leader, according to their type and the risk attached.

Effective control environment

18. The Audit & Governance Committee actively supports improvement within the Council through its strong support of audit processes. In particular, witnesses informed the task group that the committee's willingness to call in officers with regard to an audit and to monitor implementation of Management Action Plans had contributed to audit findings and recommendations being taken more seriously.
19. The task group discussed whether more frequent meetings of the committee would allow for more timely consideration of audit reports. A further benefit of this would be to spread the increasing workload more thinly. At present, there are five meetings scheduled for this year and next year. A review of previous years indicates that the number of meetings has fallen from a high of eight per year. However, the committee does also usefully employ training sessions, workshops and task group projects and it is recommended that the committee continues to adopt innovative ways of working.
20. The task group asked witnesses how the committee could encourage ownership of the internal control framework. One response was that the Chairman could extend his cycle of informal meetings with key Members and officers to the Strategic Directors. This would support the Chief Internal Auditor in her own efforts to encourage wider ownership of the internal control framework. This could be included in the committee's communications plan (see recommendation 2).

Recommendation 6

That the number of committee meetings be increased to six per year, while the committee continues to adopt innovative ways of working outside formal committee meetings.

Arrangements for the governance of risk and managing risk

21. The task group received commendation for the committee's support for risk management. It was suggested that this had contributed to risk management being taken more seriously across the Council, with more effective mechanisms put in place.

Adequacy of the assurance framework

22. While the committee receives a wide range of assurances, it is yet to specify its assurance needs and identify gaps or overlaps in assurance. The Chief Internal Auditor is currently undertaking an assurance mapping process which the committee will need to scrutinise in due course.
23. As mentioned above, the task group received information about the establishment of the Statutory Responsibilities Network. The committee will need to understand how to use or work with the Network to determine the adequacy of the assurance framework. It was also suggested that the committee looks at the effectiveness of the new Network after six months in operation. This can be addressed through the development of a protocol for working with the Statutory Responsibilities Network (see recommendation 4).
24. In discussions with Grant Thornton representatives, the committee was offered the inclusion of performance indicators in future reports. This would enable the committee to scrutinise the effectiveness of external audit.

Recommendation 7

That the committee scrutinises the Assurance Framework upon completion of the assurance mapping process.

Recommendation 8

That Grant Thornton provides information on its performance to the committee, in a format agreed with the Chairman.

Supporting the quality of Internal Audit activity

25. The committee has a strong and supportive relationship with Internal Audit, which includes sponsoring the annual review of effectiveness of internal audit. The Chief Internal Auditor has free and unfettered access to the chairman and vice-chairman of the committee and is also available to any other member of the committee. The committee meets informally with the Internal Audit team every six months. In order to tap the knowledge and skills of Internal Audit further it was suggested that the committee could receive informal briefings on service areas including all relevant audit findings so that it can develop a full picture of the situation. This would also be open to the relevant Select Committee and included within the proposed communications plan (see recommendation 2).

26. CIPFA suggests that to ensure the organisational independence of internal audit, the audit committee could consider the appointment and removal of the head of internal audit. The task group and several witnesses agreed that the Audit & Governance Committee is an important check on the independence of the Chief Internal Auditor. The Chairman of the committee already contributes to the annual appraisal of the Chief Internal Auditor and it was suggested that the Chairman should be consulted in the event of appointing to or removing from the position.
27. The task group received some feedback which suggested that the committee's relationship with Internal Audit was too close. A lack of independence from Internal Audit could affect the committee's ability to challenge the service. However, the task group felt that scrutiny of Internal Audit as a service was a role for Council Overview and Scrutiny Committee and that on balance a good and supportive relationship between Audit & Governance Committee and Internal Audit was of benefit to good governance. It was suggested that in future if a specific audit report is to be considered in depth, the auditor who led on the work should be invited to the committee meeting alongside the responsible officers who signed off on the Management Action Plan.

Recommendation 9

That the Chairman (or in his/her absence, the Vice-Chairman) be consulted upon the appointment or removal of the Chief Internal Auditor.

Supporting the Council's goals and objectives

28. CIPFA suggests that audit committees can add value by aiding the achievement of the authority's goals and objectives through helping ensure appropriate governance, risk, control and assurance arrangements. The Audit & Governance Committee has taken an interest in the governance and assurance arrangements of major projects and programmes eg the development of an Investment Panel for the Council and the governance of Babcock 4S. It will need to consider its role in other major projects such as the New Models of Delivery project.
29. The task group received feedback that the committee is effective in reviewing assurances underpinning governance at the council. However, it was suggested that the committee could more explicitly seek assurances that council priorities (eg as detailed in the Corporate Strategy) and associated risks are being properly managed. The task group understood that the Internal Audit Plan does link to the Corporate Strategy but that the committee will also have an opportunity to scrutinise the Assurance Framework upon completion of the assurance mapping process to check for any gaps in assurance and to specify any further assurance needs (see recommendation 7).

Recommendation 10

That the committee consider how to develop its involvement in major projects such as the New Models of Delivery project.

Development of robust arrangements for ensuring value for money

30. The committee receives assurance of the development of robust arrangements for ensuring value for money from internal and external audit. The committee will be able to scrutinise the assurance mapping being undertaken by the Chief Internal Auditor to establish if there are any gaps in the assurance received on value for money (see recommendation 7).
31. The Leader of the Council suggested that the committee could join with Adult Social Care Select Committee in the autumn to scrutinise whether robust arrangements are in place to achieve savings in Adult Social Care.

Recommendation 11

That the Chairman discuss with the Chairman of Adult Social Care Select Committee the possibility of joint scrutiny with that Committee as to whether robust arrangements are in place to achieve savings in Adult Social Care.

Arrangements for countering fraud and corruption risks

32. The task group found clear evidence that the committee helps the authority to implement effective arrangements for countering fraud and corruption risks. The CIPFA Guidance recommends that audit committees review the counter-fraud strategy against recommended practices eg *Managing the Risk of Fraud: Actions to Counter Fraud and Corruption (CIPFA) 2008*; and *Fighting Fraud Locally: The Local Government Fraud Strategy (National Fraud Authority) 2011*. Officers have confirmed that they do this regularly and that further information on this review against recommended practices could be provided to the committee. CIPFA also suggests that audit committees review fraud risks and the effectiveness of the organisation's strategy to address those risks. Officers have confirmed that a thorough review of fraud risk would be taking place during 2014/15 and that the committee could be kept apprised of progress.

Recommendation 12

That the committee improve its approach to ensuring that the council has effective arrangements for countering fraud and corruption risks.

Transparency and accountability

33. The committee models transparency and accountability through holding its meetings in public and reporting on its activities on a regular basis. The committee is also supporting the ongoing process to simplify and streamline the accounts.

34. The task group felt that the committee could develop its approach further by reviewing whether decision making through partnership organisations remains transparent and publicly accessible where the council is a stakeholder and puts money into the organisation. This would be taken forward through the recommended negotiation with the Leader over the committee's role in partnership arrangements (see recommendation 5).

Training needs analysis

35. All six members of the Audit & Governance Committee completed a Knowledge and Skills survey, based on CIPFA's knowledge and skills framework. The responses were collated and analysed.
36. By all completing the knowledge and skills survey, the members of the Audit & Governance Committee have shown themselves to be willing to review their knowledge and skills in order to ensure that the committee is effective as it can be. The analysis confirms that the committee has a good level of skills and knowledge within its membership. It is recommended that the full committee continues with regular training covering all areas of its work so that it remains up-to-date. It is also recommended that the individualised training programmes be agreed with Members as requested.

Recommendation 13

That the full committee continues with its regular training covering all areas of its work, while individualised training programmes are agreed with Members as requested.

Conclusions:

37. The task group established to undertake a self-assessment of the Audit & Governance Committee's effectiveness in line with CIPFA Guidance has completed its evidence gathering and analysis and presents its findings and recommendations to the committee. The committee has been found to have a knowledgeable and balanced membership, a high degree of performance against CIPFA's good practice principles and is generally effective in supporting improvements within the Council. A number of recommendations have been proposed to assist the committee to keep improving and adapt to the changing local government environment.

Financial and value for money implications

38. An effective Audit & Governance Committee will seek assurance of the development of robust arrangements for ensuring value for money.

Equalities and Diversity Implications

39. There are no direct equalities implications but any actions taken need to be consistent with the council's policies and procedures.

Risk Management Implications

40. An effective Audit & Governance Committee will seek assurance that there are robust arrangements for the governance of risk and for risk management.

Next steps:

The committee will implement approved recommendations and review progress through its Annual Report.

Report contact: Nick Harrison (Chairman)
T: 01737 371908; E: nicholas.harrison@surreycc.gov.uk

Cheryl Hardman (Regulatory Committee Manager)
T: 020 8541 9075; E: cherylh@surreycc.gov.uk

Sources/background papers:

- CIPFA (2013) Audit Committees: Practical Guidance for Local Authorities and Police

**Comparison: CIPFA’s Suggested Terms of Reference Against the
Audit & Governance Committee’s Current Terms of Reference**

CIPFA Suggested ToR	Current ToR	Comment
<p>Statement of Purpose:</p> <ol style="list-style-type: none"> 1. Our audit committee is a key component of [name of authority]’s corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. 2. The purpose of our audit committee is to provide independent assurance to the members [or identify others charged with governance in your authority] of the adequacy of the risk management framework and the internal control environment. It provides independent review of [name of authority]’s governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place. 		<p>There is no formal Statement of Purpose for the Committee.</p> <p>Recommendation (see recommendation 1i of main report)</p> <p>A brief Statement of Purpose to be included:</p> <p>“The Council recognises the importance of undertaking scrutiny of the management of the internal control systems and the Audit and Governance Committee provides an independent and high-level focus on audit, governance and financial accounts matters.”</p>
Governance, risk and control		
<ol style="list-style-type: none"> 3. To review the council’s corporate governance arrangements against the good governance framework and consider annual governance reports and assurances. 	<p>To monitor the effective development and operation of the risk management and corporate governance arrangements in the council.</p>	<p>The committee’s terms of reference does not require it to review the council’s corporate governance arrangements against CIPFA’s good governance framework. However, in practice, an annual review is undertaken of the Code of Corporate Governance. This is informed by the good governance framework.</p>

	To monitor compliance with the council's corporate governance framework and advise or make recommendations to the Cabinet or County Council as appropriate.	
4. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.	To review the Annual Governance Statement and commend it to the Cabinet.	While the committee's objective is more concise than CIPFA suggests, the approach taken is the same. The Internal Audit Charter provides more detail with regard to what should be considered.
5. To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.		<p>This is not a formal part of the committee's terms of reference.</p> <p>However: Internal Audit reports consider value for money arrangements; all committees are expected to consider value for money implications of any reports they consider; and Audit & Governance Committee also receives the external auditor's annual value for money opinion and the Annual Audit Letter.</p> <p>CIPFA suggests that assurance over value for money should focus on both the arrangements to ensure value for money and the progress in achieving value for money. The role of the audit committee is most likely to focus on whether the authority's overall approach to value for money is in line with governance objectives and to receive assurances on this to underpin the AGS.</p>

		The task group felt that by formally considering the council's arrangements for value for money, it does not imply that the council has secured value for money. It felt that budgetary issues lay with Council and Select Committees and that Audit & Governance Committee should resist becoming too involved.
6. To consider the council's framework of assurance and ensure that it adequately addresses the risk and priorities of the council.		<p>This is not part of the committee's formal terms of reference. The Chief Internal Auditor is currently conducting an assurance mapping exercise following the annual review of the effectiveness of Internal Audit.</p> <p>During its work, the task group heard about the new Assurance Board that is being established and were offered sight of the terms of reference once it had drafted them.</p> <p>The external auditors explained that the committee could scrutinise the assurance framework from a position of independence. He described the formal assurance maps in the NHS which link the corporate strategy, risks and assurance. By undertaking this process, the committee could identify any gaps in assurance.</p>
7. To monitor the effective development and operation of risk management in the council.	To monitor the effective development and operation of the risk management and corporate governance arrangements in the council.	The committee's objective closely matches CIPFA's suggested objective.
8. To monitor progress in addressing risk-related issues reported to the committee.		This would appear to be closely linked to the objective above and arguably would be part of the objective above.

<p>9. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.</p>	<p>To consider the Chief Internal Auditor's annual report and opinion, a summary of internal audit activity and the adequacy of management responses to issues identified.</p> <p>To consider periodic reports of the Chief Internal Auditor and internal audit activity.</p>	<p>CIPFA's suggested objective could be argued to be addressed through the two objectives of the committee listed to the left.</p>
<p>10. To review the assessment of fraud risks and potential harm to the council from fraud and corruption.</p>		<p>This is not part of the committee's formal terms of reference. However, fraud risks are addressed through the monitoring of risk management arrangements, consideration of Internal Audit reports and through financial reporting.</p> <p>Recommendation (see recommendation 1ii. of main report)</p> <p>It is recommended that this is included within the terms of reference by extending the objective "To monitor the effectiveness of the councils' anti-fraud and anti-corruption strategy, <i>including by reviewing the assessment of fraud risks</i>".</p>
<p>11. To monitor the counter-fraud strategy, actions and resources.</p>	<p>To monitor the effectiveness of the council's anti-fraud and anti-corruption strategy.</p>	<p>The committee's objective closely matches CIPFA's suggested objective.</p>

Internal Audit		
12. To approve the internal audit charter.		<p>This is not part of the committee's terms of reference but is part of the Internal Audit Charter which is reviewed and approved by the committee annually.</p> <p>The Chief Internal Auditor agreed that this should be included within the committee's terms of reference.</p> <p>Recommendation (see recommendation 1iii of main report)</p> <p>It is recommended to add approval of the Internal Audit Charter to the committee's terms of reference.</p>
13. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.		Not applicable in Surrey.
14. To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.	To approve the annual Internal Audit & Inspection plan.	<p>Approval of the plan is part of the committee's terms of reference. Detail with regard to resource requirements is part of the internal Audit Charter.</p> <p>The Committee does not have approval of the approach to using other sources of assurance or any work required to place reliance upon those other sources.</p>
15. To approve significant interim changes to the risk-based internal audit plan and resource requirements.		<p>This is not part of the committee's terms of reference but has happened in practice, with the committee receiving a half-year report on the progress of the internal audit plan.</p> <p>Recommendation (see recommendation 1iv of main report)</p>

		It is recommended that this is included within the terms of reference by extending the objective "To approve the annual Internal Audit Plan & Inspection Plan <i>and monitor its implementation</i> ".
16. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.		This is not part of the committee's terms of reference but is part of the Internal Audit Charter and happens in practice through approval and monitoring of the Internal Audit Plan.
17. To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include: a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work. b) Regular reports on the results of the Quality Assurance and Improvement Programme. c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.	To consider periodic reports of the Chief Internal Auditor and internal audit activity.	The committee's terms of reference covers the updating of the committee on the work of internal audit, while the Internal Audit Charter also covers reporting to the committee on the work of Internal Audit, the Quality Assurance and Improvement Programme and the reporting instances of non-conformance with the Public Sector Internal Audit Standards.

<p>18. To consider the head of internal audit's annual report:</p> <p>a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit.</p> <p>b) The opinion of the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement.</p>	<p>To consider the Chief Internal Auditor's annual report and opinion, a summary of internal audit activity and the adequacy of management responses to issues identified.</p>	<p>This is covered in the committee's terms of reference and the Internal Audit Charter.</p>
<p>19. To consider summaries of specific internal audit reports as requested.</p>		<p>This is not part of the committee's formal terms of reference however the Internal Audit Charter states that each member of the committee will receive a copy of every final audit report, which it does. The committee requests and considers specific internal audit reports and recommendations on a regular basis.</p>
<p>20. To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.</p>		<p>This is not part of the committee's terms of reference. However, the Internal Audit Charter states that one of the committee's duties is 'receiving communications from the Chief Auditor on internal audit performance relative to its plan and other matters (Standard 2020)'.</p>

21. To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.		This is not part of the committee's terms of reference. The Internal Audit Charter states that the committee will 'receive the results' of the quality assurance and improvement programme but not that it will contribute to the programme.
22. To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required by Regulation 6 of the Accounts and Audit Regulations 2011.	To conduct an annual review of the effectiveness of the system of internal audit.	The committee's objective closely matches CIPFA's suggested objective.
23. To support development of effective communication with the head of internal audit.		This is not explicitly part of the committee's terms of reference. However, it is implicit throughout the terms of reference in relation to audit activity.
External Audit		
24. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.	To consider and comment upon the reports and plans of the external auditor, including the annual audit letter.	The committee's objective closely matches CIPFA's suggested objective.
25. To consider specific reports as agreed with the external auditor.	To consider and comment upon the reports and plans of the external auditor, including the annual audit letter.	The committee's objective closely matches CIPFA's suggested objective.
26. To comment on the scope and depth of external audit work and to ensure it gives value for money.	To consider and comment upon the reports and plans of the external auditor, including the annual audit letter.	The committee's objective closely matches CIPFA's suggested objective. However, it does not specify ensuring that external audit gives value for money.

<p>27. To commission work from internal and external audit.</p>	<p>To approve the annual Internal Audit & Inspection plan. To consider and comment upon the reports and plans of the external auditor, including the annual audit letter.</p>	<p>The committee commissions work from internal and external audit through approval of the annual audit plans.</p>
<p>28. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.</p>		<p>This is not an explicit part of the committee's terms of reference. The task group felt it was unnecessary to highlight this further.</p>
<p>Financial Reporting</p>		
<p>29. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.</p>	<p>To consider and approve the annual statement of accounts and the Surrey Pension Fund accounts.</p>	<p>The committee's objective closely matches CIPFA's suggested objective. However, the committee's objective does not provide the detail that is within CIPFA's suggested objective. The additional detail was felt to be unnecessary.</p>
<p>30. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.</p>	<p>To consider and comment upon the reports and plans of the external auditor, including the annual audit letter.</p>	<p>The committee's objective closely matches CIPFA's suggested objective.</p>

Accountability Arrangements		
<p>31. To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.</p>	<p>To monitor compliance with the council's corporate governance framework and advise or make recommendations to the Cabinet or County Council as appropriate.</p> <p>To review the Annual Governance Statement and commend it to the Cabinet.</p>	<p>The committee's objective closely matches CIPFA's suggested objective.</p>
<p>32. To report to full council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.</p>		<p>This is not part of the committee's terms of reference. However, the committee does publish an annual report highlighting its work against its terms of reference. It is also undertaking a review of its effectiveness.</p>

In addition to the terms of reference highlighted above, Surrey's Audit & Governance Committee has also been delegated the following responsibilities:

Current ToR	Comment
To make proposals to Select Committees on suggested areas of scrutiny.	This is a local delegation, aimed at encouraging committees to work together and broadening understanding and knowledge of audit findings.
To review the Council's Treasury Management strategy and consider periodic reports of treasury management activity.	This inclusion in the terms of reference is supported by the CIPFA Guidance as a possible wider function. This is a scrutiny role in accordance with the Treasury Management Code of Practice and is in addition to any oversight of governance, risks and assurance matters relating to treasury management it would consider as an audit committee.
To consider and approve the ... Surrey Pension Fund accounts.	A detail within the annual statement of accounts objective. Officers agree that the Audit & Governance Committee should approve these accounts alongside the Surrey Pension Fund Board.
To undertake statutory functions as required on behalf of the firefighters' pension schemes.	Officers have not been able to detail what the statutory functions on behalf of the firefighters' pension schemes are. This appears to be a precautionary inclusion in the terms of reference.
To monitor the operation of the Members' code of conduct.	This inclusion in the terms of reference is supported by the CIPFA Guidance as a possible wider function.
To promote advice, guidance and training for Members and co-opted members on matters relating to the code of conduct.	This inclusion in the terms of reference is supported by the CIPFA Guidance as a possible wider function.
To ensure the Council's complaints procedures operate effectively.	This is a local delegation, which followed the dissolution of Standards Committee.
To grant dispensations to Members (including co-opted members) from requirements relating to interests set out in the Members' Code of Conduct.	This is a local delegation, which followed the dissolution of Standards Committee.

CIPFA described some possible wider functions of an audit committee which are not addressed in Surrey County Council's Audit & Governance Committee terms of reference:

- Considering governance, risk or control matters at the request of other committees or statutory officers¹
- Providing oversight of other public reports, such as the annual report²

Recommendation (see recommendation 1v of main report)

It is recommended that oversight of the annual report is included within the terms of reference as the committee has been doing this for the past two years.

¹ The committee does do this in practice and the task group felt it unnecessary to be explicitly included in the terms of reference

² Although this is something that the committee does in practice.

AUDIT & GOVERNANCE COMMITTEE: SELF-ASSESSMENT OF GOOD PRACTICE¹

	Yes/ Partly/ No	Comment
1. Does the authority have a dedicated audit committee?	Y	
2. Does the audit committee report directly to full council?	Y	
3. Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	Y	<p>The task group undertook a comparison of the committee's terms of reference with the CIPFA suggested terms of reference for local authorities. While wishing to recommend to Council that it makes a small number of minor amendments to the terms of reference, overall it was satisfied with the committee's terms of reference which are more concise than the CIPFA document.</p> <p>See recommendation 1 of the main report.</p>
4. Is the role and purpose of the audit committee understood and accepted across the authority?	P	<p>In the survey of senior Members and officers, there was a mixed response from a limited number of respondents about this. Engagement with Council Members and officers was rated from very good to poor. The task group discussed how to improve engagement with some Cabinet Members, backbench Members and services.</p> <p>The relationship with the Leader of the Council, Chief Executive, Cabinet Portfolio Holder, Chief Internal Auditor, Risk & Governance Manager, Director of Finance and external audit was felt to be a particular strength of the committee.</p> <p>The committee produces an Annual Report on its activities which is taken to Council, it contributes to a quarterly newsletter on the regulatory committees which is circulated to Members of the Council, and it regularly refers matters and takes reports on issues to other committees and the Council.</p>

¹ Sourced from Appendix D of CIPFA's 2013 'Audit Committees: Practical Guidance for Local Authorities and Police'

	Yes/ Partly/ No	Comment
		<p>It was suggested that more could be done to raise the committee's profile with officers eg through doing an annual article for SNet with a photograph of the committee.</p> <p>Some confusion about the boundaries between Audit & Governance Committee and the Select Committees was expressed by witnesses.</p> <p>See recommendation 2 & 3 of the main report.</p>
5. Does the audit committee provide support to the authority in meeting the requirements of good governance?	Y	This is discussed in the evaluation of effectiveness. The evidence indicates that while there are always areas for development, the committee is effective in providing support to the authority in meeting the requirements of good governance.
6. Are the arrangements to hold the committee to account for its performance operating effectively?	P	<p>The committee regularly takes reports to Council and Cabinet, including an annual report detailing its activities during the year. The Chairman presents the reports at Cabinet and Council. However, many witnesses pointed out that the reports are at the end of the agenda and there was never any scrutiny or challenge of the reports. It wasn't clear whether the lack of questioning was due to endorsement of the Audit & Governance Committee or a lack of interest. It was suggested by a member of the task group that the committee's annual report could be used to make wider points about the council's control framework.</p> <p>See recommendation 2 of the main report.</p>
7. Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?		<p>The task group has compared the committee's terms of reference with CIPFA's suggested terms of reference.</p> <p>See recommendation 1 of the main report.</p>
<ul style="list-style-type: none"> • Good governance 	Y	The committee's terms of reference does address good governance as outlined in CIPFA's Position Statement.
<ul style="list-style-type: none"> • Assurance framework 	N	The assurance framework is not explicitly addressed by the committee's terms of reference although the committee does receive assurance from various sources. The Chief Internal Auditor is currently undertaking an assurance mapping exercise which

	Yes/ Partly/ No	Comment
		can then be scrutinised by the committee.
<ul style="list-style-type: none"> Internal audit 	Y	The committee's terms of reference does not specifically address every point in CIPFA's suggested terms of reference. However, the recommendations will ensure that the terms of reference encompass these points concisely.
<ul style="list-style-type: none"> External audit 	Y	The committee's terms of reference closely matches the core function regarding external audit as identified in CIPFA's Position Statement. It was not felt necessary to expand on this in the terms of reference eg to explicitly mention supporting effective relationships between external audit and internal audit.
<ul style="list-style-type: none"> Financial reporting 	Y	The committee's terms of reference closely matches the core function regarding financial reporting as identified in CIPFA's Position Statement. The committee felt it unnecessary to add the further detail from CIPFA's suggested terms of reference.
<ul style="list-style-type: none"> Risk management 	Y	The committee's terms of reference closely matches the core function regarding risk management as identified in CIPFA's Position Statement.
<ul style="list-style-type: none"> Value for money or best value 	N	This is not explicitly mentioned in the committee's terms of reference.
<ul style="list-style-type: none"> Counter-fraud and corruption 	P	The committee's terms of reference partly reflects the core function regarding counter-fraud. Recommendations will ensure that the terms of reference encompass the core concerns concisely.
8. Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	Y	The effectiveness review has undertaken an evaluation of whether the committee is fulfilling its terms of reference. The annual report does demonstrate how the committee fulfils its terms of reference.

9. Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	Y	The task group considered this when reviewing the comparison chart and will make a recommendation based on this. See the comparison chart at Annex 1 and recommendation 1 of the main report.
10. Where the coverage of core areas has been found to be limited, are plans in place to address this?	Y	This is addressed under point 7.
11. Has the committee maintained its non-executive advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Y	The committee is satisfied that the additional responsibilities delegated to it are supported by CIPFA guidance as possible wider functions for the committee or otherwise links with them.
12. Has an effective audit committee structure and composition of the committee been selected? This should include:		
<ul style="list-style-type: none"> Separation from the executive 	Y	The committee is chaired by a member of an opposition group and no current Cabinet Members sit on the committee. It was suggested that objectivity was a useful aim for the committee rather than independence.
<ul style="list-style-type: none"> An appropriate mix of knowledge and skills among the membership 	Y	<p>A knowledge and skills analysis was undertaken of current committee members and it was concluded that there was a good level of knowledge and skills. See Annex 4 and recommendation 13 of the main report.</p> <p>Members and officers agreed that there was a good mix of knowledge and skills on the Audit & Governance Committee. The Committee was able to ask good questions and understood the answers. The inclusion of an ex-Cabinet Member was felt to be useful to bring valuable insights into the Cabinet decision-making process.</p> <p>The questioning skills of the committee were discussed. There was a view that the first questions asked were good but that the follow-up was never tough enough.</p>

<ul style="list-style-type: none"> A size of committee that is not unwieldy 	Y	The size of the committee was discussed with a number of witnesses. Some felt that a larger committee would allow for broader experience and knowledge and pointed out that a small number of absences from a smaller committee can have a big impact on the discussion. Others agreed that smaller groups were better able to use effective probing techniques and be more strategic in its approach. On balance it was agreed that the committee was an effective size.
<ul style="list-style-type: none"> Where independent members are used, that they have been appointed using an appropriate process. 	-	N/A as no independent members. It was suggested by a witness that the committee could consider co-opting Members as they would provide complete independence.
13. Does the chair of the committee have appropriate knowledge and skills?	Y	It was widely acknowledged that the Chairman has the knowledge and skills required for his role. This is backed up by the knowledge and skills survey of committee members.
14. Are arrangements in place to support the committee with briefings and training?	Y	The Committee receives regular information bulletins and training in relevant issues such as risk management and the accounts. Individualised training programmes will be agreed with Members as required.
15. Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	Y	A knowledge and skills analysis was undertaken of current committee members and it was concluded that there was a good level of knowledge and skills. See Annex 4 and recommendation 13 of the main report.
16. Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	Y	The Chief Internal Auditor, Director of Finance, Monitoring Officer, Risk and Governance Manager, and external auditors all felt that they had good relationships with the committee, were able to have unfettered and regular contact with the Chairman, and had open door policies for the rest of the committee.
17. Is adequate secretariat and administrative support to the committee provided?	Y	The task group assessed this area and agreed that support was adequate.

18. Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	Y	This has been obtained through meeting with officers and other Members, and through circulating a survey to senior Members and officers.
19. Has the committee evaluated whether and how it is adding value to the organisation?	Y	The Committee has considered and evaluated the effectiveness of the audit committee. See Annex 3.
20. Does the committee have an action plan to improve any areas of weakness?	Y	A number of recommendations are being made following the effectiveness review and implementation will be monitored.

AUDIT & GOVERNANCE COMMITTEE: EVALUATION OF EFFECTIVENESS

The 2013 CIPFA report ‘Audit Committees: Practical Guidance for Local Authorities and Police’ contains an assessment tool at Appendix E to help audit committees consider where they are most effective and where there may be scope to do more. This tool has been adapted for use during the effectiveness review. The evaluation has sought to evidence where the committee is effective and to enable the committee to identify areas in which it may wish to develop further.

ASSESSMENT KEY

H	Clear evidence from sources that the committee is actively and effectively supporting improvement across this area.
M	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also gaps.
L	There is limited evidence that the committee has supported improvements in this area.

EVALUATION

Areas where the audit committee can add value by supporting improvement	Evidence of effectiveness	Areas for development	Overall assessment (H-L)
1. Promoting the principles of good governance and their application to decision making.	<p>The task group identified evidence of undertaking a great deal of work on governance although it may not all be formalised as governance.</p> <p>Witnesses told the task group that there were effective Member/officer working relationships, effective values and behaviours, proper decision-making processes and good capacity and capability.</p> <p>The Committee reviews the Annual Governance</p>	<p>Feedback from Members and officers was received on how the committee could further improve understanding of governance in general as well as the AGS specifically:</p> <ul style="list-style-type: none"> • Be a visible leader/support on governance • Hold training or workshops on governance for senior Members and officers • An item at full Council 	H

Areas where the audit committee can add value by supporting improvement	Evidence of effectiveness	Areas for development	Overall assessment (H-L)
	<p>Statement (AGS), which is presented to it by the Leader of the Council and the Chief Executive, and commends it to Cabinet. Officers were not aware of other councils where the Leader and Chief Executive present the AGS to the audit committee; thereby taking clear ownership for the report and being held publicly accountable.</p> <p>The Committee reviews the assurances underpinning the AGS such as the internal audit reports and the annual report on the internal control environment. The Committee also reviews external audit reports, the annual and six-monthly review of risk management arrangements and the annual review of the effectiveness of internal audit.</p> <p>Officers informed the task group that the committee provides strong challenge on governance issues and therefore provides assurance for the AGS.</p> <p>The Committee reviews updates to the Code of Corporate Governance and commends it to Council for inclusion in the Constitution.</p> <p>The Committee is emailed full internal audit reports and discuss audit findings and Management Action Plans (MAPs) at every meeting. Where the audit opinion is Major Improvement Needed or Unsatisfactory, and/or if the report includes any High Priority recommendations, the audit report will be reviewed by the relevant Select Committee. Audit &</p>	<ul style="list-style-type: none"> • Production and promotion of an Executive Summary for the AGS • Provide more notice of the committee's forward plan. <p>It was brought to the task group's attention that the AGS may in future be produced by the newly established Assurance Board. It was suggested that a joint meeting of the network with the committee could be held to produce the Annual Governance Statement.</p> <p>There was feedback from many witnesses that there seemed to be a grey area of issues which fall between Audit & Governance Committee and Council Overview and Scrutiny Committee. Greater clarity over the divide was required.</p> <p>Working with partner audit committees was identified as a priority in the near future. This was recognised to be a challenge, particularly because of the cultural differences with partner organisations. Two examples of where audit committees could work together were: the nine audit committees across the blue-light services could link to undertake a whole-systems review; and partnership audit committees may collaborate to look at the resilience of health and social care arrangements. It was also suggested that the way that the committee challenges Babcock 4S on its controls and assurance process could be a model for addressing the new trading companies.</p>	

Areas where the audit committee can add value by supporting improvement	Evidence of effectiveness	Areas for development	Overall assessment (H-L)
	<p>Governance Committee also monitors progress on MAPs.</p> <p>The task group heard that issues referred to select committees by the Audit & Governance Committee are always relevant and of concern.</p>	<p>It was suggested that the committee could address the purposes and outcomes of the council. It should seek assurances that priorities and associated risks are being properly managed.</p>	
<p>2. Contributing to the development of an effective control environment.</p>	<p>The Committee reviews all internal audit findings and MAPs. The Committee receives updates on progress through the six-monthly Internal Audit Report and the Annual Internal Audit Report.</p> <p>Where concerns remain about progress on individual MAPs, the committee has monitored the situation; called in the services to account for their actions; and written to senior Members highlighting key issues in the audit reports. Examples in 2013/14 of audits which the committee has focussed its attention include: Purchase Cards; Transport for Education; Social Care Debt; implementation of the Property Asset Management System.</p> <p>The task group received assurance that the support of the committee for internal audit and its willingness to call in officers with regard to an audit or MAP was effective in ensuring that recommendations are acted upon and completed. A consequence of this is that MAPs are taking longer to be signed off as officers know they will be judged on implementation. On balance, the task group felt that this was a positive consequence.</p>	<p>The task group discussed whether more frequent meetings of the committee would allow for more timely consideration of audit reports. Another benefit of this would be spreading the increasing workload more thinly.</p> <p>One option for the committee to encourage ownership of the internal control framework and the implementation of MAPs within services would be for the Chairman to hold informal meetings with the Strategic Directors. This would support the Chief Internal Auditor in her efforts to encourage ownership.</p> <p>Concern was raised that some Members may not engage with audits because of the way that audit reports are written. It was suggested that Internal Audit could provide training to Cabinet and Select Committee Chairmen on audit processes.</p>	<p>H</p>

Areas where the audit committee can add value by supporting improvement	Evidence of effectiveness	Areas for development	Overall assessment (H-L)
	<p>The Committee meets informally with the Chief Internal Auditor and the Internal Audit team. The Chief Internal Auditor attends every Audit & Governance Committee meeting.</p>		
<p>3. Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.</p>	<p>The task group received commendation for the committee's support for risk management. It was suggested that this had contributed to risk management being taken more seriously across the Council, with more effective mechanisms put in place.</p> <p>The committee approves the Risk Management Policy Statement and Strategy for inclusion in the Constitution. It also receives a half-year and annual Risk Management report to enable it to monitor the development and operation of the council's risk management arrangements.</p> <p>Through these reports, the committee has monitored the availability of up-to-date Directorate Risk Registers and attendance at officer meetings on risk. This is evidence of overseeing the integration of risk management into the governance and decision-making processes of the organisation.</p> <p>The Committee reviews the Leadership Risk Register at every meeting. Through this report, the committee seeks assurance that strategic and major risks are being managed effectively and owned appropriately. There was discussion regarding how high-level and strategic the Leadership Risk Register is, while the</p>	<p>While it was agreed that the processes and mechanisms were in place for supporting the governance of risk and risk management, the task group was challenged on whether the committee was looking at everything that it should be. E.g. relating risk management to the corporate strategy.</p>	<p>H</p>

Areas where the audit committee can add value by supporting improvement	Evidence of effectiveness	Areas for development	Overall assessment (H-L)
	<p>committee has an interest in risk identified and mitigated below that level. However, it was felt that this is already being addressed through informal sessions with services on how they manage risk. A session on risk management in the Highways Contracts is arranged for October 2014. Internal Audit also provides assurance on risk management within services.</p> <p>The committee reviews the AGS to ensure that it is an accurate reflection of the risk environment.</p> <p>Over the past year, the committee has monitored changes to the strategic lead for risk management.</p> <p>The committee receives information on the annual risk benchmarking exercise.</p> <p>The Committee has received training on the council's risk management arrangements; meeting with risk officers from across the council.</p> <p>The Risk & Governance Manager attends every meeting of the Audit & Governance Committee.</p>		
4. Advising on the adequacy of the assurance framework and considering	Receives a range of assurances, including: the findings of the annual review of effectiveness of Internal Audit; the benchmarking result and audit findings for risk management; internal audit findings and progress reports on MAPs; external audit findings; etc.	The task group was advised about the establishment of the Assurance Board. The committee would need to understand how to use or work with the Board to determine the adequacy of the assurance framework. It was also suggested that the committee looks at the effectiveness of the new Assurance Network after six months in operation.	M

Areas where the audit committee can add value by supporting improvement	Evidence of effectiveness	Areas for development	Overall assessment (H-L)
whether assurance is deployed efficiently and effectively.		<p>The committee has yet to specify its assurance needs, identify gaps or overlaps in assurance. The Assurance Framework should be scrutinised upon completion of the assurance mapping process being undertaken by the Chief Internal Auditor.</p> <p>External audit offered to provide KPIs to enable the committee to scrutinise the effectiveness of the company. This was already provided to other audit committees.</p>	
5. Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	<p>The committee reviews and approves the internal audit charter and functional reporting arrangements on an annual basis; approves the risk-based internal audit plan; reviews the internal audit budget and resource plan and reviews the Internal Audit Annual Report.</p> <p>The committee sponsors the annual review of the effectiveness of internal audit and monitors progress in implementing the recommendations of the effectiveness reviews. The audit committee supports adherence with the Public Sector Internal Audit Standards and as part of this will ensure that an external assessment takes place at least once every five years in line with the Quality Assurance and Improvement Programme.</p> <p>The Chief Internal Auditor has free and unfettered access to the chairman and vice-chairman of the audit committee and is also available to any other member of the committee. The committee meets informally with</p>	<p>There had been some concern raised that Internal Audit was seen to be too close to the committee and that the committee could provide more challenge to evidence and audit opinions. However, it was also recognised that a key to good governance was Internal Audit having a strong position in the organisation. This was supported by the relationship with the committee. It was suggested that one solution could be for auditors to be invited to committee meetings when their audit report is under consideration.</p> <p>The task group discussed how it could engage more directly with internal audit. It was suggested that, in addition to the regular meetings the committee holds with Internal Audit, it could also receive informal briefings on service areas including all relevant audit findings so that it can develop a full picture of the situation.</p> <p>The committee has no role in the appointment and removal of the Chief Internal Auditor. CIPFA suggests</p>	H

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	<p>the Internal Audit team every six months.</p> <p>The Chairman of the Audit & Governance Committee contributes to the annual appraisal of the Chief Internal Auditor.</p>	<p>that the committee could have a role in this. The task group agreed that the audit committee should be able to assure itself that candidates for the position of Chief Internal Auditor are independent and of good quality.</p>	
<p>6. Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.</p>	<p>Reviewing major projects and programmes to ensure that governance and assurance arrangements are in place. The committee has taken an interest in the governance and assurance arrangements of major projects and programmes eg the development of an Investment Panel for the Council and the governance of Babcock 4S. The governance and assurance arrangements for trading companies being set up will be reviewed over future meetings of the committee.</p> <p>The task group agreed that reviewing the effectiveness of performance management arrangements is part of the Select Committees remit.</p>	<p>It was felt that the committee needs to develop its role further in major projects such as the New Models of Delivery project. This may include asking Internal Audit to review governance or assurance arrangements for a project on behalf of the committee.</p> <p>The task group considered that major projects and programmes were generally part of the Select Committees' remit and the Audit & Governance Committee would not wish to duplicate work elsewhere. This could be addressed by checking whether Select Committees are looking at particular issues and holding joint agenda items on areas that the committee wants assurance on.</p> <p>As has been discussed above, it has been suggested that the committee seek assurance on whether council priorities are being properly managed eg by linking the corporate strategy to risk management.</p>	M
<p>7. Supporting the development of robust arrangements for ensuring value for</p>	<p>The AGS highlights methods for ensuring value for money.</p> <p>Internal Audit reports provide assurance for the effectiveness of value for money arrangements.</p> <p>The committee reviews external audit's annual value</p>	<p>It was highlighted to the task group that one of the areas that the Council is focussing on according to the Corporate Strategy is 'value'. This includes improving outcomes for residents while maintaining a vigorous focus on value for money. Therefore the committee may wish to consider how it could further seek</p>	H

Areas where the audit committee can add value by supporting improvement	Evidence of effectiveness	Areas for development	Overall assessment (H-L)
money.	<p>for money opinion and agrees the officer response.</p> <p>The task group debated whether the committee had a role in auditing savings but agreed that this responsibility lies with select committees.</p>	<p>assurance that there are robust arrangements for ensuring value for money.</p> <p>The Leader of the Council suggested that the committee could join with Adult Social Care Select Committee in the Autumn to scrutinise if robust arrangements are in place to achieve savings in Adult Social Care.</p>	
<p>8. Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.</p>	<p>The committee annually reviews and agrees the Strategy Against Fraud and Corruption.</p> <p>The committee receives a half-yearly and annual report on Internal Audit irregularity investigations. Through this report, the committee also monitors activity by Internal Audit to embed an anti-fraud culture within the council through proactive fraud prevention and awareness work.</p> <p>An assessment of ethical governance arrangements for staff is on the Audit Plan for 2014/15. The findings from this audit will come to committee in due course.</p> <p>The committee monitors the operation of the Members' Code of Conduct, while also promoting advice, guidance and training for Members on the Code of Conduct.</p> <p>Feedback suggested that a light-touch approach was preferred on ethical governance. It was also felt that the committee's approach to fraud and corruption should be proportionate to the level of fraud and</p>	<p>The committee may wish to consider including the following in its work plan:</p> <ul style="list-style-type: none"> • Reviewing the counter-strategy against recommended practices eg Managing the Risk of Fraud: Actions to Counter Fraud and Corruption (CIPFA) 2008; Fighting Fraud Locally: The Local Government Fraud Strategy (National Fraud Authority) 2011. • Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. 	H

Areas where the audit committee can add value by supporting improvement	Evidence of effectiveness	Areas for development	Overall assessment (H-L)
	<p>corruption within Surrey which is comparatively low. This could be attributed to various reasons including: the council not having a housing function (which can attract housing benefit fraud); a strong procurement function; and best practice being implemented such as a whistleblowing policy. However, the task group was aware of the need for constant vigilance.</p>		
<p>9. Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.</p>	<p>The committee is supporting the ongoing process to simplify and streamline the financial accounts.</p> <p>The committee holds its meetings in public and very rarely goes into exempt mode.</p> <p>The committee commends an annual report on its activities to Council to support accountability within the authority. It also highlights its main activities as part of a quarterly bulletin on regulatory committee matters to all Members of the Council.</p>	<p>The task group felt that the committee should review whether decision making through partnership organisations remains transparent and publicly accessible where the council is a stakeholder and puts money into the organisation. It also felt that the committee should seek assurance that the organisation is being adequately audited.</p> <p>The task group discussed the need to promote transparency and accountability across the council. One option for doing this would be to review whether reports which are exempted from access to information legislation fit the criteria for exempt reports and that everything that could be in the public domain is. This might be a request to add to the Audit Plan.</p>	<p>H</p>

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