Notice of Meeting

Audit & Governance Committee

Date & time
Monday, 11 April 2016
at **10.00 am**

Place
Ashcombe Suite, County Hall, Kingston upon Thames, Surrey KT1 2DN

Contact
Angela Guest
Room 122, County Hall
Tel 020 8541 9075

Chief Executive
David McNulty

We're on Twitter: @SCCdemocracy

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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 Angela Guest tel: 020 8541 9075.

Members

Mr Stuart Selleck (Chairman), Mr Denis Fuller (Vice-Chairman), Mr W D Barker OBE, Mr Will Forster, Mr Tim Hall and Mr Saj Hussain

Ex Officio:

Mr David Hodge (Leader of the Council), Mr Peter Martin (Deputy Leader and Cabinet Member for Economic Prosperity), Mrs Sally Ann B Marks (Chairman of the County Council) and Mr Nick Skellett CBE (Vice-Chairman of the County Council)

AGENDA

1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

2 MINUTES OF THE PREVIOUS MEETING 22 FEBRUARY 2016 (Pages 1 - 8)

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 (*5 April 2016)*.
2. The deadline for public questions is seven days before the meeting (*4 April 2016)*.
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

5 RECOMMENDATIONS TRACKER (Pages 9 - 16)

To review the Committee's recommendations tracker.

6 INTERNAL AUDIT PLAN (Pages 17 - 50)

The purpose of this report is to present the Annual Internal Audit Plan for 2016/17 to the Committee.

7 EFFECTIVENESS REVIEW OF THE SYSTEM OF INTERNAL AUDIT (Pages 51 - 60)

This report sets out the findings and recommendations from the 2015/16 review of the effectiveness of the system of internal audit in Surrey County Council. The agreed Terms of Reference for this review are attached at Annex A.

8 COMPLETED INTERNAL AUDIT REPORTS (Pages 61 - 72)

The purpose of this report is to inform Members of the Internal Audit reports that have been completed since this Committee last considered a Completed Internal Audit Reports item in February 2016 - as attached at Annex A.

9 LEADERSHIP RISK REGISTER (Pages 73 - 84)

The purpose of this report is to present the latest Leadership risk register and update the committee on any changes made since the last meeting.

10 DATE OF NEXT MEETING

The next meeting of Audit & Governance Committee will be on 26 May 2016.

David McNulty
Chief Executive
Published: 31 March 2016

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MINUTES of the meeting of the **AUDIT & GOVERNANCE COMMITTEE** held at 10.00 am on 22 February 2016 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 Denis Fuller (Vice-Chairman, in the Chair)
Mr W D Barker OBE
Mr Tim Hall
Mr Saj Hussain
Mr Nick Harrison (Substitute)

Apologies:

Mr Stuart Selleck
Mr Will Forster

In Attendance

Thomas Ball – Manager, Grant Thornton
Cath Edwards – Risk & Governance Manager
Sue Lewry-Jones – Chief Internal Auditor
Sheila Little – Director of Finance
Andy Mack – Engagement Lead, Grant Thornton
David McNulty – Chief Executive
Susan Smyth, Strategic Finance Manager

1/16 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Stuart Selleck and Will Forster. Nick Harrison substituted for Stuart Selleck.

The meeting was chaired by Denis Fuller.

2/16 MINUTES OF THE PREVIOUS MEETING (7 DECEMBER 2015) [Item 2]

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

3/16 DECLARATIONS OF INTEREST [Item 3]

There were none.

4/16 QUESTIONS AND PETITIONS [Item 4]

There were none.

5/16 RECOMMENDATIONS TRACKER [Item 5]

Declarations of interest:
None

Key points raised during the discussion:

1. **A18/15** (SEND Strategy) - The Vice-Chairman reported that he had circulated to Members of the Committee an email from the Chairman of the Education & Skills Board outlining the Board's proposals for its review of the SEND Strategy.

2. **A20/15** (Adult Social Care record-keeping) – it was reported that the Chairman had met with the Head of Resources in Adult Social Care about the action being taken to reduce contentious queries, and that plans were in place to improve the current arrangements, The Chairman would report back to the Committee more fully at the next meeting.

3. **A39/15** (audit effectiveness) – The Vice-Chairman reported back on a discussion held with the external auditors, Grant Thornton, prior to the start of the meeting. Grant Thornton had recently published a report on its review of audit effectiveness (based on a survey of 50 councils nationally), which had highlighted the ability to ask challenging questions (with effective follow-up) as a key skill. A copy of the report would be circulated to Members of the Committee. There had also been a discussion about whether the number of Members on the Audit & Governance Committee right, and whether named substitutes would be helpful to ensure appropriately trained Members were available to cover for absences.

4. **A41/15** (schools with cash balances) – It was noted that information about the current 0% interest rate on schools' cash balances held with the Council had been drafted by the Strategic Manager (Pensions & Treasury) for inclusion in the next Schools' Bulletin. It was suggested that this information should also be included in the clerks' briefing note which is sent to school governors. Some bursars had expressed concern about the 0% interest rate, and this would be discussed further with the Chairman of the Committee.

5. **A43/15** – A response from Helen Atkinson, Strategic Director for Adult Social Care and Public Health was tabled at the meeting and is attached as **Annex 1** to the Minutes. The Committee expressed concerns about the functionality and effectiveness of the new case management system and requested that the Strategic Director attend the next meeting with the project manager and someone from the client side so that its concerns can be discussed more fully.

6. **A46/15** – It was noted that comparison information relating to Member conduct complaints in 2015 would be circulated to Committee Members.

Action/Further information to note:
None.

The Committee noted the report.

6/16 2015/16 EXTERNAL AUDIT PLAN [Item 6]

Declarations of interest:
None

Witnesses:
Thomas Ball, Manager - Grant Thornton
Andy Mack, Engagement Lead – Grant Thornton
Sheila Little, Director of Finance

Key points raised during the discussion:

1. The representatives of the External Auditors introduced the report and confirmed that they would be leading the audit of the 2015/16 financial statements of the Council. The aim was to complete the audit at the end of July 2016, two months ahead of the deadline. The key areas of focus in terms of value for money would be financial management, the Orbis partnership and the Ofsted review.

2. The Council's financial settlement from the Government had been highlighted as an issue as the Auditors were required to report on any impacts rated 'non-trivial', which was defined as having impacts in excess of 5% of the total value.

3. The Director of Finance had spoken to the Auditors about the level of the financial settlement as soon as the Council had received confirmation from the Government in December 2015. There was frequent communication between the two parties and early discussion about any issues of concern identified, so that steps could be taken to address the concerns prior to the completion of a formal audit.

Action/Further information to note:
None.

RESOLVED: That the Audit Plan for the 2015/16 financial statements of the Council be approved.

7/16 2014/15 AUDIT FINDINGS REPORT FOR SURREY CHOICES [Item 7]

Declarations of interest:
None

Witnesses:
Thomas Ball, Manager – Grant Thornton
Andy Mack, Engagement Lead – Grant Thornton

David McNulty, Chief Executive
Sheila Little, Director of Finance
Susan Smyth, Strategic Finance Manager

Key points raised during the discussion:

1. It was noted that the Shareholder Board was responsible for the oversight of companies in which the Council held shares, including Surrey Choices, and that its role may be scrutinised by the Council Overview Board. The responsibility of the Audit & Governance Committee was in relation to the impact on the Group accounts of the

Council.

2. The Chief Executive commented that whilst the Shareholder Board was deeply disappointed by the governance failures identified, he was pleased that Grant Thornton felt that the issues were being adequately addressed by the company. This reflected the fact that more rigorous processes had been put in place, particularly in relation to financial management.

3. In response to a challenge about whether the business model adopted for Surrey Choices was the most appropriate, it was reported that unit costs for the service had been reduced. Some innovation in the approach to service delivery had been introduced, and the profile of the workforce was now more reflective of the clients they were working with. Also, there had been some growth in the services provided for other councils, which meant that Surrey Choices was less reliant on County Council funding. The Shareholder Board was sufficiently reassured about the basis of the business model and the recovery plan, and believed that there were strong prospects for future growth.

4. The Annual Business Plan for Surrey Choices was being presented by the company to the Shareholder Board in March/April 2016. This was expected to include the resolution of the increased volumes under the block contract with Adult Social Care. The Shareholder Board would then be able to determine whether the concerns had been fully addressed.

5. The Committee requested that the Annual Business Plan be shared with the Committee after it had been approved by the Shareholder Board.

6. Concern was expressed about whether the governance failings should have been picked up earlier, and the Chief Executive commented that the processes in place to identify issues of concern (ie internal and external audit) had operated as they should have done. The Committee noted that immediate changes were made to the financial support within the company and that the Surrey Choices Managing Director was taking a more pro-active role to significantly improve the company's governance processes. The Deputy Chief Finance Officer had been appointed to be a Director of the company to provide strategic advice, and the company was being supported by the advisors to the Shareholder Board. The company would progress the recruitment of a new Chief Financial Officer for Surrey Choices.

7. In the light of the concerns with Surrey Choices, the Committee agreed to recommend again that a financial expert from the Council should be appointed to serve on the boards of the Council's trading companies in a non-executive capacity. Officers commented that the Council's limited resources meant that it would not be practicable for a senior finance officer to fulfil that role on the board of each company and that Council employees would not necessarily have the required level of commercial experience. Decisions would therefore best be made on a case-by-case basis.

Action/Further information to note:

The Surrey Choices Annual Business Plan to be shared with the Committee after it has been approved by the Shareholder Board. **[Recommendations Tracker ref: A2/16]**

RECOMMENDED:

That a financial expert from the Council be appointed to serve on each of the boards of the Council's trading companies in a non-executive capacity. **[Recommendations Tracker ref: A3/16]**

[The Committee adjourned from 11.22am to 11.26am]

8/16 COMPLETED INTERNAL AUDIT REPORTS [Item 8]

Declarations of interest:
None

Witnesses:
Sue Lewry-Jones, Chief Internal Auditor
Sheila Little, Director of Finance

Key points raised during the discussion:

1. The Chief Internal Auditor introduced the report and made a correction to the table of reports in paragraph 3: the number of recommendations rated as high priority for the Public Health Contracts Audit to read 0 instead of 1.

Highways Contract

2. It was reported that the contract extension to 2021 had been approved by the Cabinet and Kier, subject to completion of the legal process. The improvement plan would form part of the extended contract.

3. The reason for the publication of a decision statement without audit opinion was due to the commercial sensitivity of the contract negotiations. The conclusion that the contract had so far delivered value for money was a Procurement Team rather than Audit opinion, but that did not imply that Internal Audit were not in agreement. Internal Audit worked closely with the Highways service, and the concerns expressed about the Star Items were not that the Council was being charged too much but that the level of spending over time was at a level which meant that it should have been added to the schedule.

4. The Committee expressed concerns that repair work being signed off as complete by the Highways team had not always been completed by Kier or its sub-contractors. A particular concern related to drainage work, and it was requested that this be added to Internal Audit's programme of work. Members would also be asked to provide feedback to Internal Audit if they felt repair work in their Divisions was not being completed as claimed.

Training Course Cancellations

5. The Committee shared the concern about the high number of cancellations for classroom-based training, and requested that the Chairman of the People, Performance and Development Committee (PPDC) be sent a copy of the audit report and that the PPDC be asked to look into this issue.

General Ledger

6. The Director of Finance reported that she believed that there were no longer any uncleared transactions on the General Ledger, but would confirm that with the Committee after the meeting.

Schools Compliance Audit – Schools Fraud Checklist 2015/2016

7. It was noted that the reports were sent to the relevant schools and to Babcock. Schools were asked to discuss the report with their governors and then address any actions in relation to the recommendations in their financial standards report.

Action/Further information to note:
The Director of Finance to report back to the Committee on the balance of transactions on the General Ledger. **[Recommendations Tracker ref: A4/2016]**

RESOLVED:

(a) That the effectiveness of drainage work carried out under the Highways Contract be added to Internal Audit's programme of work, and that Members be asked to provide feedback to Internal Audit if they felt that highways repair work in their Divisions was not being completed as claimed. **[Recommendations Tracker ref: A5/2016]**

Action by: Sue Lewry-Jones

(b) That the Chairman of the People, Performance and Development Committee (PPDC) be sent a copy of the audit report, and that PPDC be requested to look into the high number of cancellations for classroom-based training. **[Recommendations Tracker ref: A6/2016]**

Action by: Sue Lewry-Jones/Ken Akers

9/16 STATUTORY RESPONSIBILITIES NETWORK [Item 9]

Declarations of interest:
None

Witnesses:
David McNulty, Chief Executive

Key points raised during the discussion:

1. The Chief Executive reported that the Statutory Responsibilities Network continued to meet fortnightly and that he and the Chairman of the Committee met after each meeting to discuss the outcomes.

2. The Adults and Children's Safeguarding Boards were the main mechanisms for working with partners in those areas, and each had

working groups to address the detailed issues arising. It was noted that both Safeguarding Boards reported back to the Cabinet, and the Improvement Board was in place to oversee the Children's Improvement Plan. Other mechanisms for keeping track of performance against statutory responsibilities included Internal Audit, the Leader and Chief Executive's meetings with front-line staff, and the Council's whistle-blowing policy. Discussions would be held about how best to involve Scrutiny Boards.

3. A lead officer at Director level was allocated for all new key risks identified, and they had responsibility for working with the appropriate partners and escalating issues to the Statutory Responsibilities Network as necessary.

Action/Further information to note:
None.

RESOLVED: That the Audit & Governance Committee Chairman continues to meet with the Chief Executive, as Statutory Responsibilities Network Chairman, in order to keep up-to-date with Network activity.
[Recommendations Tracker ref: A6/2016]

10/16 LEADERSHIP RISK REGISTER [Item 10]

Declarations of interest:
None

Witnesses:
Sheila Little, Director of Finance
Cath Edwards, Risk and Governance Manager

Key points raised during the discussion:

1. No specific issues were raised, and the Committee noted the report.

Action/Further information to note:
None.

11/16 AUDIT AND GOVERNANCE COMMITTEE - ANNUAL REPORT 2015 [Item 11]

Declarations of interest:
None

Key points raised during the discussion:

1. The following wording was agreed for inclusion in the Annual Report:

   'During 2015 the Committee received training in the following areas:

   Internal Audit processes

   Treasury Management

2

Risk Culture

A skills assessment of core areas of knowledge was carried out for each member of the Committee. This covered several areas, including the Good Governance Framework; financial management and accounting; risk management; and counter-fraud. The assessment was used to inform individual members' training plans.'

Action/Further information to note:
None.

RESOLVED: That the Annual Report, as amended, be approved.
[Recommendations Tracker ref: A7/2016]

12/16 DATE OF NEXT MEETING [Item 12]

It was noted that the next meeting would be held at 10.00am on Monday 11 April 2016.

Meeting ended at: 12.20pm

_____

Chairman

Audit & Governance Committee
11 April 2016

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.

RECOMMENDATION:

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

REPORT CONTACT: Angela Guest, Regulatory Committee Manager
020 8541 9075
angela.guest@surreycc.gov.uk

Sources/background papers: None

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Annex A

Audit & Governance Committee Recommendations Tracking

Recommendations (ACTIONS)

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
A18/15	09/04/15	SEND Strategy	Assistant Director for Schools and Learning to share a summary work programme for developing the SEND Strategy with the committee.	Assistant Director for Schools and Learning	On 27 July 2015, the Chairman informed the committee that an officer had been seconded to lead on the development of the SEND Strategy. The redrafted Strategy was shared with the Education and Skills Board on 22 October 2015. On 7 December, the Vice-Chairman stated that he wouldn't give feedback on the Board's findings at this stage. At the meeting on 22 February 2016, the Vice-Chairman reported that he had circulated an email to Committee Members from the Chairman of the Education & Skills Board outlining the Board's proposals for its review of the SEND Strategy. This was on the Education Skills Board agenda for 24 March 2016.

Annex A

Audit & Governance Committee Recommendations Tracking

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
A20/15	28/05/15	Completed Internal Audit Reports	The Chairman to write to the Leader of the Council and relevant Cabinet Members recommending that the function of record keeping for accounts relating to individuals' care charges be moved from Adult Social Care to Business Services.	Chairman	A letter was sent to the Leader of the Council and relevant Cabinet Members on 12 June 2015. A response from the Cabinet Member for Adult Social Care, Wellbeing and Independence was tabled at the meeting on 27 July. The Chairman undertook to meet with the Cabinet Member and reported back on 28 September. The Chairman further undertook to meet the Head of Resources in Adult Social Care and reported back on 7 December 2015. A further update was received in February 2016, and the Chairman will report back at the meeting in April 2016. There was a concern with collection of long term outstanding balances – Finance were talking with Business Services on how to collect balances due. Direct debit is now the default collection method for new users. This would be rolled out to existing customers.
A41/15	07/12/15	Treasury Management Half Year Report 2015/16	Officers to write to schools with cash balances incorporated within the council's balances to explain that they would receive 0% interest under present arrangements.	Strategic Manager (Pensions & Treasury)	At the meeting on 22 February 2016 it was noted that information about the current 0% interest rate on schools' cash balances held with the Council had been drafted by the Strategic Manager (Pensions & Treasury) for inclusion in the next Schools' Bulletin. It was suggested that this information should also be included in the clerks' briefing note which is sent to school governors. Some bursars had expressed concern about the 0% interest rate, and this would be discussed further with the Chairman of the Committee. A form of works had been passed to responsible officers and queries from schools would be dealt with as and when received.

Annex A

Audit & Governance Committee Recommendations Tracking

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
A43/15	07/12/15	Internal Audit Half Year Report 2915/16	The Chairman to write to the new Strategic Director of Adult Social Care and Public Health, copying in the Cabinet Member and Scrutiny Board Chairman, regarding the management response to an Internal Audit recommendation regarding outstanding assessments.	Chairman	A signed letter was sent dated 17 December 2015, and a response from the Strategic Director for Adult Social Care and Public Health was tabled at the meeting. The Strategic Director was invited to attend the meeting on 11 April 2016 with the project manager and someone from the client side to discuss the Committee's continuing concerns.
A45/15	07/12/15	Half Year Risk Management Report	The Chairman to raise the issue of front desk security with the Chief Executive.	Chairman	A response has been received from the Chief Executive, explaining that this was discussed at the Statutory Responsibilities Network meeting on Monday 25th January. A review is currently being carried out with our property and community safety colleagues and the Chief Executive will write to the Chairman again once this review has been completed.
A1/16	22/2/16	2014/15 Audit Findings Report for Surrey Choices	The Surrey Choices Annual Business Plan to be shared with the Committee after it has been approved by the Shareholder Board.	Strategic Finance Manager	The Annual Business Plan for Surrey Choices is being presented by the company to the Shareholder Board in March/April 2016. To be a formal item on the agenda for May 2016. A&G to consider any proposals for additional funding before decision made by Cabinet/Cabinet Member.
A2/16	22/2/16	2014/15 Audit Findings Report for Surrey Choices	That a financial expert from the Council be appointed to serve on each of the boards of the Council's trading companies in a non-executive capacity.	Director of Finance	

Annex A

Audit & Governance Committee Recommendations Tracking

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
A3/16	22/2/16	Completed Internal Audit Reports	The Director of Finance to report back to the Committee on the balance of transactions on the General Ledger.	Director of Finance	Briefing note distributed to Members on --/--
A4/16	22/2/16	Completed Internal Audit Reports	That the effectiveness of drainage work carried out under the Highways Contract be added to Internal Audit's programme of work, and that Members be asked to provide feedback to Internal Audit if they felt that highways repair work in their Divisions was not being completed as claimed.	Chief Internal Auditor	The draft internal audit plan included on the agenda for the April 2016 meeting of the Committee includes a review of the Highways Contract. This will look at the effectiveness of drainage work carried out.
A5/16	22/2/16	Completed Internal Audit Reports	That the Chairman of the People, Performance and Development Committee (PPDC) be sent a copy of the audit report, and that PPDC be requested to look into the high number of cancellations for classroom-based training.	Democratic Services	Report sent to Chair, PPDC on – March 2016
A6/16	22/2/16	Statutory Responsibilities Network	That the Audit & Governance Committee Chairman continues to meet with the Chief Executive, as Statutory Responsibilities Network Chairman, in order to keep up-to-date with Network activity.	Chairman	The Chair had meeting arranged in the next quarter – to feed back in May 2016.

Annex A

Audit & Governance Committee Recommendations Tracking

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
A7/16	22/2/16	Audit & Governance Committee Annual Report 2015	That the Annual Report, as amended, be approved and published.	Democratic Services	completed

COMPLETED RECOMMENDATIONS/REFERRALS/ACTIONS – TO BE DELETED

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
A26/15	28/05/15	2014/15 Annual Governance Statement	That the Committee COMMENDS the draft AGS to the Cabinet, subject to additional amendments, for publication with the council's Statement of Accounts and Annual Report.	Cabinet	On 23 June 2015, 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.
A38/15	28/09/15	Leadership Risk Register	The Risk and Governance Manager to discuss the risk level of fraud with the Strategic Risk Forum.	Risk and Governance Manager	The Strategic Risk Forum reviewed the fraud risk register at their meeting in January and strategic risk leads will include within the risk discussions they have with their management teams and incorporate into risk registers as appropriate.
A39/15	07/12/15	Grant Thornton: Audit & Governance Committee Update	Grant Thornton to meet informally with the committee to discuss its effectiveness in the context of the cross-sector review of audit committee effectiveness.	Regulatory Committee Manager	The Vice-Chairman are met with Grant Thornton prior to the committee meeting on 22 February and reported back on the issues discussed. Grant Thornton had recently published a report on its review of audit effectiveness (based on a survey of 50 councils nationally), and copies have been circulated to Members of the Committee on 22 March 2016.

Annex A

Audit & Governance Committee Recommendations Tracking

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
A42/15	07/12/15	Treasury Management Half Year Report 2015/16	Options for the redrafted Treasury Management Strategy to be shared with the Chairman of Audit & Governance Committee, before it is presented to Council in February 2016.	Strategic Manager (Pensions & Treasury)	The Strategic Manager (Pensions & Treasury) met with the Chairman on 28 January 2016 and reported back to the Committee at the meeting on 22 February 2016.
A46/15	07/12/15	Ethical Standards Annual Review	The Director of Legal and Democratic Services to find and share some comparative statistics on ethical standards.	Director of Legal and Democratic Services	A response has been received from the Director of Legal, Democratic and Cultural Services to say that Surrey district and Borough Monitoring Officers have confirmed that they have not had any complaints requiring formal consideration in the last 12 months. Comparison information relating to Member conduct complaints in 2015 was circulated to Committee Members on 22March 2016.

AUDIT & GOVERNANCE COMMITTEE
11 April 2016

Internal Audit Plan 2016/17

SUMMARY AND PURPOSE:

1. The purpose of this report is to present the Annual Internal Audit Plan for 2016/17 to the Committee.

2. Under-pinning the work of the Internal Audit team in delivering the Annual Internal Audit Plan are the key principles and objectives as set out in the Internal Audit Charter and Strategy. These are presented alongside the Annual Internal Audit Plan for 2016/17 as good practice dictates that these should be updated and reviewed on an annual basis.

3. Also included in this report are the updated Internal Audit Reporting and Escalation Policy and Quality Assurance and Improvement Programme as required by the Public sector Internal Audit Standards (PSIAS).

RECOMMENDATIONS:

4. Members are asked to consider the contents of this report and annexes, and to approve the following:

   (i) Internal Audit Charter (Annex A)
   (ii) The Internal Audit Strategy (Annex B)
   (iii) The Internal Audit Reporting and Escalation Policy (Annex C)
   (iv) The Internal Audit Quality Assurance and Improvement Programme (Annex D)
   (v) 2016/17 Internal Audit Plan (Annex E)

BACKGROUND:

5. The statutory basis for Internal Audit in local government is provided in the Accounts and Audit Regulations 2015 - which require a local authority to "*undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes".*

6. The Accounts and Audit Regulations contain the expectation that Internal Audit will take into account public sector internal audit standards or guidance. The Audit and Governance Committee has adopted the Public Sector Internal Audit Standards (PSIAS), which came into effect on 1 April 2013, as the basis for Internal Audit in Surrey County Council.

7. **Internal Audit Charter (Annex A)**
The PSIAS require Internal Audit to have a Charter that has been formally approved and is regularly reviewed. The Charter attached at Annex A reflects the PSIAS Local Government Application note which was published in April 2013. There have been no significant changes to the Charter previously approved by this Committee in April 2015.

6

8. **Internal Audit Strategy (Annex B)**
Under the PSIAS there is no longer a requirement to produce an Internal Audit Strategy. However the Chief Internal Auditor is of the opinion that this is a useful document that links the work of Internal Audit to the Council's vision to be confident in Surrey's future. There have been no significant changes to the Internal Audit Strategy previously approved by this Committee in April 2015.

Through approving the Internal Audit Strategy for 2016-2021 alongside the Internal Audit Plan for 2016/17, the link between the work of Internal Audit and the high level strategic vision of the Council is apparent.

9. **Internal Audit Reporting and Escalation Policy (Annex C)**
The Internal Audit Reporting and Escalation Policy has been updated to reflect the new scrutiny board arrangements.

10. **The Internal Audit Quality Assurance and Improvement Programme (Annex D)**
The PSIAS require the Chief Internal Auditor to develop a Quality Assurance and Improvement Plan (QAIP) which is designed to provide reasonable assurance to its key stakeholders that Internal Audit:

- Performs its work in accordance with its charter
- Operates in an effective and efficient manner; and,
- Is adding value and continually improving the service that it provides

A copy of this QAIP is attached at Annex D for Audit and Governance members to consider. There are no significant changes to the QAIP that was approved by this Committee in April 2015.

11. **2016/17 Internal Audit Plan and resources (Annex E)**
Development of the Internal Audit Plan
The Internal Audit Plan for 2016/17, which is a risk based programme of work, is set out at Annex E. There are a number of core elements to the Internal Audit Plan which are likely to feature each year. Certain audit activities are mandatory eg

(i) Reviewing corporate governance arrangements to inform the Annual Governance Statement
(ii) Grant certification
(iii) Irregularity contingency
(iv) Participation in the National Fraud Initiative (NFI)

In addition to these mandatory elements, Internal Audit also carries out testing on an annual basis, of all the Council's key financial systems.

Once these core elements of the Plan and follow up reviews are accounted for, the remaining audits shown in the proposed Plan have been included based on a risk priority which has been assessed following:

(i) Consultation with:
   a. Heads of Service and other senior management
   b. Members of the Cabinet including the Leader of the Council
   c. Members of the Audit and Governance Committee
   d. S151 Officer
   e. The Risk and Governance Manager
   f. External Auditor

(ii) Consideration of risk registers

(iii) Areas of concern emerging from liaison with other Local Authority Internal Audit Sections

The draft Plan, which attempts to demonstrate a link to the Council's strategic priorities was also presented at a meeting of the Statutory Responsibilities Network on 21 March.

The Chief Internal Auditor is confident that the draft Internal Audit Plan at Annex E provides comprehensive coverage across the Council's activities and addresses key areas of risk.

Resources

The Internal Audit budget allocation included in the Council's Medium Term Financial Plan is as follows:

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£000s	£000s	£000s	£000s	£000s	£000s
Audit	640	665	677	689	701	713

The Internal Audit team consists of 12 members of staff, although currently only eight of these posts are filled with permanent members of staff. The budget for 2016/17 does not allow for all 12 auditor positions to be filled with permanent staff and so some agency resourcing will be used during 2016/17 to help deliver the audit plan.

The budget for 2016/17 should be sufficient to cover anticipated costs of employment, and the number of audit days available will increase slightly (from 2069 days in 2015/16 to 2117 days) to reflect fewer bank holidays due to the timing of Easter in 2017.

The Internal Audit team is sufficiently resourced to deliver the programme of work (as shown at Annex E) which will enable the Chief Internal Auditor to provide an opinion on the adequacy of the Council's system of internal control for 2016/17.

IMPLICATIONS:

12. Financial
Equalities
Risk management and value for money

13. There are no direct implications (relating to finance, equalities, risk management or value for money) arising from this report. The Annual Internal Audit plan is designed to focus on key areas of risk and as such should help ensure effective risk management and support the achievement of value for money.

WHAT HAPPENS NEXT:

14. The Internal Audit team will deliver the 2016/17 Internal Audit Plan and Internal Audit reports will be produced and distributed in line with the Reporting and Escalation Policy.

15. Completed audit reports will continue to be presented to the Committee throughout the year and an update on performance against the 2016/17 Plan will be reported to the Committee in December 2016.

REPORT AUTHOR: **Sue Lewry-Jones, Chief Internal Auditor**

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

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ANNEX A

SURREY COUNTY COUNCIL INTERNAL AUDIT CHARTER

1. Purpose

The Internal Audit Charter describes the purpose, authority and responsibilities of Surrey County Council's Internal Audit service. The Charter shall be reviewed annually and approved by the Audit and Governance Committee. The Chief Internal Auditor is responsible for applying this Charter and keeping it up to date.

2. Statutory Requirement

Within local government the requirement for an Internal Audit function is statutory. The Accounts and Audit Regulations (2015) requires every local authority to maintain an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance.

In addition, the Council's Chief Financial Officer has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. To perform that duty the Section 151 Officer relies, amongst other things, upon the work of Internal Audit in reviewing the operation of systems of internal control and financial management.

3. Standards and best practice

The work of Internal Audit will be performed with due professional care and in accordance with the UK Public Sector Internal Audit Standards (PSIAS), the Accounts and Audit Regulations (2015) and with any other relevant statutory obligations and regulations.

4. Key definitions

Within this Charter the following definitions are used:

Definition of Senior Management

The PSIAS anticipates the role of senior management not to be linked to a specific job title or pay grade, but to include the following key duties:

- input to the risk based internal audit plan (Standard 2010);
- receive periodic reports from the Chief Auditor on internal audit activity (Standard 2060); that includes follow-up reports (Standard 2500); and
- receive the results of the quality assurance and improvement programme from the Chief Auditor (Standard 1320).

Within Surrey County Council an officer on Surrey Pay grade 13 or higher is deemed to be a 'senior manager'.

Definition of the Board

The PSIAS lays out the role of a board in relation to specific standards. In a local authority the role of the board may be satisfied by an audit committee. In Surrey

County Council the Audit and Governance Committee fulfils the role of an audit committee and for the purposes of the key duties laid out in the PSIAS is the board.

The key duties of the board are as follows:

- approve the internal audit charter (Standard 1000);
- approve the risk based internal audit plan including the approval of the internal audit budget and resource plan (Standard 1110);
- receiving communications from the Chief Auditor on internal audit performance relative to its plan and other matters (Standard 2020);
- receive an annual confirmation from the Chief Auditor with regard to the organisational independence of the internal audit activity (Standard 1110)
- receive the results of the quality assurance and improvement programme from the Chief Auditor (Standard 1320)
- make appropriate enquiries of the management and the Chief Auditor to determine whether there are inappropriate scope or resource limitations.

5. Responsibilities and Objectives

The PSIAS define internal auditing as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

Internal Audit is not responsible for control systems. Responsibility for effective internal control rests with the management of the council.

The nature of assurance services provided to the organisation includes:

- review of controls within existing systems and systems under development;
- compliance with Council policy and procedures including Financial Regulations and Procurement Standing Orders;
- transactions testing to ensure accuracy of processing;
- contract audit;
- computer audit;
- pro-active anti-fraud work;
- investigation of suspected fraud and irregularities;
- value for money reviews;
- performance indicators;
- control risk self-evaluation; and
- provision of advice to departments and establishments

6. Independence

Internal Audit is independent of all activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations without giving rise to conflicts of interest. Internal Auditors shall have no direct operational responsibility or authority over any of the activities they review. Accordingly, they shall not develop or install systems or procedures, prepare records, or engage in any other activity which would normally be audited.

Internal Audit activity must be free from interference in determining the scope of activity, performing work and communicating results.

7. Reporting Lines

Internal Audit is part of the Policy and Performance Service within the Deputy Chief Executive's Office Directorate.

There are a number of reporting lines in place to enable Internal Audit to be independent of the management of the organisation. There are eight specific lines of accountability for the Chief Internal Auditor:

(i) To the Assistant Director of Strategy and Performance – who reports to the Deputy Chief Executive – for line management purposes and specifically in respect of achievement of the priorities as set out in the Strategy and Performance Service Plan; and, the inter-relationship with the wider performance improvement agenda;

(ii) To the Director of Finance in respect of her statutory Section 151 responsibilities, including the investigation of irregularities;

(iii) To the Director of Legal and Democratic Services in respect of her statutory responsibilities as the Council's Monitoring Officer.

(iv) To the Chief Executive as required in respect of investigation of matters requiring referral to him;

(v) To the Cabinet Portfolio Holder as required in respect of matters falling within their remit;

(vi) To the Audit and Governance Committee ('the Board' as defined in PSIAS) in discharging the corporate responsibility for Internal Audit under the Accounts and Audit Regulations (2015);

(vii) To the Chairmen of Overview and Scrutiny Boards in conjunction with the Audit and Governance Committee on matters relating to their specific service areas; and/or

(viii) To the Leader of the Council, as appropriate.

Specifically, the Chief Internal Auditor must have free and unfettered access to the Chief Executive and Chairman of the Audit and Governance Committee.

8. Scope

Internal Audit may review any aspect of the council's activities and the Chief Internal Auditor is required to give an annual opinion on the effectiveness of the whole of its internal control system, and the extent to which the council can rely on it.

In support of this, Internal Audit undertake risk-based reviews and evaluations of the control environment (including, where appropriate, those of external bodies and partnerships). The work of Internal Audit is set out in the Annual Internal Audit Plan. This Plan is designed to support the Annual Internal Audit Opinion and the council's Annual Governance Statement.

Internal Audit may undertake work for new clients by extending its work to third parties including schools and Parish councils. All engagements will be performed in accordance with this Charter to an agreed schedule of audit days.

9. Reporting

The responsibility for how audits will be reported rests with the Chief Internal Auditor. On the completion of each audit the findings and draft recommendations will be discussed with the responsible officer(s). In accordance with the Internal Audit Reporting and Escalation Policy a draft report summarising the work done, conclusions and recommendations will be issued to the responsible officer(s) for them to confirm its factual accuracy. A final report is circulated along with an agreed management action plan.

There are normally standard timeframes for the individual stages above to occur and these are agreed with services as a part of liaison arrangements.

All final audit reports – with the exception of irregularity reports – and their completed management action plans are made available to the appropriate Cabinet Portfolio Holder and all members of the Audit and Governance Committee. In addition, after each meeting of the Audit and Governance Committee, a list of completed audits is compiled for distribution to all elected Members of the Council informing them of audit work completed.

Internal Audit Management attend other meetings of the council through which senior officers are updated with matters pertaining to the delivery of the Internal Audit plan. Such meetings include:

- Statutory Responsibilities Network;
- Governance Panel; and,
- Continuous Improvement and Productivity Network

The Chief Internal Auditor will seek to co-ordinate Internal Audit plans and activities with managers, external audit, inspection bodies and other review agencies to ensure the most effective audit coverage is achieved and duplication of effort is minimised.

Based upon the delivery of the Internal Audit plan, the Chief Internal Auditor is able to make an evidence-based annual opinion relating to the council's entire control environment.

The Chief Internal Auditor will bring to the attention of the Audit and Governance Committee all issues relating to the control environment of the authority and the mechanisms by which Internal Audit provides assurance.

10. Right of Access and Authority to Obtain Information

In order for Internal Audit to discharge its responsibilities, it is granted full, free and unrestricted access to all council records, assets, personnel and premises as considered necessary for the purposes of the audit from any Member, officer, agent or contractor of the County Council. This is set down in the Council's Financial Regulations.

This access should be granted on demand and is not subject to prior notice, and extends to partner bodies and external contractors working on behalf of the council. Council staff are expected to provide every possible assistance to facilitate the progress of Internal Audit reviews. Documents and information given to Internal Audit during a review will be handled in the same prudent and/or confidential manner as by those employees normally accountable for them.

11. Annual Governance Statement

Annually the Chief Internal Auditor provides to the Audit and Governance Committee an overall opinion on the County Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

12. Fraud & Corruption

Managing the risk of fraud and corruption is the responsibility of management. Internal Audit procedures alone cannot guarantee that fraud or corruption will be detected. Internal Audit does not have responsibility for the detection or prevention of fraud and corruption but does undertake periodic activities to promote an anti-fraud and anti-corruption culture.

The council maintains a Strategy Against Fraud and Corruption, which repeats the requirement established in Financial Regulations that all suspected financial irregularities should be reported (verbally or in writing) to the Chief Internal Auditor so that an internal audit investigation of the allegations can be undertaken in line with the Fraud Response Plan.

Investigations into potential financial irregularities are undertaken by Internal Audit whether reported directly to Internal Audit, through the Council's whistle blowing policy, or through Expolink, the Council's external whistle-blowing hotline. Such investigations are as far as possible conducted sensitively and confidentially, but the scope and manner of the investigation is dependent on the nature of the allegations. Irregularity investigations often require the work to be undertaken without prior notice being given to local management and may also require referral to the police or other enforcement agencies.

In certain cases Internal Audit may delegate the investigation of specific allegations to the service itself following an assessment of risk and financial impact.

On completion, findings are reported to an appropriate level of management, who will then be responsible for determining the action to be taken.

13. Consultancy Work

Due to its detailed knowledge of County systems and processes Internal Audit is well placed to provide advice and support to services on issues of value for money and process re-engineering.

The PSIAS defines consulting services as follows:

"Advisory and client related service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training."

The Chief Internal Auditor shall seek the approval of the Audit and Governance Committee for any significant additional consultancy services not already included in the Annual Audit Plan prior to accepting the engagement. Significant is defined as any single assignment equivalent to 5% of annual planned days.

In order to help services to develop greater understanding of audit work and have a point of contact in relation to any support they may need, Internal Audit has put in place a set of service liaison arrangements that provide a specific named contact for each service; and, regular liaison meetings. The arrangements also enable Internal Audit to keep in touch with key developments within services that may impact on its work.

14. Resources

The work of Internal Audit is driven by the annual Internal Audit Plan, which is approved each year by the Audit and Governance Committee.

The Annual Plan is derived from reviewing the audit universe and prioritising potential audits in terms of their significance in risk terms. The methodology for determining risk takes account of both financial and non-financial factors, and is in line with good practice.

Activities identified within a given year in the annual Internal Audit Plan are audited using a variety of standard methodologies (eg risk-based auditing and systems based auditing). Separate contingency time is allowed in the Annual Plan for irregularity-related activities, grant claim audit, audit management time, consultancy work, follow-up audits and other duties.

Against this list of audits is matched a determination of the available resource (in terms of productive days available across the team) and a 'cut-off' point is reached where the risk-ranked list of audits can be resourced by the available days.

In addition to appropriate staffing, Internal Audit must have access to appropriate IT hardware and software (including audit management software and data interrogation tools) to enable delivery of the audit plan.

If the Chief Internal Auditor has concerns regarding the level of resources, these will be raised with the Section 151 Officer at the earliest opportunity. Inadequate resourcing of the Internal Audit activity may result in the Chief Internal Auditor being unable to provide an annual opinion on the council's internal control environment.

15. Training

Internal Audit will be appropriately staffed in terms of numbers, professional qualifications and experience, having regard to its objective and standards. The staffing of Internal Audit will be kept under review by the Chief Internal Auditor and the Audit and Governance Committee. Internal Audit staff will be properly trained to fulfil their responsibilities and will maintain their professional competence through an appropriate ongoing development programme.

16. Due Professional Care

Internal Audit will conform to the PSIAS Code of Ethics: (i) Integrity; (ii) Objectivity; (iii) Confidentiality; and, (iv) Competency.

If individual auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation

In carrying out their work, Internal Auditors must exercise due professional care by considering:

(i) The extent of work needed to achieve the required objectives;

(ii) The relative complexity, materiality or significance of matters to which assurance procedures should be applied; and

(iii) The adequacy and effectiveness of governance, risk management and control processes;

(iv) The probability of significant errors, fraud or non-compliance; and

(v) The cost of assurance in proportion to the potential benefits.

Internal Auditors will also have due regard to the Seven Principles of Public Life – Selflessness; Integrity, Objectivity; Accountability; Openness; Honesty; and Leadership.

17. Quality Assurance

The Chief Internal Auditor will control the work of Internal Audit at each level of operation to ensure that a continuously effective level of performance – compliant with the PSIAS is maintained.

A Quality Assurance Improvement Programme (QAIP) is in place which is designed to provide reasonable assurance to its key stakeholders that Internal Audit:

- Performs its work in accordance with its charter
- Operates in an effective and efficient manner; and,
- Is adding value and continually improving the service that it provides

The QAIP requires an annual review of the effectiveness of the system of Internal Audit to be conducted. This review is sponsored by the Audit and Governance Committee Chairman. Instances of non-conformance with the PSIAS, including the impact of any such non-conformance, must be disclosed to the Audit and Governance Committee. Any significant deviations must be considered for inclusion in the council's Annual Governance Statement.

18. Internal Audit Strategy

The Chief Internal Auditor will develop and maintain a Strategy for delivering the Internal Audit service which aligns with the Corporate Strategy.

The annual Internal Audit Plan is designed to complement the Strategy, and both are approved by the Audit and Governance Committee on behalf of the council. Any difference between the Plan and the resources available will be identified and reported separately.

April 2016

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Internal Audit Strategy 2016-21

ANNEX B

SURREY

PURPOSE

To provide the statutory Internal Audit function promoting continuous improvement and correct use of public money

VISION

Professional Excellence
Respected Expertise
Independent Assurance

VALUES

- **Listen**
- **Responsibility**
- **Trust**
- **Respect**

Context

The Surrey County Council Internal Audit Charter sets out the purpose, authority and responsibilities of the Council's Internal Audit team. This complementary Strategy provides a framework to ensure the work of Internal Audit is aligned to the Council's Corporate Strategy and upholds and promotes the Council's values. Demands on the Council are increasing while financial resources are decreasing. The Internal Audit team will help meet these challenges by working with Services, Members and partners, sharing data, knowledge and expertise to help improve services and improve outcomes for our residents.

ASSURANCE: We provide an opinion each year on the Council's internal control environment, risk management arrangements and governance framework.

ADVICE: Based on audit findings we make recommendations for improvement and work with Services, Members and partners providing advice on a range of issues.

PROBITY: We take a zero tolerance approach to fraud and corruption. We investigate alleged irregularities and work proactively with Services, Members and partners to fight fraud and protect the public purse.

Our strategic approach

1. Risk based

In 2016/17 we will

- Ensure the Annual Internal Audit Plan supports the Council's strategic goals:
  - Everyone in Surrey has a great start to life and can live and age well
  - Surrey's economy remains strong and sustainable
  - Residents in Surrey experience public services that are easy to use, responsive and value for money

2. Properly resourced

In 2016/17 we will

- Employ a strong mix of people in the Internal Audit team matching technical expertise to audit needs promoting flexibility and living the Council's values
- Encourage and support continuing professional development across the Internal Audit team
- Explore and develop opportunities for wider and more flexible resourcing and intelligence sharing with Internal Audit partners

3. Right profile

In 2016/17 we will

- Share Internal Audit findings promptly with key stakeholders including senior officers and Cabinet Members
- Report publically to the Audit and Governance Committee on implementation of Internal Audit recommendations and attend Overview and Scrutiny Board meetings to discuss audit findings
- Be represented on the Statutory Responsibilities Network and the Continuous Improvement and Productivity Network, drawing attention to governance related matters

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ANNEX C

Internal Audit Reporting and Escalation Policy

Internal Audit
Strategy and Performance
Deputy Chief Executive's Office
April 2016
Version 1.16

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CONTENTS

INTRODUCTION:

1. The Public Sector Internal Audits Standards require that internal audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results. Timely and appropriate management responses to Internal Audit reports enable the Council to demonstrate that it maintains high standards of internal control and governance in line with corporate objectives.

2. The Audit and Governance Committee have approved this policy in order to ensure that issues are remedied in an appropriate and timely manner.

REPORTING:

3. With the exception of investigations into alleged irregularities (which are subject to separate arrangements not covered in this policy), the following reporting and escalation arrangements apply to all audit reviews undertaken by Internal Audit.

Draft Report

4. Following completion of an audit review the auditor will produce a draft report, which is issued to the responsible manager, (the auditee). The auditee will be asked to comment on the factual accuracy of the report and attend an exit meeting with the auditor within 5 working days. In this context 'factually accurate' means that the auditor's report and recommendations are based on a correct interpretation of the systems or circumstances pertaining to the review.

Exit meeting

5. The exit meeting is held with the auditee and other officers as appropriate. It is during this meeting that key points arising from the audit, factual amendments and recommendations for improvement are discussed. Where possible service actions addressing audit recommendations should be captured for inclusion in a draft management action plan (MAP).

Management Action Plan production

6. Following the exit meeting a draft MAP and revised draft report will be produced for distribution to the auditee, Head of Service and other key officers involved in the audit. Auditees must obtain agreement from their Head of Service as to the proposed actions to be included in the MAP. The relevant Head of Service will be recorded in the MAP as the Responsible Officer and there is an expectation that the Head of Service will have briefed their Director on the findings/recommendations arising from any Internal Audit review in advance of agreeing the MAP. Where actions rest with one or more service, the Head of Service responsible for the business activity reviewed will be deemed the Responsible Officer.

7. The service then has 10 working days to return a completed MAP and any further comments on factual accuracy to the auditor. As part of this process the service is responsible for ensuring that named officers with responsibility for individual actions within the MAP are sufficiently briefed and accepting of such responsibility before the MAP is returned to Internal Audit.

Ownership of the Management Action Plan

8. Whilst individual actions within the MAP may rest with one or more officers, the Head of Service has overall accountability for timely completion of the actions in the MAP, and is

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required to inform Internal Audit if timescales are likely to be missed. In assigning their name to the MAP, Heads of Service are confirming that they accept responsibility for completion of the actions therein.

9. Where MAPs involve recommendations for more than one service, each relevant Head of Service must provide confirmation that they accept responsibility for those actions related to their service area.

10. In either case, the auditor will assume that the auditee has consulted with those officers listed as responsible for individual actions in the MAP, prior to said officers being assigned responsibility for those actions.

Final Report and agreed MAP

12. Upon receipt of the completed MAP the auditor will consider if the actions therein are appropriate. If the auditor is satisfied that all factual points have been addressed; that the service has no outstanding concerns with the report, and that the MAP sufficiently addresses all the findings raised in the audit report, then the final report and MAP can be issued.

13. **Final reports should be issued together with the completed MAP, both of which must be in PDF format.**

MAP Escalation Procedure

14. If the MAP is not returned to deadline, or in the auditor's opinion does not adequately address the issues raised, the Chief Internal Auditor or Audit Performance Managers will discuss their concerns with the Head of Service. If that discussion does not result in a MAP acceptable to Internal Audit the issue will be referred to the relevant Strategic Director for a decision.

15. The Strategic Director's decision will be either to agree an acceptable MAP on behalf of the Head of Service, which must then be implemented within the agreed timescale, or to accept the position and acknowledge that the Strategic Director accepts the risk. Risks tolerated in this manner should be considered for inclusion on the service risk register.

16. If in the opinion of the Chief Internal Auditor the Strategic Director's decision exposes the Council to an unacceptable level of risk, the matter will be referred first to the Chief Executive and then to the Audit and Governance Committee.

17. Depending upon the time taken in escalating MAP completion, the Chief Internal Auditor reserves the right to issue the final report without an agreed MAP.

Distribution list

18. The front cover of the agreed final audit report should list the officers for whom the report has been prepared. This includes the auditee, the Head of Service and other key officers as set out in the agreed Terms of Reference.

19. The inside cover to the report should include a table showing who else the report has been circulated to. If any people in this list are included on the front cover of the report it will not be necessary to include them in the circulation list. **The following distribution list may not apply should the Chief Internal Auditor deem the report to be of a particularly sensitive nature.**

- The External Auditor (through the Lotus Notes group email address)

- Responsible manager's level 4 report;
- Relevant Head of Service;
- Service Finance Manager;
- Risk and Governance Manager;
- Section 151 Officer;
- Relevant Strategic Director(s);
- All members of the Audit and Governance Committee;
- Relevant Cabinet Portfolio Holder;
- Chairman of the relevant select committee; and
- Procurement (if applicable - see 23)

20. There may also be a requirement to circulate the final report to other officers not included in the above list e.g. where that officer is required to action one of the audit recommendations. Where this individual is known at the time of issuing the final report their details should be included in the circulation table.

21. In all cases the Assistant Director of Strategy and Performance and the Chief Internal Auditor should be included in the email circulation of the final audit report - this is for information purposes only, so they do not need to be included in the report distribution table referred to above. The Assistant Director of Strategy and Performance will also ensure that where appropriate to do so, final audit reports will be forwarded onto the relevant Performance Lead managers.

22. The relevant Scrutiny Officer/Assistant should be cc'd in the email circulation of the final audit report.

23. All audit reports for **Procurement,** or reports that have recommendations for Procurement, should be copied to the Procurement and Commissioning Performance and Development Manager.

24. If an audit report has an audit opinion of "Unsatisfactory" or "Significant Improvement Needed" the Chief Internal Auditor will draw this to the attention of the Head of Communications.

Structure and contents

25. Audit reports are generated using a standard reporting template.

26. In order to aid the reader's understanding of the report, a glossary of acronyms should be included as a table on the inside of the front cover under the distribution list.

27. Final audit reports and MAPs should be saved as a PDF document using the format below. Where practical the two documents should be joined as one PDF document.

    Audit name-year-Final Report
    For example: IFRS-09-10-Fin Rep

Protective marking

28. Both draft and final reports should be marked in accordance with the County Council's Security Classifications for Data and Information Policy.

29. The Chief Internal Auditor has determined that of the three levels of marking applicable to local government the third category – OFFICIAL - SENSITIVE – is likely not to be relevant to audit reports. Consequently reports will generally either be marked as 'OFFICIAL' or not marked at all, in accordance with the extract from the Policy below:

[NOT PROTECTIVELY MARKED]

- may have no marking or be marked [NOT PROTECTIVELY MARKED]
- contains no sensitive information
- available to all (internally or externally)
- may be published online or in print

[OFFICIAL]

- many of the council's routine business operations
- policy development, service delivery, statistics
- legal advice, contracts, some administrative data
- contains sensitive information but loss would not cause significant distress

[OFFICIAL - SENSITIVE]

- subject to a heightened risk profile and only available to limited number of users
- contains personal data, commercial confidence or financial information
- loss would cause substantial distress to individuals or damaging consequences for the council

30. If an auditor is in doubt whether a report should be marked “OFFICIAL” or otherwise they should seek guidance from the Chief Internal Auditor or an Audit Performance Manager.

31. Where the “OFFICIAL” marking is used, the following paragraph must be added to the front cover of the draft and final report above the date of issue, and should also be included in the email containing the report:

    *Please note that this report has been prepared by the County Council's Internal Audit team for the use of management in connection with the discharge of the Council's business and has been marked as **OFFICIAL** due to the sensitive nature of its content. A copy is being provided to you on the express understanding that it enables you to carry out your role as an officer or Member of the Council. It is not to be copied or in any way shared with any other person outside the Council.*

Summary of completed audits for Members

32. The Chief Internal Auditor will report on all audits completed since the previous meeting to the Audit and Governance Committee, summarising the reason for the audit, the key findings, the risks resulting from those findings and the recommendations for improvement. The Audit and Governance Committee then considers whether there are any reports that it would like to review in more detail at a future meeting. A list of completed audit reports for the period (together with a link to full copies of those reports) is circulated to all members following the meeting of Audit and Governance Committee.

33. Should the Audit and Governance Committee require an update on completion of actions for a particular audit, the relevant Head of Service is responsible for informing the Chief Internal Auditor of what actions have been completed or providing an explanation for any delay in, or change to, the action being taken.

ESCALATION:

Follow up reviews

34. A formal follow-up review of the progress made in implementing recommendations agreed within the MAP may be programmed into the annual Internal Audit Plan at a time the Chief Internal Auditor considers appropriate. A formal follow-up review is typically carried out for audits that have attracted an audit opinion of "Unsatisfactory" or "Significant Improvement Needed".

35. Upon completion of the follow-up review the auditor will report to the Responsible Officer drawing attention to any actions that have not been completed by the agreed date. A copy of the follow-up report will be sent to the full distribution list set out above.

34. In addition, the Chief Internal Auditor will provide a report, at least bi-annually, to the Audit and Governance Committee on progress in implementing MAPs agreed for audits completed.

Audit and Governance Committee

36. The Head of Service may be required to attend the Audit and Governance Committee to answer questions on the reasons for the non-completion of agreed action or delay in implementation, and the remedial action to be taken.

37. The Audit and Governance Committee having considered the report and the evidence provided by the Head of Service will either agree the remedial actions proposed or, if they consider the position unsatisfactory, may refer the matter to the relevant scrutiny board or to the Cabinet Portfolio holder as necessary.

Select Committee Review of Internal Audit Reports

38. It has been agreed by the Chairmen of the Council's Overview and Scrutiny Boards that any relevant Internal Audit reports that have attracted an audit opinion of either "Significant Improvement Needed" or "Unsatisfactory", and/or those with High Priority recommendations, will be considered for inclusion on the Scrutiny Boards's work programme. The process agreed with Democratic Services to ensure this happens is described at Annex A

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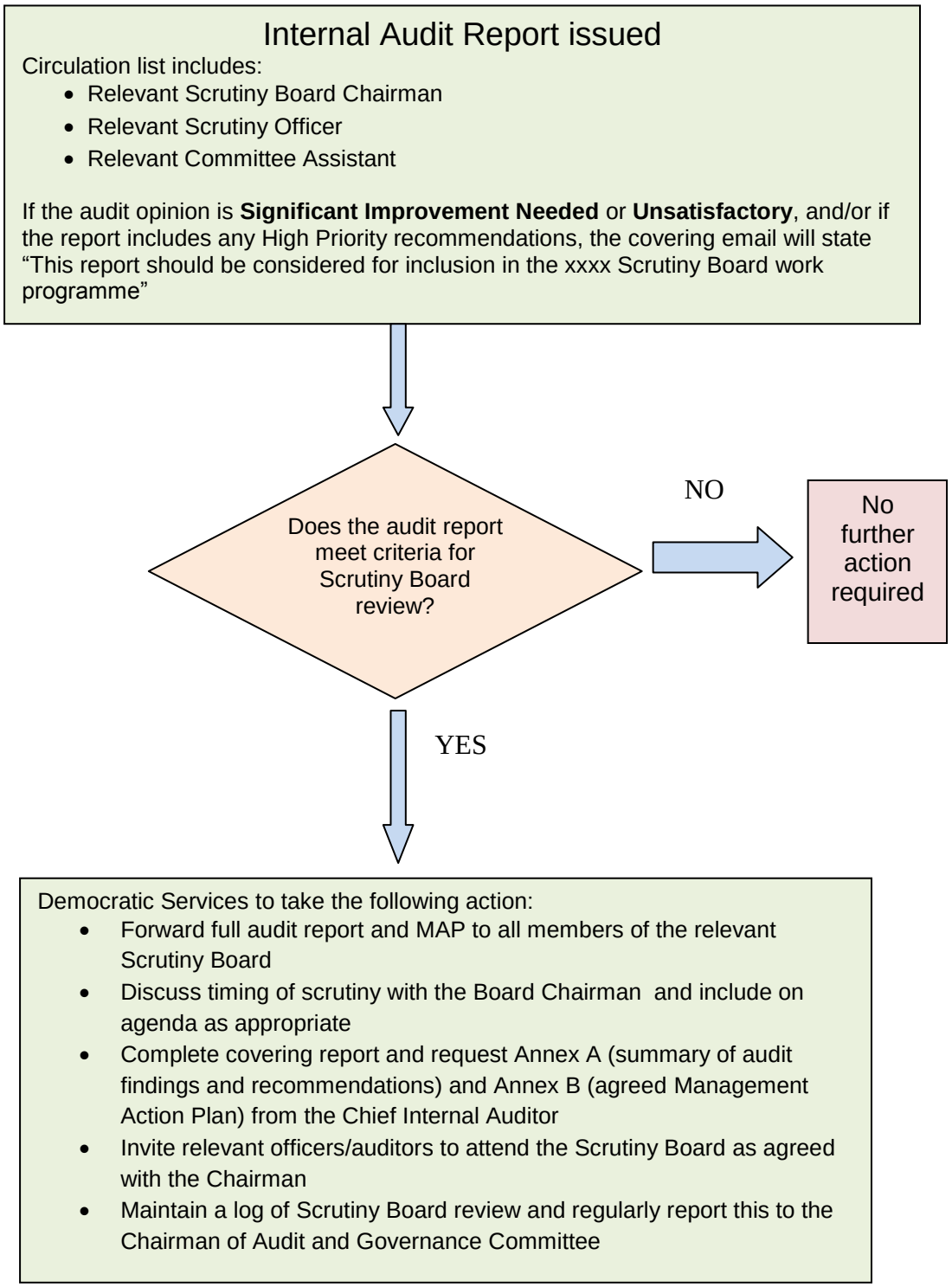
VERSION CONTROL:

1.0	Approved by Audit and Governance Committee 19/11/08	Effective from 01/12/2008
1.1	Amended to include Strategic Director in circulation	Effective from 24/02/2009
1.2	Amended to reflect comments made at Audit and Governance Committee 19/03/09	Effective from 01/04/2009
1.3	Amended to reflect Directorate/ Service Restructure	Effective from 11/01/2010
1.4	Amended to reflect Protect designation, revised timescales for draft and final reporting times, additional distribution requirements, and incorporation of additional guidance on Galileo in this one document	Draft 01/03/10
1.5	As agreed at Audit and Governance Committee 29/03/2010	Effective from 01/04/2010
1.6	Updated following CLT request for MAP ownership to be at Head of Service (or above) level.	Effective from 04/05/2010
1.7	Updated to highlight the requirement to issue the Final Report and MAP together, plus reflect changes to the audit manual.	Effective from 09/07/2010
1.8	Updated to reflect the responsibility of the Head of Service to inform Internal Audit if timescales in the MAP are likely to be missed.	Effective from 20/08/2010

1.9	Revised following Internal Audit team comments.	Effective from 23/09/2010
1.10	Amended to reflect new Service Name	Effective from 01/04/2011
1.11	Amendments as reported to A&G committee on 05/04/2012	Effective from 05/04/2012
1.12	Amendments as reported to and agreed with A&G committee on 18/03/2013	Effective from 18/03/2013
1.13	Amended to reflect the need to include officers from Democratic Services in report circulation	Effective from 11/12/2013
1.14	Amended to reflect agreed process for Select Committee review (note as discussed with Chairman of A&G Committee)	Effective from 25/03/2013
1.15	Amended to reflect the council's new arrangements for the security classification of data and information; and, comments made at A&G Committee on 09/04/2015	Effective from 09/04/2015
1.16	Updated to reflect introduction of Scrutiny Boards and changes to service names and job titles.	Effective from 11/04/2016

SCRUTINY BOARD REVIEW OF INTERNAL AUDIT REPORTS – AGREED PROCESS



Note: The Scrutiny Board is encouraged to seek assurance from officers that appropriate and timely action is being taken to address the audit recommendations made. The agreed Management Action Plan will be available as part of the Scrutiny Board papers, but the supporting audit report will not be included with the public papers. This will have been previously circulated to board members.

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ANNEX D

Internal Audit Quality Assurance and Improvement Programme

Internal Audit
Policy and Performance
Chief Executive's Office
April 2016
Version 1.2

PURPOSE:

1. Internal Audit's Quality Assurance Improvement Programme (QAIP) is designed to provide reasonable assurance to its key stakeholders that Internal Audit:

    - Performs its work in accordance with its charter
    - Operates in an effective and efficient manner; and,
    - Is adding value and continually improving the service that it provides

2. The Chief Internal Auditor is responsible maintaining this QAIP which covers all aspects of Internal Audit activity. This QAIP seeks to conform with the requirements of the Public Sector Internal Audit Standards (PSIAS) and as such includes both internal and external assessments.

INTERNAL ASSESSMENTS

3. Internal Assessment includes both ongoing and periodic reviews

Ongoing Reviews

4. Ongoing assessments are conducted through:

    - Supervision of individual audit assignments
    - Regular, documented review of working papers by appropriate Internal Audit Staff during audit assignments
    - Applying relevant audit policies and procedures, including those set out in the Surrey County Council Internal Audit Manual, to ensure applicable audit planning, fieldwork and reporting quality standards are met.
    - Review of all audit reports by the Chief Internal Auditor prior to formal circulation.
    - Feedback from Customer Satisfaction Questionnaires (CSQs) on individual audit assignments
    - Corporate performance monitoring

5. In assigning audit work to an individual auditor consideration is given to their level of skills, experience and competence and an appropriate level of supervision exercised.

6. Feedback from CSQs and reviews of working papers and audit reports will form part of the discussion during regular 1-2-1 meetings and will help inform formal appraisal discussions.

7. Performance measure/targets for Internal Audit are agreed with the Assistant Director of Strategy and Performance and monitored through 1-2-1 conversations. The priorities for the Internal Audit team are reviewed and refreshed each year as part of the Council's annual business planning cycle.

Periodic Reviews

8. Periodic assessments are conducted to evaluate conformance with the Definition of Internal Auditing; the Code of Ethics; and, Standards as set out in the PSIAS. These may be conducted through self assessment or by other persons within the Council with sufficient knowledge of Internal Audit practices. The PSIAS Local Government Application Note and Checklist will be used as part of this evaluation.

9. An annual review of the effectiveness of the system of Internal Audit will also be conducted. This review is sponsored by the Audit and Governance Committee Chairman who will also agree the specific terms of reference for that review. In drafting the Terms of Reference for this annual review the Chief Internal Auditor will seek the views of the Section 151 Officer.

10. In addition the Chief Internal Auditor will include certain key performance information in both the half and full year reports to Audit and Governance Committee. This will typically include:
    - Number of actual/planned days by audit activity type
    - Details of completed/cancelled/deferred audits
    - RAG assessment of progress in implementing audit recommendations
    - Customer Satisfaction Questionnaire scores

EXTERNAL ASSESSMENTS

11. An external assessment will be conducted at least once every five years as required by the PSIAS which came into effect on 1 April 2013.

12. The Chief Internal Auditor will consider what form of external assessment is most appropriate eg a "full" external assessment or a self-assessment with independent validation. The scope of any external assessment will be discussed with the Section 151 Officer and agreed with the Chairman of the Audit and Governance Committee and with the appointed external assessor.

13. Before appointing an external assessor, the Chief Internal Auditor will have confirmed with the Chairman of the Audit and Governance Committee that the assessor is competent in the area of professional internal auditing practices and the external assessment process. In determining competence the Chief internal Auditor will consider the level of experience gained in organisations of similar size and if in doubt will seek advice from CIPFA.

14. For an external assessment to provide a truly independent view, it is important that the appointed assessor has no real or apparent conflict of interest with the Council in general or the Internal Audit team in particular. The Chief Internal Auditor will be alert to this risk when appointing the external assessor.

REPORTING

15. The outcome of any external assessment or periodic internal assessment (notably the annual review of the effectiveness of the system of Internal Auditor) will be reported to the Section 151 Officer and the Chief Executive and to the Audit and Governance Committee on completion. The Chief Internal Auditor will not state that the Internal Audit service conforms with the Internal Standards for the Professional Practice of Internal Auditing (ie the PSIAS in the UK Public sector) unless the results of the QAIP (including a completed external assessment) confirm this

16. The Chief Internal Auditor will take appropriate action to ensure that recommendations for improvement identified as a result of periodic internal or external assessments exercises are implemented as appropriate.

17. Progress in implementing agreed improvement plans will be included as part of the Chief Internal Auditor's annual report to the Audit and Governance Committee.

6

18. Any significant deviations from the PSIAS will be brought to the attention of the Governance Panel and considered for inclusion in the Annual Governance Statement

VERSION CONTROL:

1.0	As presented to the Audit and Governance Committee	24/03/14
1.1	Amended to reflect the new approach to performance reporting	09/04/15
1.2	Minor changes to job titles/service names	11/04/16

DRAFT Internal Audit Plan 2016/17

	Audit Days 2016/17	(Audit Days 2015/16)
Corporate Governance Arrangements CRSA and S151 responsibilities Risk Management AGS - Internal Audit Opinion Information Governance Organisational Ethics	75	(85)
Key Financial and Non Financial Systems SAP Application controls - policy, roles and access Accounts Payable Capital Expenditure Monitoring Payroll Accounts Receivable Revenue Budget Control Treasury Management General Ledger Financial Assessments and Benefits Pension Administration Pension Fund Investments	175	(185)
Grants Government Grants EU Grants	54	(61)

ANNEX E

Internal Audit **Surrey County Council**

DRAFT Internal Audit Plan 2016/17

	Audit Days 2016/17	(Audit Days 2015/16)
Contract Reviews	135	(125)
Public Health Contract Preparedness		
Stop Smoking Service		
Highways Contract Management		
Adecco Contract		
Adult Block Contracts		
Contract Management		
Procurement Transformation		
Adult Social Care and Public Health	160	(160)
AIS Implementation		
No Recourse To Public Funds		
Better Care Fund		
Quality Assurance & Safeguarding		
Carers		
Community Equipment		
Home Based Care		
Deprivation of Liberty		

DRAFT Internal Audit Plan 2016/17

	Audit Days 2016/17	(Audit Days 2015/16)
Business Services	225	(230)
Health & Safety		
Managed Print Service		
BACS Software		
Savings / Budget Pressures		
Premises Security		
PSO Compliance – RFQ		
Highways Works Management System		
Open-up IMT Security Programme		
IMT Useage Policy		
SAP Interfaces		
Network Controls (Cyber Security)		
Social Media		
Customers and Communities	0	(20)

ANNEX E

Internal Audit **Surrey County Council**

DRAFT Internal Audit Plan 2016/17

	Audit Days 2016/17	(Audit Days 2015/16)
Chief Executive's Office Public Service Transformation Public Value Transformation	50	(95)
Children's Schools and Families Schools Compliance Special Schools Multi-Agency Safeguarding Hub Schools Data Analysis SEND 2020 Early Help Children's Improvement Plan	270	(260)

DRAFT Internal Audit Plan 2016/17

	Audit Days 2016/17	(Audit Days 2015/16)
Environment and Infrastructure CIL & S106 Community Transport Bus Operating Contracts Parking Highways Design Process Highways Commissioning & Delivery Model Integrated Waste Management System	140	(80)
Follow-up Audits including: Foster Care Nursery Education Trust Funds Surrey Choices Highways Schemes Communication	45	(50)

ANNEX E

Internal Audit **Surrey County Council**

DRAFT Internal Audit Plan 2016/17

	Audit Days 2016/17	(Audit Days 2015/16)
Client Support and Service Liaison	128	(123)
Innovation and New Models of Delivery - Support	50	(30)
Irregularity and Special Investigations including Fraud Prevention	340	(280)
NFI - Support to Other LAs		
Irregularity Contingency		
Anti Fraud and Data Interrogation		
NFI Data Matching Exercise		
Internal Management, Corporate Support and Organisational Learning	270	(285)
Audit & Governance Support		
Member support		
Audit Planning		
Audit Management		
Corporate Support Activities		
Total Audit Days	2117	(2069)

AUDIT & GOVERNANCE COMMITTEE
11 April 2016

2015/16 Review of the Effectiveness of the System of Internal Audit

SUMMARY AND PURPOSE:

This report sets out the findings and recommendations from the 2015/16 review of the effectiveness of the system of internal audit in Surrey County Council. The agreed Terms of Reference for this review are attached at Annex A

RECOMMENDATIONS:

The Committee is asked to note the findings of this report and consider whether any further action is required.

BACKGROUND:

1. The Accounts and Audit Regulations (England) 2015 removed the requirement that a review of the effectiveness of the Council's internal audit arrangements should be conducted at least annually. Internal Audit's Quality Assurance and Improvement Programme has been amended to reflect this change in legislation, although an annual review of the effectiveness of the system of internal audit - notably an assessment of compliance with the Public Sector Internal Audit Standards - has continued.

2. Following a comprehensive check against the PSIAS and the Local Government Application Note in 2013/14 a lighter touch review was undertaken in 2014/15. This approach has continued into 2015/16 and has focused on the controls in place to mitigate the following risks:

   - Internal Audit is not viewed as sufficiently independent of undue influences
   - Internal Audit resource may not be focussed on key areas of risk
   - The Internal Audit team may not be sufficiently resourced/skilled
   - Internal Audit work may not be to an acceptable level of quality
   - Management action in response to audit recommendations may not be timely/effective
   - Internal Audit may not have a sufficiently high profile within the organisation to be a force for change

   A high level check of compliance against the PSIAS and the Local Government Application Note has been conducted by the Risk and Governance Manager.

7

KEY FINDINGS:

Mitigation of key risks

3. There is evidence to show that appropriate controls were in place during 2015/16 to ensure an effective Internal Audit service was provided.

4. Internal Audit in Surrey County Council is independent of undue influences and has a high profile within the organisation. The Internal Audit team is sufficiently well resourced with highly skilled and experienced auditors and resource is properly focussed on key areas of risk. Appropriate controls are in place to ensure Internal Audit work is of high quality. Management action in response to audit recommendations is generally both effective and timely and the council's overview and scrutiny boards are effective in ensuring this.

5. The evidence underpinning the above conclusions is set out in Annex B

Compliance check against PSIAS

6. The UK Public Sector Internal Audit Standards (PSIAS) came into effect on 1 April 2013 and are applicable to all internal audit service providers. Compliance with the PSIAS is mandatory and the Chief Internal Audit should report conformance in her annual report.

7. As part of the 2015/16 effectiveness review, a high level assessment against the PSIAS was completed by the Risk and Governance Manager. The conclusions of the assessment are that Internal Audit substantially complies with the requirements and there are no significant areas that warrant inclusion in the Annual Governance Statement.

8. In order to gain further verification of compliance with the standards, it is recommended that feedback from Internal Audit's key stakeholders is independently obtained as part of the 2016/17 effectiveness review.

Benchmarking

9. During 2015, Internal Audit participated in a benchmarking exercise organised through the County Chief Auditor's Network. 20 Authorities (6 unitaries and 14 county councils) participated. The key findings are as follows:

Internal Audit Plan Days (2015/16)

Surrey County Council	-	2,069
County Council Average	-	1,938
Highest Council	-	4,742
Lowest Council*	-	687

Internal Audit Establishment (Full Time Equivalents)

Surrey County Council	–	12
Average	-	13
Highest Council	-	27.95
Lowest Council*	-	1.6

(*Note* - likely to be a Unitary Council)*

FOLLOW-UP OF PREVIOUS REVIEW RECOMMENDATIONS:

10. The 2014/15 Effectiveness Review did not include any recommendations for improvement, however it was noted in the report to this Committee in April 2015 that one recommendation from 2013/14 had not been implemented. This recommendation, which related to the need to implement the "Managed Print" facility to include the facility to use locked print functionality when printing confidential material, has now been implemented.

CONCLUSIONS:

11. Internal Audit in the Council is well led and given a high priority by those charged with good governance. During 2015/16 work has continued to maintain and further raise the profile of Internal Audit work through Internal Audit representation at key corporate meetings, notably the Statutory Responsibilities Network and Extended Leadership Team, as well as ongoing representation at the Continual Improvement and Productivity Network.

12. The ongoing use of seminars in 2015/16 has proven to be an opportunity to further improve the understanding of the role Internal Audit plays in driving improvement across services to improve outcomes for Surrey residents, and for raising awareness of particular emerging risks such as those around fraud.

IMPLICATIONS:

Financial
There are no direct financial implications arising from this report

Equalities
There are no direct equalities implications arising from this report

Risk management
An effective system of internal audit complements good risk management across the Council

WHAT HAPPENS NEXT:

The findings from this review will help inform the Council's 2015/16 Annual Governance Statement.

REPORT AUTHOR: Sue Lewry-Jones, Chief Internal Auditor

CONTACT DETAILS: telephone: 020 8541 9190 e-mail: sue.lewry-jones@surreycc.gov.uk
Sources/background papers: Public Sector Internal Audit Standards and Internal Audit Quality Assurance and Improvement Programme.

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TERMS OF REFERENCE

Effectiveness of the System of Internal Audit 2015/2016

BACKGROUND

The UK Public Sector Internal Audit Standards (PSIAS) which were introduced in April 2013 require the Chief Internal Auditor to maintain a quality assurance and improvement programme that includes periodic self assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.

The Audit and Governance Committee, as the Committee charged with responsibility for Internal Audit, considers that it is best placed to sponsor such a review of the effectiveness of Internal Audit arrangements on behalf of Surrey County Council. The Chief Finance Officer has a responsibility to support the Internal Audit function as a key vehicle to ensure good stewardship and has endorsed the Terms of Reference for this review.

PURPOSE OF THE REVIEW

To review the effectiveness of the current system of Internal Audit in Surrey County Council and consider whether appropriate controls are in place to mitigate the following risks:

- Internal Audit is not viewed as sufficiently independent of undue influences
- Internal Audit resource may not be focussed on key areas of risk
- The Internal Audit team may not be sufficiently resourced/skilled
- Internal Audit work may not be to an acceptable level of quality
- Management action in response to audit recommendations may not be timely/effective
- Internal Audit may not have a sufficiently high profile within the organisation to be a force for change

WORK TO BE UNDERTAKEN

Evidence of the controls in place to mitigate the risks identified above to be provided by the Chief Internal Auditor.

A high level check of compliance against the PSIAS and the Local Government Application Note to be conducted by the Risk and Governance Manager.

OUTCOMES

The findings of this review will be presented at a meeting of the Audit and Governance Committee in April 2016. Any significant areas of non conformance with the PSIAS must be referred for inclusion in the 2015/16 Annual Governance Statement.

REPORTING ARRANGEMENTS

Auditor:	Sue Lewry-Jones
Reporting to:	Audit and Governance Committee

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Effectiveness of the System of Internal Audit 2015/2016

To review the effectiveness of the current system of Internal Audit in Surrey County Council and consider whether appropriate controls are in place to mitigate the following risks:

Risk	Controls in place/evidence	Conclusion
Internal Audit is not viewed as sufficiently independent of undue influences	Internal Audit has no operational responsibilities which might impair its ability to provide an objective opinion. All members of the team are reminded, at least annually, of the Code of Ethics they are expected to follow and are asked to inform the Chief Internal Auditor of any known conflict of interest or any other matter that may impair their ability to be impartial and unbiased in performing their duties as an Internal Auditor. If there are none, a "nil" return is required for completeness. The position of the Internal Audit team, within Strategy and Performance in the Deputy Chief Executive's Directorate, means it is suitably removed from Business Services where operational responsibility for most of the council's corporate systems and processes resides.	The controls in place should ensure Internal Audit is sufficiently independent of undue external influences.
Internal Audit resource may not be focussed on key areas of risk	The Internal Audit planning process is risk-based, which accords with the Public Sector Internal Audit Standards. Directorate/Service risk registers are used to inform the annual Audit Plan and again reliance has been placed on the assurance mapping exercise completed at Leadership Risk Register level to highlight any gaps in the assurance framework. The Internal Audit plan is aligned to the Corporate Strategy and regular service liaison meetings throughout the year would highlight if there is a change in risk priority, which may require a change of audit focus/timing. Intelligence is gathered from professional audit networks and from colleagues within Orbis to identify emerging risks on a national or local basis.	The audit planning process should ensure that audit resource is focused on the key areas of risk. Regular service liaison meetings throughout the year would highlight if there is a change in risk priority which may require a change of audit focus/timing.

Annex B

The Internal Audit team may not be sufficiently resourced/skilled	The Internal Audit team has an establishment of 12fte. The number of audit days in the 2015/16 Internal Audit plan is 2069 which is a small reduction on the previous year (2180). The Chief Internal Auditor, the two Audit Performance Managers and two of the Lead Auditors are CCAB qualified. Other members of the team hold other relevant qualifications (e.g. Accredited Counter Fraud Specialist). All members of professional bodies are required to maintain and evidence Continuing Professional Development as a practical means of demonstrating on-going competency. Continuing Professional Development during 2015/16 is in evidence with one member of the team passing the next stages of his ACCA professional qualification and another staff attending professional training events for computer auditing and the use of Idea software analysis. Suitably experienced agency resource has been used during the year to cover vacancies and recruitment of permanent staff to vacancies has been managed in a timely way, including the recent appointment of a Lead Auditor in February 2016 and the recruitment to the vacant Auditor post in September 2015.	Net turnover of staff in the period has reduced since 2014/15, and ongoing use of agency resource has meant that resourcing levels were sufficient in 2015/16 to maintain a good level of audit coverage. The Internal Audit team is well qualified and highly skilled with a broad range of relevant experience.
Internal Audit work may not be to an acceptable level of quality	Internal Audit work is performed by suitably skilled staff in accordance with the Public Sector Internal Audit Standards. The level of supervision of audit work depends on the experience of the auditor and complexity of the area being reviewed. The Audit Performance Managers review audit terms of reference, working papers and draft audit reports. The Chief Internal Auditor also reviews all draft Internal Audit reports prior to issue. Auditees have an opportunity to comment on the usefulness of audits through specific customer satisfaction surveys and any feedback received is discussed as necessary in 1-2-1s.	The quality assurance controls in place should ensure Internal Audit work is of a high quality and feedback (both formal and ad hoc) received throughout the year would appear to endorse this.
Management action in	Management Action Plans (MAPs) must be agreed by the relevant Head of Service who is then responsible for timely completion of actions and for	There are appropriate controls in place to encourage timely

response to audit recommendations may not be timely/effective	informing Internal Audit if timescales are likely to be missed. Twice yearly reports to Audit and Governance on progress on implementing MAPs are an additional spur to encourage completion of agreed actions. Service liaison meetings throughout the year are another opportunity to check on MAP progress. Where an audit attracts an audit opinion of Unsatisfactory or Significant Improvement Needed, a follow-up audit will usually take place with a formal audit report on progress.	completion of agreed management actions. Although the MAP progress report included in the Half Yearly report to Audit and Governance in December showed generally good progress, 7 High Priority Recommendations were assessed as “Amber” more than a year after completion of the audit.
Internal Audit may not have a sufficiently high profile within the organisation to be a force for change	Internal Audit reports are circulated to senior officers (including Strategic Directors) as well as the relevant Cabinet Member and Scrutiny Board Chairman. All final Internal Audit reports are stored in an on-line library on S:Net accessible to all members. The Chief Internal Auditor is a member of the council’s extended leadership team and a member of the Statutory Responsibilities Network. Internal Audit is also represented on the Continual Improvement and Productivity Network. The Chief Internal Auditor meets regularly on a 1-2-1 basis with the Chief Executive, the Director of Finance (S151 Officer) and the Cabinet Member for Business Services. The Audit and Governance Committee met informally with the Internal Audit team during the year and members of the Committee have received copies of all Internal Audit reports issued. The Committee supports the work of the Internal Audit team through consideration, and follow up action where necessary, of a Completed Audit Reports item included in every Committee meeting agenda.	Internal Audit has a high profile within the Council and the six monthly reports to Audit and Governance Committee on management action plan progress provide positive assurance that Internal Audit reviews lead to change and improvement.

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AUDIT & GOVERNANCE COMMITTEE
11 April 2016

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 this Committee last considered a Completed Internal Audit Reports item in February 2016 - 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 Scrutiny Board.

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 February 2016. 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	Better Care Fund - S75 Agreements	Some Improvement Needed	0
2	Accounts Receivable	Effective	0
3	Pension Fund Investments	Effective	0
4	Transport for Education	Some/Significant Improvement Needed	5
5	Children's Improvement Plan	n/a	0
6	Foster Care	Unsatisfactory	12

4 Annex A contains more details of the audits listed above and shows for each the:

8

- 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 Scrutiny Board does so.

IMPLICATIONS:

7 Financial
Equalities
Risk management and value for money

8 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:

9 See Recommendations above.

REPORT AUTHOR: Sue Lewry-Jones, Chief Internal Auditor, Strategy 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 (February – March 2016) Annex A

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Better Care Fund - S75 Agreements	The Better Care Fund (BCF) is a national programme which creates local pooled budgets to support and enable closer working between the NHS and local government. The arrangements of the BCF must comply with Section 75 (2) of the NHS Act 2006. This enables local authorities and NHS bodies to enter into partnerships for the exercise of their health related functions. NHS England has provided guidance on the structure of the S75 agreements. Whilst the overall structure should be consistent between CCG's the content is expected to vary depending on the local needs.	The S75 Agreements meet the format required to meet the needs of NHS England. They have been suitably tailored to meet the needs of the local areas. The agreements commenced on 1 April 2015 and are for 1 year. All were signed on 20 January 2016 except for North West Surrey CCG. At the time of the audit, this agreement was being amended to include those services being commissioned by the NHS Windsor and Maidenhead Clinical Commissioning Group and the governance arrangements necessary to reflect their involvement. The Auditor received assurance that the significant delays in having the agreements signed have not had any detrimental effect on service delivery or outcomes.	Some Improvement Needed	SCC should take all reasonable steps to ensure that the S75 agreements are signed promptly for 2016/17. **(M)**

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Accounts Receivable	Surrey County Council (SCC) provides a number of care and non-care services. Customers are charged for services delivered by the teams who provide these services. Income collection is managed centrally by the Order to Cash Team, which oversees the Income Team and the Credit Control Team. The former carries out the function of raising invoices based on information provided by the services, as well as receiving and recording the income in SCC's financial ledger, SAP. The latter undertakes the debt management function whereby outstanding debts are followed up and recovered or recommended for write-off as appropriate.	There are sound controls in place to ensure that income due to the Council is collected promptly and accounted for completely and accurately. The first point of contact for customers querying an invoice is the Contact Centre. If the Contact Centre is not able to resolve the query, they direct the query to the administrative officer who raised the request. The administrative officers refer the customer to the officer from whom they received instructions. Invoices raised in respect of services to one utility company had not been paid. Recovery via dunning was suspended as the customer had raised queries against them, although the account did not appear to be blocked. The Auditor was informed that a number of the invoices did not have a purchase order number, which delayed payment.	Effective	The name of the officer who instructs the administrative officer to raise a request should be entered on the Fins11 form or template, to ensure customer queries are dealt with quickly and efficiently.**(L)** Requests for services from utility companies and other customers who are late payers, should only be considered when confirmed through a purchase order. **(M)**

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Pension Fund Investments	In Surrey, the Surrey Pension Fund is the channel through which the pension contributions are invested and administered by external investment managers on behalf of its members. The Surrey Pensions Committee meets quarterly to ensure the proper governance and administration of the fund. On 1 April 2015, in line with the Public Service Pensions (PSP) Act 2013 the Authority established the Local Pension Board which has a guidance, advisory and scrutiny remit.	The process for drawing down funds for investments by the fund custodian and payments to fund managers and private equity funds is effective. Fund manager performance is presented to the Pension Fund Committee on a quarterly basis. The minutes reflect that information is adequately presented by the Pensions Team and there is effective review over the performance of the fund managers. Effective review and monitoring of pensions contributions received ensures monthly contributions are received in a timely manner to maintain adequate cash flow levels. Scrutiny of the bank statements confirmed regular reinvestment of cash to maximise interest potential.	Effective	There were no recommendations arising.

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Transport for Education	In line with the Education Act 1996, SCC has policies and procedures in place to provide Home to School Transport for children in mainstream education and those with Statements of Special Educational Needs (SSEN). Around £34m in 2015/16 is being spent by SCC for this. Further, the Children and Families Act 2014 wef 1 September 2014 sets out a significantly different system for assessing and meeting the needs of children and young people with Special Educational Needs and Disabilities (SEND) than the arrangements that preceded it. The teams within Schools and Learning (S&L) assess the eligibility of children to receive transport provided by SCC and request the Transport Co-ordination Centre (TCC) to commission it.	a) <u>Arrangements within S&L teams</u>: The strategy, policies and procedures relating to SEND have not been finalised. Up to date SEND information has not been published on the S::net and SCC's external website. The Education Management System (EMS) does not hold SEN transport information at present. In order to populate EMS with correct transport eligibility codes, large number of case files need to be reviewed. As a result, the data on EMS and MTC are not consistent. Regular review of SEN expenditure was ongoing. However, there was very little evidence of actions being taken or alternatives being considered to reduce overspends. SEND Programme of work is in progress with various sub groups set up for scrutiny. Members are also updated on a regular basis.	Significant Improvement Needed	The SEND strategy, policies and procedures should be finalised and agreed by SCC's senior management and Members. **(H)** Up to date SEND information should be published on the S::net and SCC's external website. **(H)** Senior management in S&L should consider securing additional resources at least on a temporary basis to review case files and update EMS first with correct eligibility codes and the upload it on MTC. **(H)** Work done in other authorities such as Smarter Travel, Behaviour Change etc. should be considered. **(L)** SEND work should be progressed and reported to Members in accordance with the time-table set for legal compliance. **(M)**

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Transport for Education (contd)	The TCC implemented a new system, Mobisoft Travel Centre (MTC) with effect from 1 April 2014 to provide this transport. The audit reviewed 2 areas, namely a) the adequacy of arrangements within S&L to utilise MTC and realise the envisaged benefits while complying with legislative changes and b) the implementation of MTC as a 'fit for purpose' system. AS such, there are 2 audit opinions for this audit.	b) <u>MTC implementation by TCC:</u> The Service Level Agreement (SLA) signed by S&L and TCC in April 2013 has not been maintained. All of the payments for home to school transport are not made via MTC; e.g.re-imbursement for parental mileage. Work undertaken prior to MTC implementation resulted in action plans for mainstream and SEN. These were not regularly reviewed to ensure implementing agreed actions.	Some Improvement Needed	The SLA should be updated to reflect the changes and maintained. **(M)** Plans to make all payments via MTC should be finalised and implemented. **(M)** Action plans to be regularly reviewed to ensure implementing and ongoing monitoring of agreed actions. **(M)**

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Children's Improvement Plan	An Ofsted report published in June 2015 graded Children's Services overall as "inadequate". A SCC Improvement Board (with political cross-party membership) was established to oversee the response to the inspection findings. A formal Improvement Notice was issued by the DfE on 26 January 2016 and an officer from the DfE has been assigned to SCC as an advisor. It is anticipated that a further formal Ofsted progress re-inspection will take place in Autumn 2016.	There is no obvious prioritisation of actions within the improvement plan, although the council did take immediate action on the priority areas highlighted by Ofsted. The improvement plan does not include specific impact measures, but it does refer to a monthly report card – including measures – to be reviewed by the Improvement Board. There is close monitoring of the improvement plan by the Improvement Board which is representative of key officers and members alike. While it is possible to identify improvement plan actions completed it is less easy to assess the impact of these actions. It is apparent from the Ofsted report that a change in culture is needed and this will take time to fully materialise. Some key changes in personnel have taken place which seek to address this. Surrey County Council continues to struggle to recruit and retain children's social workers. The recent recruitment campaign did not deliver the results the council was anticipating. Retention of staff continues to be an issue, and it is hoped that the proposed refreshed pay and reward strategy will help to address this.	n/a	There were no recommendations arising.

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Foster Care Service Arrangements	Surrey looks after on average 800 children per year. 75% of our looked after children are placed in foster care. The audit focussed on the administrative and financial elements of the foster care service. The auditor did not evaluate the standard of care provided nor review the individual files of Children in Care.	There is no foster care service specific risk register to ensure that operational, financial and safeguarding risks are acknowledged and mitigated. A Children's Services Procedures Manual is available on SNet and includes a section on Foster Care. Foster Care team members seemed unaware of the Procedures manual as an information source. Foster carers are required to complete mandatory training in line with the National Minimum Standards. Training records available were incomplete and inconsistent.	Unsatisfactory	Compile a local Fostering Risk Register that identifies relevant issues affecting the service. **(H)** Foster care staff and foster carers to be provided with training on where to access relevant information. **(H)** All training courses attended by foster carers should be recorded and monitored by the Training and Development Team. **(H)** A log of completed training and other exercises should be recorded and maintained in LCS. The service should have a clear policy in place to ensure that all foster carers are meeting the minimum training requirements as required by the National Minimum Standards. **(H)**

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Foster Care Service Arrangements (cont'd)		The Foster Care Training and Development Framework does not include health and hygiene training. During audit testing inconsistencies were noted in DBS records eg 10 checks were incomplete or out of date in the West database; 8 checks were incomplete and out of date in the East database. Audit testing of unannounced visits for a sample of 30 cases found that: • 18 (60%) were completed in time; • 5 (17%) foster carers records showed no evidence of any unannounced visits; • 5 (17%) visits were overdue;	Unsatisfactory	Courses on 'health and hygiene' and 'positive care and control of children, including training in 'de-escalating problems and disputes' should be included on the Training and Development Framework to ensure compliance with the National Minimum Standards. **(H)** DBS records should be managed centrally using LCS, with the service ensuring that all DBC checks have been completed for foster carers and members of the fostering household aged 16+. **(H)** Supervision visits, annual reviews and unannounced visits should be managed centrally to ensure that they are completed in a timely manner in accordance with statutory regulations. **(H)**

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Foster Care Service Arrangements (cont'd)		Payments of allowances to foster carers are processed and authorised every two weeks, with one payment in arrears and one in advance. The validity of these payments is dependent on records being maintained on LCS. Where records are not updated promptly on LCS, allowance payments are processed as 'Non Child Related Payments'. The Finance Team Leader confirmed that such payments are processed on the system without any level of authorisation. Foster carers may claim appropriate Extra Identifiable Costs for each placement. The Children's Services Procedure Manual highlights the delegate levels of authorisation; and the Foster Carers Handbook clearly explains the circumstances when claims can be approved. Despite the availability of information inconsistencies in the nature and amounts of claims was observed by the Auditor.	Unsatisfactory	The Finance Team should ensure that all expenses are appropriately authorised. **(H)** Controls should be reviewed on SRM and software that is fit for purpose should be implemented to manage foster carers' expense claims. **(H)** Mileage claims should be paid to foster carers at the correct rate of 45 pence **(H)** Strengthen controls around payments to foster carers ensuring appropriate authorisation. **(H)** Payments outside of the normal payments system should be discouraged and where necessary must be independently reviewed and authorised. **(H)**

[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
11 April 2016

Leadership Risk Register

Purpose of the report:

The purpose of this report is to present the Leadership risk register as at 29 February 2016 and update the committee on any changes made since the last meeting to enable the committee to keep the council's strategic risks under review.

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 Scrutiny Board.

Leadership risk register:

3. The Leadership risk register (Annex 1) is owned by the Chief Executive and shows the council's key strategic risks. The register is regularly reviewed by strategic risk leads from across the council, senior management and members.

4. Since it was last presented to the committee in February, the risk register has been reviewed by the Strategic Risk Forum[1] (chaired by the Director of Finance) and the Statutory Responsibilities Network[2]. The Leadership risk register is also being presented to the Council Overview Board on 13 April 2016.

[1] Strategic Risk Forum membership – Director of Finance (Chair), strategic risk leads, Chief Internal Auditor, Head of Emergency Management, Risk and Governance Manager.
[2] Statutory Responsibilities Network membership – Chief Executive (Chair), statutory officers for Social Care and Public Health, Education, Fire, Director of Finance, Director of Legal, Democratic and Cultural Services, Chief Internal Auditor.

9

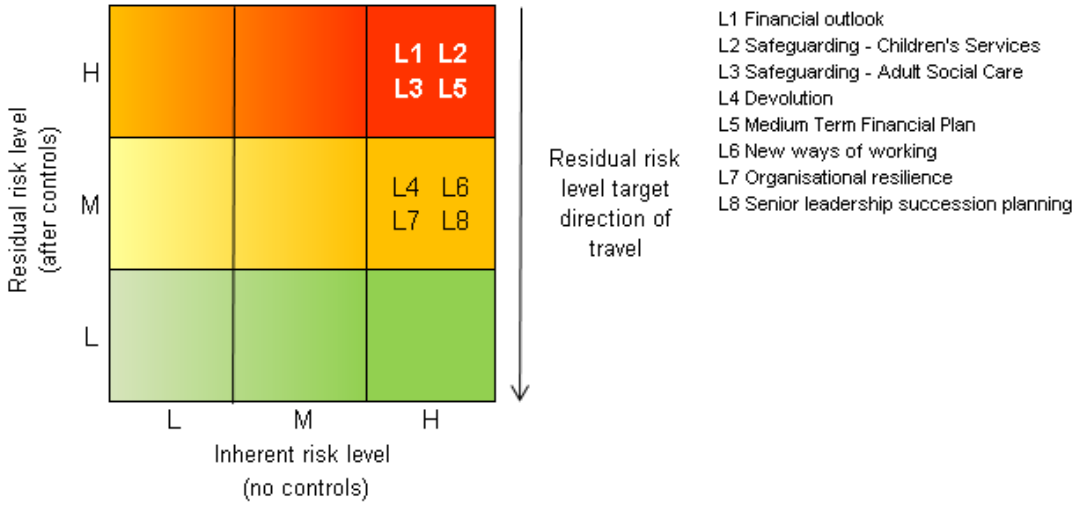
Changes to the Leadership risk register

5. Additional processes and wording changes have been made to the following risks:
    - Financial outlook (L1);
    - Safeguarding – Children's Services (L2); and
    - Medium Term Financial Plan (L5).

Residual risk level

6. The Leadership risk register includes both the inherent and residual risk levels for each risk. Inherent risk is the level of risk before any control activities are applied. The residual risk level takes into account the controls that are already in place, detailed on the risk register as both 'processes in place' and 'controls.'

7. There are eight risks on the Leadership risk register, all of which have a high inherent risk level, as illustrated in the table below. Despite mitigating actions, four of these risks continue to have a high residual risk level (L1,L2,L3,L5) and four continue to have a medium residual risk level (L4,L6,L7,L8): showing the significant level of risk that the council is facing despite the processes and controls being put in place to manage the risks.



Implications:

Financial and value for money implications

8. There are no direct financial implications relating to the Leadership risk register.

Equalities and Diversity Implications

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

Risk Management Implications

10. Effective management of risks and financial controls supports the council to meet its objectives and enable value for money.

Next steps:

The Leadership risk register will be presented to Council Overview Board on 13 April and Cabinet on 26 April 2016.

Report contact: Cath Edwards, Risk and Governance Manager, Finance

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Leadership risk register as at 29 February 2016 *(covers rolling 12 months)* Owner: David McNulty Annex 1

Strategic risks – have the potential to significantly destroy or destroy the organisation

Ref	Risk ref.	Description of the risk	Inherent risk level (no controls)	Processes in place *(ie the 'how' risks are being mitigated)*	Controls *(i.e. decisions needed)*	Lead risk owner	Residual risk level (after existing controls)
L1	FN01	**Financial outlook** Lack of funding, due to constraints in the ability to raise local funding and/or distribution of funding, results in significant adverse long term consequences for services.	**High**	• Structured approach to ensuring Government understands the council's Council Tax strategy and high gearing. • Targeted focus with Government to secure a greater share of funding for specific demand led pressures (in particular Adult Social Care). • Proactive engagement with Government departments to influence Government policy changes (especially grant distribution, 100% Business Rate Retention strategy and school funding). • Continued horizon scanning of the financial implications of existing and future Government policy changes. • Development of alternative / new sources of funding (e.g. bidding for grants). Notwithstanding actions above, there is a significant risk of Central Government policy changes /austerity measures impacting on the council's long term financial resilience. There is also a risk that the EU referendum delays Government policy changes.	- 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. - Members proactively take the opportunities to influence central Government	Director of Finance	**High**
L2	CSF1,2	**Safeguarding – Children's Services** Avoidable failure in Children's Services, through action or inaction, including child sexual exploitation,	**High**	• Working within the frameworks established by the Children's Safeguarding Board ensures the council's policies and procedures are up to date and based on good practice. • Adult Social Care and Children, Schools and Families are working as key stakeholders in the	- Timely interventions by well recruited, trained, supervised and managed professionals ensures appropriate actions are taken to safeguard and promote the well being of	Deputy Chief Executive and Strategic Director of Children's Schools and	**High**

Key to references:
ASC = Adult Social Care risk
CSF = Children, Schools and Families risk
C&C = Customers and Communities risk
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Ref	Risk ref.	Description of the risk	Inherent risk level (no controls)	Processes in place *(ie the 'how' risks are being mitigated)*	Controls *(i.e. decisions needed)*	Lead risk owner	Residual risk level (after existing controls)
		leads to serious harm, death or a major impact on well being.		further development of the Multi-Agency Safeguarding Hub. • Children's Services Improvement Plan is being delivered to address the improvement notice dated 26 January 2016 and strengthen service and whole system capability and capacity. Ofsted visit on a monthly basis to monitor progress. • Assistant Director roles and responsibilities have been reshaped to strengthen leadership and governance.	children in Surrey. - Actively respond to feedback from regulators. - Robust quality assurance and management systems in place to identify and implement any key areas of learning so safeguarding practice can be improved. - The Children's Safeguarding board (chaired by an independent person) comprises senior managers from the County Council and other agencies facilitating prompt decision making and ensuring best practice. - An Improvement Board (chaired by the Deputy Leader) oversees progress on the Improvement Plan and agrees areas of action as required.	Families	
L3	ASC6,7	**Safeguarding – Adult Social Care** Avoidable failure in Adult Social Care, through action or inaction, leads to serious harm, death or a major impact on wellbeing.	**High**	• Working within the framework established by the Surrey Safeguarding Adults Board ensures that the council's policies and procedures are up to date and based on good practice. • Care Act Implementation Board provides strategic direction and focus. • Adult Social Care and Children, Schools and Families are working as key stakeholders in the further development of the Multi Agency Safeguarding Hub.	- Continue to work with the Independent Chair of the Surrey Safeguarding Adults Board to ensure feedback and recommendations from case reviews are used to inform learning and social work practice. - Agree and embed agreed changes resulting from Care	Strategic Director of Adult Social Care & Public Health	**High**

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				• Established a locality safeguarding advisor to assure quality control. • Strong leadership, including close involvement by Associate Cabinet Member for Adult Social Care in safeguarding functions.	Act 2014 consultation. - Actively respond to feedback from regulators.		
L4		**Devolution** Failure to achieve a 3SC devolution deal leaves SCC without a coherent response to the strategic challenges facing the county.	**High**	• 3SC internal governance arrangements agreed - including a Strategic Oversight Group which manages 3SC risks (and 3SC risk register developed/approved). • Programme office and workstream sponsors and leads agreed with roles and responsibilities defined. • Regular meetings of local authority Leaders and Chief Executives. • Regular engagement with 3SC partners. • Regular engagement with central government at both political and official level. • Negotiation with Government underway, following a successful Ministerial challenge meeting in January.	- Keep all processes under active review. - Strategic Oversight Group reviewing risk register quarterly.	Chief Executive	**Medium**

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Cross cutting risks – high level risks that can be mitigated more effectively through cross working

Ref	Risk ref.	Description of the risk	Inherent risk level (no controls)	Processes in place *(ie the 'how' risks are being mitigated)*	Controls *(i.e. decisions needed)*	Lead risk owner	Residual risk level (after existing controls)
L5	ASC1,2 CSF4 C&C2 EAI1 FN2 FR72, 85 ORB11	**Medium Term Financial Plan (MTFP) 2016-21** Failure to achieve the MTFP, which could be a result of: • Not achieving savings • Additional service demand and/or • Over optimistic funding levels. As a consequence, lowers the council's financial resilience and could lead to adverse long term consequences for services if Members fail to take necessary decisions.	**High**	• Monthly reporting to Continuous Improvement and Productivity Network and Cabinet on the forecast outturn position is clear about the impacts on future years and enables prompt management action (that will be discussed informally with Cabinet). • Budget Support meetings (Chief Executive and Director of Finance) continue to review and challenge the robustness of MTFP delivery plans and report back to Cabinet as necessary. • A Public Value Transformation Board has been established, as required by Cabinet, and the Terms of Reference agreed. Members of the Board are the Leader of the Council (Chair), Chief Executive and Director of Finance. • Budget planning discussions held with Cabinet and Scrutiny Boards. • Early conversations are undertaken with all relevant stakeholders to ensure consultations about service changes are effective and completed in a timely manner. • Cross service networking and timely escalation of issues to ensure lawfulness and good governance.	- Prompt management action taken by Directors / Leadership Teams to identify correcting actions. (Evidenced by robust action plans) - Members (Council, Cabinet, Scrutiny Boards) make the necessary decisions to implement action plans in a timely manner - Members have all the relevant information to make necessary decisions	Director of Finance	**High**
L6	ASC2,9 CSF4 EAI3,15 FR74	**New ways of working** Failure to identify and manage the impacts / consequences of	**High**	• Shared and aligned strategies to ensure no unintended consequences. • Robust governance arrangements (eg. Inter Authority Agreements, Better Care Board,	- Leadership and managers recognise the importance of building and sustaining good working relationships with key	Chief Executive	**Medium**

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	ORB4	implementing a range of new models of delivery leads to severe service disruption and reputational damage.		Health and Wellbeing Board, financial governance framework) in place with early warning mechanisms. • Regular monitoring of progress and risks against work streams. • Effective transition arrangements with continuous stakeholder engagement. • Continuous focus on building and maintaining strong relationships with partners through regular formal and informal dialogue. • Close liaison and communication with customers.	stakeholders and having early discussions if these falter. - Progress discussions with Clinical Commissioning Groups in Surrey. - Members continue to endorse approaches to integration across the council.		
L7	ASC4, 5,8 EAI2, 5,17 FR06 ORB5	**Organisational resilience** Failure to plan for and/or respond effectively to a significant event results in severe and prolonged service disruption and loss of trust in the organisation.	**High**	• Developing an employment framework that supports flexibility in service delivery and organisational resilience. • External risks are regularly assessed through the Local Resilience Forum and reviewed by the Statutory Responsibilities Network. • Active learning by senior leaders from experiences / incidents outside the council informs continual improvement within the council. • Close working between key services and the Emergency Management Team to proactively update and communicate business continuity plans and share learning. • Robust governance framework (including codes of conduct, health and safety policies, complaints tracking).	- Regular monitoring of effectiveness of processes is in place and improvements continually made and communicated as a result of learning.	Chief Executive	**Medium**
L8		**Senior Leadership**	**High**	• Improving collective ownership and risk	- Transparent and effective	Chief	**Medium**

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Ref	Risk ref.	Description of the risk	Inherent risk level (no controls)	Processes in place *(ie the 'how' risks are being mitigated)*	Controls *(i.e. decisions needed)*	Lead risk owner	Residual risk level (after existing controls)
		Succession Planning A significant number of senior leaders leave the organisation within a short space of time and cannot be replaced effectively resulting in a reduction in the ability to deliver services to the level required.		sharing of organisational goals by introducing a scorecard for organisational performance. • Workforce planning linked to business continuity plans • High Performance Development Programme to increase skills, resilience and effectiveness of leaders • Career conversations built into appraisal process looking forward five years • Shaping leaders exercise • Introducing new senior leadership appraisal process that mainstreams feedback (shaping leaders) and succession planning into appraisal process.	succession plans	Executive	

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Movement of risks

Ref	Risk	Date added	Inherent risk level when added	Movement in residual risk level		Current residual risk level
L1	Financial outlook (previously called future funding)	Aug 12	High	Jan 16	⇧	High
L2	Safeguarding – Children's Services	May 10	High	Jan 15	⇧	High
L3	Safeguarding – Adult Social Care	May 10	High	Jan 15	⇧	High
L4	Devolution	Jan 16	High	-	-	Medium
L5	Medium Term Financial Plan	Aug 12	High	-	-	High
L6	New ways of working	Jan 16	High	-	-	Medium
L7	Organisational resilience	May 10	High	Aug 12	⇩	Medium
L8	Senior Leadership Succession Planning	Mar 15	High	-	-	Medium

Risks removed from the register in the last 12 months

Risk	Date added	Date removed
National policy development	*Feb 13*	*Jan 16*
Waste	*May 10*	*Jan 16*
Comprehensive Spending Review 2015	*Sept 14*	*Jan 16*
Reputation	*Oct 14*	*Jan 16*
Staff resilience	*May 10*	*Jan 16*
Information governance	*Dec 10*	*Jan 16*
Supply chain / contractor resilience	*Jan 14*	*Jan 16*

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
	(% of council budget)	*(Stakeholder interest)*	*(Impact on priorities)*	
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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