

Notice of Meeting

Audit & Governance Committee




SURREY
COUNTY COUNCIL

Date & time
Thursday, 26 May
2016
at **10.00 am**

Place
Members Conference
Room, County Hall,
Kingston Upon
Thames, KT1 2DN

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

Chief Executive
David McNulty

 We're on Twitter:
@SCCdemocracy

If you would like a copy of this agenda or the attached papers in another format, eg large print or braille, or another language please either call 020 8541 9122, write to Democratic Services, Room 122, County Hall, Penrhyn Road, Kingston upon Thames, Surrey KT1 2DN, Minicom 020 8541 8914, fax 020 8541 9009, or email .

This meeting will be held in public. If you would like to attend and you have any special requirements, please contact Angela Guest on 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 [11 APRIL 2016]

(Pages 1
- 6)

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 (*20 May 2016*).
2. The deadline for public questions is seven days before the meeting (*19 May 2016*).
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

5 RECOMMENDATIONS TRACKER

(Pages 7
- 20)

To review the Committee's recommendations tracker.

6 PENSION FUND EXTERNAL AUDIT PLAN 2015/16

(Pages
21 - 40)

This report provides the Audit & Governance Committee with the Audit Plan for the external audit of the 2015/16 Pension Fund financial statements of the Council.

7 COMPLETED INTERNAL AUDIT REPORTS

(Pages
41 - 56)

The purpose of this report is to inform Members of the Internal Audit reports that have been completed since the last meeting.

- 8 INTERNAL AUDIT ANNUAL REPORT 2015/16** (Pages 57 - 104)
- This report summarises the work of Internal Audit for the period 1 April 2015 to 31 March 2016, identifying the main themes arising from the audit reviews and the implications for the County Council.
- 9 FULL YEAR SUMMARY OF INTERNAL AUDIT IRREGULARITY AND SPECIAL INVESTIGATIONS** (Pages 105 - 116)
- The purpose of this report is to inform members of the Audit and Governance Committee about irregularity investigations undertaken by Internal Audit in the period from 1 April 2015 to 31 March 2016.
- 10 WHISTLE BLOWING UPDATE** (Pages 117 - 126)
- To provide Audit and Governance Committee with a complete summary of whistle blowing investigations, promotional and developmental activity throughout 2015-16.
- 11 ANNUAL RISK MANAGEMENT REPORT** (Pages 127 - 144)
- This report enables the committee to meet its responsibilities for monitoring the development and operation of the council's risk management arrangements. To include Leadership Risk Register.
- 12 GOVERNANCE STRATEGY AND CODE OF CORPORATE GOVERNANCE** (Pages 145 - 164)
- This report provides an update on the changes made to the council's Governance Strategy and Code of Corporate Governance.
- 13 ANNUAL GOVERNANCE STATEMENT** (Pages 165 - 178)
- This report presents the Annual Governance Statement, which provides an assessment of the council's governance arrangements for the financial year ending 31 March 2016.
- 14 DATE OF NEXT MEETING**
- The next meeting of Audit & Governance Committee will be on 25 July 2016.

David McNulty
Chief Executive
Published: 18 May 2016

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Thank you for your co-operation

MINUTES of the meeting of the **AUDIT & GOVERNANCE COMMITTEE** held at 10.00 am on 11 April 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 Stuart Selleck (Chairman)
Mr Denis Fuller (Vice-Chairman)
Mr W D Barker OBE
Mr Tim Hall
Mr Saj Hussain

Apologies:

Mr Will Forster

In Attendance

Helen Atkinson, Strategic Director for Adult Social Care & Public Health
Toni Carney, Team Manager, Adult Social Care
Tim Evans, Cabinet Associate Member
Sue Lewry-Jones, Chief Internal Auditor
Sheila Little, Director of Finance
Denise Le Gal, Cabinet Member
Sheila Jones, Head of County-wide Services, Children, Schools and Families
Cath Edwards, Risk and Governance Manager

13/16 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

An apology for absence was received from Will Forster. An apology for lateness was received from Tim Hall who arrived at 10.05am at the start of item 5 on the agenda.

14/16 MINUTES OF THE PREVIOUS MEETING 22 FEBRUARY 2016 [Item 2]

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

15/16 DECLARATIONS OF INTEREST [Item 3]

There were none.

16/16 QUESTIONS AND PETITIONS [Item 4]

There were none.

17/16 RECOMMENDATIONS TRACKER [Item 5]

Declarations of interest:

None

Witnesses:

Helen Atkinson, Strategic Director for Adult Social Care & Public Health

Toni Carney, Team Manager, Adult Social Care

Tim Evans, Cabinet Associate Member

Sue Lewry-Jones, Chief Internal Auditor

Sheila Little, Director of Finance

Denise Le Gal, Cabinet Member

Key points raised during the discussion:

1. **A18/15** (SEND Strategy) - The Chairman reported that report to Education & Skills Board had been emailed to Members of this Committee. He had spoken to the Chief Executive about the large sum of money being spent on transport and this would be looked at further. Members were informed that the Head of Service would be working with, and be supported by, the Chief Internal Auditor over the coming year. It was reported that whilst costs per head were generally higher than other county councils, the outcomes were generally lower.
2. **A20/15** (Adult Social Care record-keeping) – this was discussed in conjunction with **A43/15** below.
3. **A43/15** – (Internal Audit Report (Adult Social Care)) – It was reported that debt collection fluctuated between 95-96%. Work had been undertaken to look at all areas and identified areas that were slowing up the process. These areas were being worked on and communication between the different teams of staff involved was being improved. The use of online collection for small debts was hoped to improve the collection rate. It was reported that debt collection was very resource intensive and staff were looking at how to speed up processes.

There was some discussion about the deterrents for users getting into debt which did not hold the same punishments as say Council Tax debt. Services could not be withdrawn. Users were now being charged more promptly than before so they knew how much was being expected for the service.

A new IT system (Liquid Logic) was expected to go live in the Summer and officers expected a rise in collections following this. It was explained how slow and inefficient the present IT system was. Officers had undertaken a huge amount of work to improve the assessment process and ensure that it was near to the delivery of care. The new IT system would automate much of the financial assessments. All data on the old system was to be cleaned before transfer to the new system. The actual 'go live' date may change slightly depending on any unforeseen delays regarding testing and training of users. Being part of a digital partnership with the NHS would be a significant change. The Children's department also used Liquid Logic and work was taking place to ensure the system would be interoperable with the NHS system.

The legal process was explained and that taking legal action was a last resort.

An Annual Report was to go to the SCS Board in June.

In response to a query regarding morale on the frontline it was reported that whilst there were many challenges and changes occurring that morale amongst staff was quite good and that staff were very caring and passionate about their roles

4. **A1/16** – (Audit findings Surrey Choices- Business Plan) – The Annual Business Plan for Surrey Choices is being presented to the Shareholder Board in May 2016. It was agreed that the Committee would also see the Business Plan at their May meeting, for information. The Chairman clarified that the Committee wanted to see any proposals for additional funding before it went for a final decision in order that the Committee could make recommendations on it. The Committee were informed that the decision on any further investment would be a Cabinet or Cabinet Member decision. It was recommended that the Committee's role would be to ensure that the Audit Action Plan had been undertaken and that the Committee could make recommendations to the Council Overview Board to look at specific areas of concern.
5. **A2/16** – (Audit findings Surrey Choices – finance experts on Council's trading companies) – Sheila Little explained that it was not appropriate for her staff to provide the financial expertise on the Council's trading companies. That it was vital that each had the right financial capacity and her staff were not necessarily skilled in commercial business accounting. The Surrey Choices appointment was changed swiftly as soon as problems became apparent.

Action/Further information to note:

1. That the Chief Internal Auditor will look into how register of interests are recorded in the NHS, particularly GP interests in pharmacies and feedback on findings to Members.
2. **A1/16** – (Audit findings Surrey Choices- Business Plan) - To forward the Committee's concerns about performance and the potential request for more funding to the Council Overview Board with a request that they review this when looking at the Business Plan.

RESOLVED:

That the committee NOTES the report.

18/16 INTERNAL AUDIT PLAN [Item 6]

Declarations of interest:

None

Witnesses:

Sue Lewry-Jones, Chief Internal Auditor

Key points raised during the discussion:

1. The Chief Internal Auditor introduced the report and assured the committee that the Audit Plan reflects the key risks facing the Council and that sufficient resources are available to deliver the plan.
2. In response to a question about the cost of agency staff, the Chief Internal Auditor explained that it was beneficial to have some agency

staff particularly with their experience and knowledge learned from working with a variety of councils.

3. The Committee Manager confirmed that the Agreed Process for producing a log of Select Committee Reviews to be regularly shared with the Chairman was still in force but being new to the Council could not say when the last one took place.
4. It was noted that the number of days in Environment and Infrastructure (E&I) had nearly doubled on the 2015/16 figure. It was also noted that the E&I had a very large budget as SCC was a very large Council and therefore expect that section to have more days audit.

Actions/Further information to be provided:

1. None.

RESOLVED:

That the committee APPROVED the following:

- (i) Internal Audit Charter
- (ii) Internal Audit Strategy
- (iii) Internal Audit Reporting and Escalation Policy
- (iv) Internal Audit Quality Assurance and Improvement Programme
- (v) 2016/17 Internal Audit Plan

19/16 EFFECTIVENESS REVIEW OF THE SYSTEM OF INTERNAL AUDIT [Item 7]

Declarations of interest:

None

Witnesses:

Sue Lewry-Jones, Chief Internal Auditor

Key points raised during the discussion:

1. The Chief Internal Auditor presented this report and highlighted key data from a benchmarking exercise that Internal Audit had participated in. She also pointed out that an external assessment is undertaken every five years.

Action/Further information to note:

None.

RESOLVED:

That the committee NOTES the report.

20/16 COMPLETED INTERNAL AUDIT REPORTS [Item 8]

Declarations of interest:

None

Witnesses:

Sue Lewry-Jones, Chief Internal Auditor

Sheila Jones, Head of County-wide Services, Children, Schools and Families

Key points raised during the discussion:

1. The Chief Internal Auditor introduced her report which described six internal audit reports.
1. The Committee discussed the Foster Care report in detail with Sheila Jones, Head of County-wide Services. Sheila Jones explained the changes that had been put in place since the audit was undertaken and stated that 8 of the 12 high priority recommendations were already in place. It was emphasised that the issues were ones of record keeping and process recording rather than quality of service which had received complimentary comments from Ofsted. It was reported that staff were welcoming the changes. The challenge of finding new foster carers in Surrey was difficult and sending children out of the area meant extra costs to the Council. In response to a Member question regarding the criteria for foster care applications being too strict it was explained that criteria needed to be robust but that there were sometimes misunderstandings about the criteria. Communication around this was being worked on.

Action/Further information to note:

None.

RESOLVED:

That the committee NOTES the report.

21/16 LEADERSHIP RISK REGISTER [Item 9]

Declarations of interest:

None

Witnesses:

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

Key points raised during the discussion:

1. **L1 – Financial Outlook** – It was highlighted that the European Referendum could delay any changes to Government policies. The Chairman questioned whether the Government policy of requiring all schools to become academies should be listed as a separate item in that the effects of this policy could be wide ranging for the Council. The Director of Finance explained that each department had their own risk registers that sat below the Leadership risk register and whilst academies was a big issue it was not a risk for the register. However, she would convey the Committee's concerns and discuss with the Statutory Responsibilities Network.
2. **L2 – Safeguarding, Children's' Services** - Members were referred to the Improvement Notice detail and changes to the Assistant Director roles and responsibilities.
3. **L5 – Medium Term Financial Plan 2016-21** – Members were referred to the addition of the newly formed Public Value Transformation Board.

Action/Further information to note:

The Director of Finance to discuss the Committee's concerns around the risk to the Council on all schools becoming academies, with the Strategic Responsibilities Network.

RESOLVED:

That the committee NOTES the report.

22/16 DATE OF NEXT MEETING [Item 10]

The date of the meeting was NOTED.

Meeting ended at: 12.02 pm

Chairman



Audit & Governance Committee
26 May 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. The May version of the Audit & Governance Committee Bulletin is attached as Annex B for information.

RECOMMENDATION:

The Committee is asked to monitor progress on the implementation of recommendations from previous meetings in 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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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	<p>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.</p> <p>On 11 April 2016, the Chief Internal Auditor reported that she would be working with, and supporting, the Head of Service over the coming year.</p>

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	<p>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.</p> <p>There was a concern with collection of long term outstanding balances – Finance was 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.</p> <p>This was discussed in conjunction with A43/15 at the Committee meeting on 11 April 2016.</p>
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	<p>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.</p> <p>An Annual Report was to go to the SCS Board in June 2016. Work had been undertaken to identify areas that were slowing up the collection process. These areas were being worked on and communication between the different teams of staff involved was being improved.</p>

Audit & Governance Committee Recommendations Tracking

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
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. (Response to be chased – once received this item is resolved)
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. At the 11 April 2016 meeting it was recommended that the Committee's role would be to ensure that the Audit Action Plan had been undertaken and that the Committee could make recommendations to the Council Overview Board to look at specific areas of concern. A letter from Chairman was sent to Chairman of Council Overview Board on 19 April 2016. To be on COB agenda for 1 June 2016.
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	At the 11 April 2016 Committee meeting the Director of Finance explained that it was not appropriate for her staff to provide the financial expertise on the Council's trading companies. That it was vital that each had the right financial capacity and her staff were not necessarily skilled in commercial business accounting.

Audit & Governance Committee Recommendations Tracking

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
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.

Audit & Governance Committee Recommendations Tracking

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.
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 words had been passed to responsible officers and queries from schools would be dealt with as and when received.
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 in March 2016

Audit & Governance Committee Recommendations Tracking

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
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 in 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.

Audit & Governance Committee

Welcome...

Welcome to the Audit & Governance Committee Bulletin.

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

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Update from previous Audit & Governance Committee meetings

Recommendations Tracker (A1/16)	At its meeting on 11 April 2016 the Committee considered - (Audit findings Surrey Choices- Business Plan) on the recommendation tracker (A1/16) - and agreed that the Chairman would write a letter to the Chairman on the Council Overview Board setting out concerns. This letter was sent on 19 April 2016 and copied to the Cabinet Member.
2016/17 Internal Audit Plan	The 2016/17 Internal Audit Plan was approved by the Audit and Governance Committee on 11 April 2016. The Internal Audit team will discuss the scope and timing of specific audit reviews within the plan with relevant senior officers as part of regular service liaison meetings.

Internal Audit update

Current Audits	<p>The following audits are currently in progress or at the planning stage:</p> <ul style="list-style-type: none"> • Community Infrastructure Levy (CIL) • Parking • Social Media • Premises Security • LiquidLogic (AIS replacement) • Home-based (Domiciliary) Care • Surrey Arts follow-up • Special Educational Needs and Disabilities (SEND) 2020 <p>Members are encouraged to contact the Chief Internal Auditor (sue.lewry-jones@surreycc.gov.uk) if they have insight they wish to contribute to the above audit reviews.</p>
Orbis Partnership	<p>We held our second joint Internal Audit team awayday in April, when the SCC Internal Audit team got together with audit colleagues from East Sussex County Council and Brighton and Hove City Council to hear more about our plans to converge. The Internal Audit model for Orbis is based on growth. SCC Internal Audit currently provide audit services for Elmbridge and Spelthorne Borough Councils and we will look to increase our customer base as the Orbis partnership develops.</p> <p>As part of our Orbis awayday the teams looked at three of the key workstreams, Joint Working; Process Integration; and, Branding and Presentation. We will continue to progress this work over the coming months, engaging with key stakeholders, including the Audit and Governance Committee as appropriate.</p>
Counter Fraud Work	<p><u>Surrey Counter Fraud Partnership</u> - SCC Internal Audit has been working with a number of borough and district partners to tackle public sector fraud across Surrey. Recent achievements include:</p> <ul style="list-style-type: none"> • Over 30 properties have now been recovered allowing reallocation to families in genuine need. • 22 property allocations have been prevented on the basis that the applicants were not eligible or had lied to enhance their application. • 9 homeless applications have been rejected on the grounds that the applicants were not in genuine need or had lied on the application. • 25 Right-to-Buy applications have been rejected on the grounds that applicants were not entitled to the discount or had lied on the application. This has also resulted in the tenancy being recovered in a number of these cases. • The partnership has recently piloted a key amnesty in the Reigate & Banstead area that has resulted in two properties returned and a number of referrals for further investigation including 2 for subletting. • The partnership will be launching another awareness campaign later this year that will feature on bus shelters across a number of key areas. • Partners now have access to commercial property data to provide intelligence to target business rates avoidance. <p>The savings to the public purse arising from the work of the Surrey Counter Fraud Partnership since its formation (January 2015) are now estimated to be £3.7m, including over £500k for business rates.</p>

Staffing News	<p>We are sorry to say farewell to Claire Hancock, Auditor, who leaves at the end of April to take up a work opportunity outside the council. Claire has recently worked on audits of Member Allocations and the School Improvement Programme.</p> <p>We are pleased to welcome Tim Semken who joins the team in May as a Lead Auditor. Tim joins us from Guy's & St Thomas' NHS Foundation Trust, where he worked as a Senior Auditor.</p>
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Further information

NAO calls on government to clarify its devolution vision 20 April 2016	<p>The National Audit Office has called on ministers to set out more details on how devolution in England can be implemented amid increasing risks to the financial sustainability of local public services.</p>
Cost of collecting minimum council tax 'disproportionate', authorities tell review 15 April 2016	<p>The cost of collecting minimum council tax payments from low-income families is "disproportionate" to the amount being chased, local authorities have told a government-commissioned review into council tax support.</p>
Councils share in £50m pothole fund 7 April 2016	<p>Over 100 councils in England will receive funding from the Department for Transport, in the first year of a four-year £250m scheme intended to fix over 4 million potholes by 2020/21.</p>
CIPFA Local Government Conference 2016	<p>Date: 25 May 2016 Starts: 10:00 - Ends: 15:45 Location: RBS, 280 Bishopsgate, London, EC2M 4RB</p>
European Parliament approves new General Data Protection Regulation rules 15 April 2016	<p>The reform will replace the current data protection directive, dating back to 1995. Member states will have two years to transpose the provisions of the directive into national law. Due to UK and Ireland's special status regarding justice and home affairs legislation, the directive's provisions will only apply in these countries to a limited extent.</p>
HMRC still not doing enough to tackle tax fraud, say MPs 15 April 2016	<p>Members of the Public Accounts Committee (PAC) said taxpayers were missing out on £16bn a year, as a result of evasion and criminal activity.</p>
IT practitioners urge councils to review info governance ahead of law changes 5 April 2016	<p>A group representing IT practitioners in the public sector has urged councils to review their information governance arrangements ahead of impending changes to data protection and online privacy laws.</p>

Updates from other Committees

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

Cabinet	<p>At its meeting on 2 February 2016, the Cabinet considered the following reports:</p> <ul style="list-style-type: none"> • Revenue and Capital Budget 2016/17 to 2020/2 • Finance and Budget Monitoring Report - December 2015 • Kier Contract Extension and Variation • Orbis Public Law: Establishment of Shared Legal Service <p>At its meeting on 23 February 2016, the Cabinet considered the following reports:</p> <ul style="list-style-type: none"> • Finance and Budget Monitoring Report - January 2016 • Leadership Risk Register • Contract Award for the Refresh of Desktop and Laptop Devices for Surrey County Council • Procurement of a Children and Young People's Occupational Therapy Service <p>At its meeting on 22 March 2016, the Cabinet considered the following reports:</p> <ul style="list-style-type: none"> • Medium Term Financial Plan 2016 – 2021 • Finance and Budget Monitoring Report for February 2016 • Consultation on a revised Charging Policy for Adult Social Care
Council Overview Board	<p>At its meeting on 2 March 2016, the Council Overview Board agreed to set up a TFG to review the Council's trust funds. Recommendations for Cabinet were expected in the Summer of 2016.</p> <p>At its meeting on 13 April 2016 it also considered the following:</p> <ul style="list-style-type: none"> • Budget Scrutiny • Leadership Risk Register Report
Health & Wellbeing Board	<p>At its meeting on 10 March 2016, the Health & Wellbeing Board considered the following report:</p> <ul style="list-style-type: none"> • Surrey County Council and Clinical Commissioning Group Financial Challenges Summary <p>At its meeting on 7 April 2016, it also considered an update on progress in implementing the Better Care Fund plan 2015/16.</p>
Resident Experience Board	<p>At its meeting on 17 March 2016, the Resident Experience Board considered the following Part 2 report:</p> <ul style="list-style-type: none"> • Surrey County Council's Library Service and the Development of a Future Strategy
Education and Skills Board	<p>At its meeting on 24 March 2016, the Education and Skills Board considered the following reports:</p> <ul style="list-style-type: none"> • SEND Transport • SEND Finances (Part 2 report)
Economic Prosperity, Environment and Highways Board	<p>At its meeting on 10 March 2016, the Economic Prosperity, Environment and Highways Board considered the following report:</p> <ul style="list-style-type: none"> • Surrey Infrastructure Study

Surrey Pension Fund Committee	<p>At its meeting on 12 February 2016, the Surrey Pension Fund Committee considered the following reports:</p> <ul style="list-style-type: none"> • Manager Issues and Investment Performance • Key Performance Indicators and Administration Update • Revised Statement of Investment Principles • Pension Fund Risk Register <p>At its meeting on 25 February 2016, the Surrey Pension Fund Committee considered the following reports:</p> <ul style="list-style-type: none"> • Actuarial Assumptions: 2016 Valuation • Investment Consultant Interviews
Surrey Local Pension Board	<p>At its meeting on 9 March 2016, the Surrey Local Pension Board considered the following reports:</p> <ul style="list-style-type: none"> • Key Performance Indicators and Administration • Surrey Pension Fund: Disaster Recovery Procedures • Counsel Opinion on the Legal Status of Pension Boards

Upcoming

The next meeting of the Audit & Governance Committee is on 26 May 2016. The following items are on the agenda:

- Completed Internal Audit Reports
- Annual Internal Audit Report
- Full Year Summary of Internal Audit Irregularity and Special Investigations
- Annual Risk Management Report
- Code of Corporate Governance
- Annual Governance Statement
- Whistle blowing Update

Committee Contacts

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Audit & Governance Committee
26 May 2016

2015/16 Pension Fund External Audit Plan

Purpose of the report:

This report provides the Audit & Governance Committee with the Audit Plan for the external audit of the 2015/16 Pension Fund financial statements of the Council.

Recommendations:

1. It is recommended that the Committee approves the attached Audit Plan.

Introduction:

2. The Audit Plan outlines the risks we have identified for the audit of the 2015/16 Pension Fund financial statements and our planned response to them.

2015/16 Financial Statement Risks

3. Our audit plan has identified a series of 'significant' risks and 'other' risks. The 'significant' risks comprise:
 - 2 presumed risks as required under International Auditing Standards, relating to fraud arising from revenue recognition and management override of controls
 - Valuation of level 3 investments

The 'other' risks comprise:

- Contributions, member data, investment purchases and sales activity, investment income activity, benefits payable and the valuation of level 2 investments. These areas are the most numerically significant elements of the financial statements that are not otherwise addressed by the significant risks above

Results of interim audit work

4. Our report includes detail of work undertaken so far as part of the planning and interim stages of this year's audit.

Conclusion

5. Following agreement with the Director of Finance, the Audit Plan is presented to this Committee for discussion and approval.

Financial and value for money implications

None.

Equalities and Diversity Implications

None.

Risk Management Implications

None.

Next steps:

None.

Report contact: Thomas Ball, Manager, Grant Thornton

Contact details: Thomas.Ball@uk.gt.com

Sources/background papers: None.

The Audit Plan for Surrey Pension Fund

Year ending 31 March 2016

April 2016

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Emily Hill

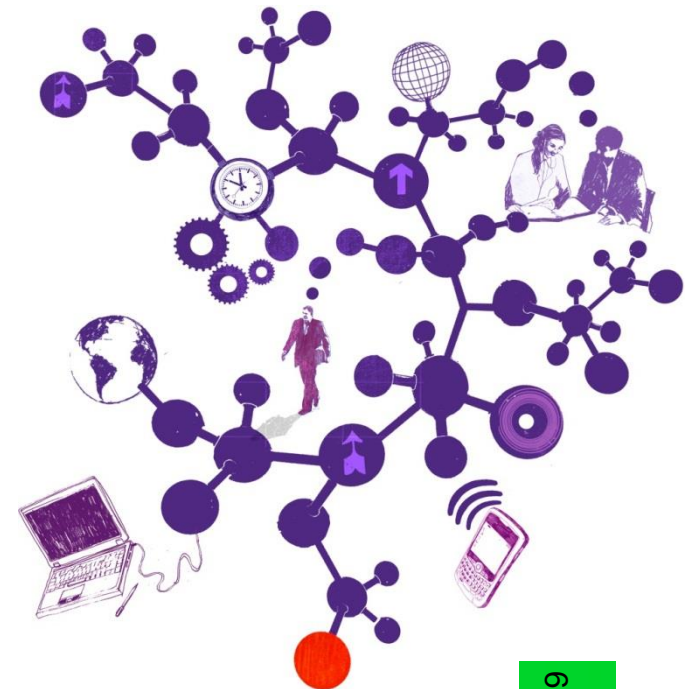
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The Audit and Governance Committee
Surrey County Council
County Hall
Penrhyn Road
Kingston-upon-Thames
Surrey
KT1 2DN

April 2016

Dear Members of the Audit and Governance Committee

Audit Plan for Surrey Pension Fund for the year ending 31 March 2016

This Audit Plan sets out for the benefit of those charged with governance (in the case of Surrey Pension Fund, the Audit and Governance Committee) an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Pension Fund and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Fund's financial statements
- give an opinion on the Pension Fund Annual Report.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Yours sincerely

Emily Hill
Engagement Lead

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Chartered Accountants

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

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Pension Fund is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Pooling of Investments

- As part of the 2015 budget the government has invited Local Government Pension Scheme (LGPS) administering authorities to submit proposals for investing their assets through pools of at least £25 billion to reduce investment management costs and potentially improving returns. The government anticipates that this will improve both capacity and capability to invest in large scale infrastructure projects.
- Initial proposals were submitted to DCLG in February with final plans to be agreed by 15 July 2016. You are part of Border to Coast proposal.

2. Changes to the investment regulations

- In November 2015 DCLG published draft proposals in relation to the investment regulations governing LGPS funds.
- The proposals seek to remove some of the existing prescribed means of securing a diversified investment strategy and instead give funds greater responsibility to determine the balance of their investments and take account of risk.

3. Governance arrangements

- Local pension boards have been in place since April 2015, and were introduced to assist with compliance and effective governance and administration of the LGPS.
- There remains a continued focus on the affordability, cost and management of the LGPS, and as such it remains critical that appropriate governance arrangements are in place for the Pension Fund.

4. Local Government Outsourcing

- As many Councils look to outsourcing and the set up of external companies as a more cost effective way to provide services, the impact on LGPS funds need to be considered.
- Funds need to carefully consider requests for admission to the scheme and where possible mitigate any risks to the Pension Fund.
- An increased number of admitted bodies may increase the risks for the Pension Fund in the event of those bodies failing. It is also likely to increase the administration costs of the scheme overall.

5. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require fund's to bring forward the approval of draft accounts and the audit of financial statements to the 31 May and 31 July respectively by the 2017/18 financial year.
- Although your accounts sign off date is unaffected by this legislation, the increased time pressure it will put on all audits will require us to make our testing more efficient.



Our response

- We will continue to discuss with officers their plans for asset pooling and the implications that this will have on both the investment policy and governance arrangements of the Pension Fund.

- We will discuss with officers their plans to respond to these changes and consider the impact on the Pension Fund's investment strategy and its risk management approach to investments.

- We will continue our on-going dialogue with officers around their governance arrangements, particularly in light of their proposals for pooling investments.
- We will continue to share emerging good practice with officers.

- Through our regular liaison with officers we will consider the impact of any planned large scale TUPE transfers of staff and the effect on the Pension Fund.

- We will work with you to identify areas of your accounts production where you can learn from good practice in others.
- We will look for ways to bring forward as much testing as possible into interim work, to reduce the impact of the additional time pressure on the audit.

Developments and other requirements relevant to your audit

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

Developments and other requirements

1. Financial Pressures

- Pension funds are increasingly disinvesting from investment assets to fund cash flow demands on benefit and leaver payments that are not covered by contributions and investment income.
- Pension Fund investment strategies need to be able to respond to these demands as well as the changing nature of the investment markets

2. Financial Reporting

- There are no significant changes to the Pension Fund financial reporting framework as set out in the CIPFA Code of Practice for Local Authority Accounting (the Code) for the year ending 31 March 2016, however the Pension Fund needs to ensure on-going compliance with the Code.

3. LGPS 2014

- Funds have implemented the requirements of LGPS 2014 and moved to a career average scheme.
- This will continue to increase the complexity of the benefit calculations and the arrangements needed to ensure the correct payment of contributions.
- In addition, this places greater emphasis on the employer providing detailed information to the scheme administrator, while also requiring the scheme to have enhanced information systems in place to maintain and report on this data.

4. Accounting for Fund management costs

- There continues to be a spotlight on the costs of managing the LGPS, and in particular investment management costs.
- Last year CIPFA produced guidance aimed at improving the transparency of management cost data and suggested that funds should include in the notes to the accounts a breakdown of management costs across the areas of investment management expenses, administration expenses and oversight and governance costs.
- This guidance is currently being updated.



Our response

- We will monitor any changes to the Pension Fund investment strategy through our regular meetings with management.
- We will consider the impact of changes on the nature of investments held by the Pension Fund and adjust our testing strategy as appropriate.

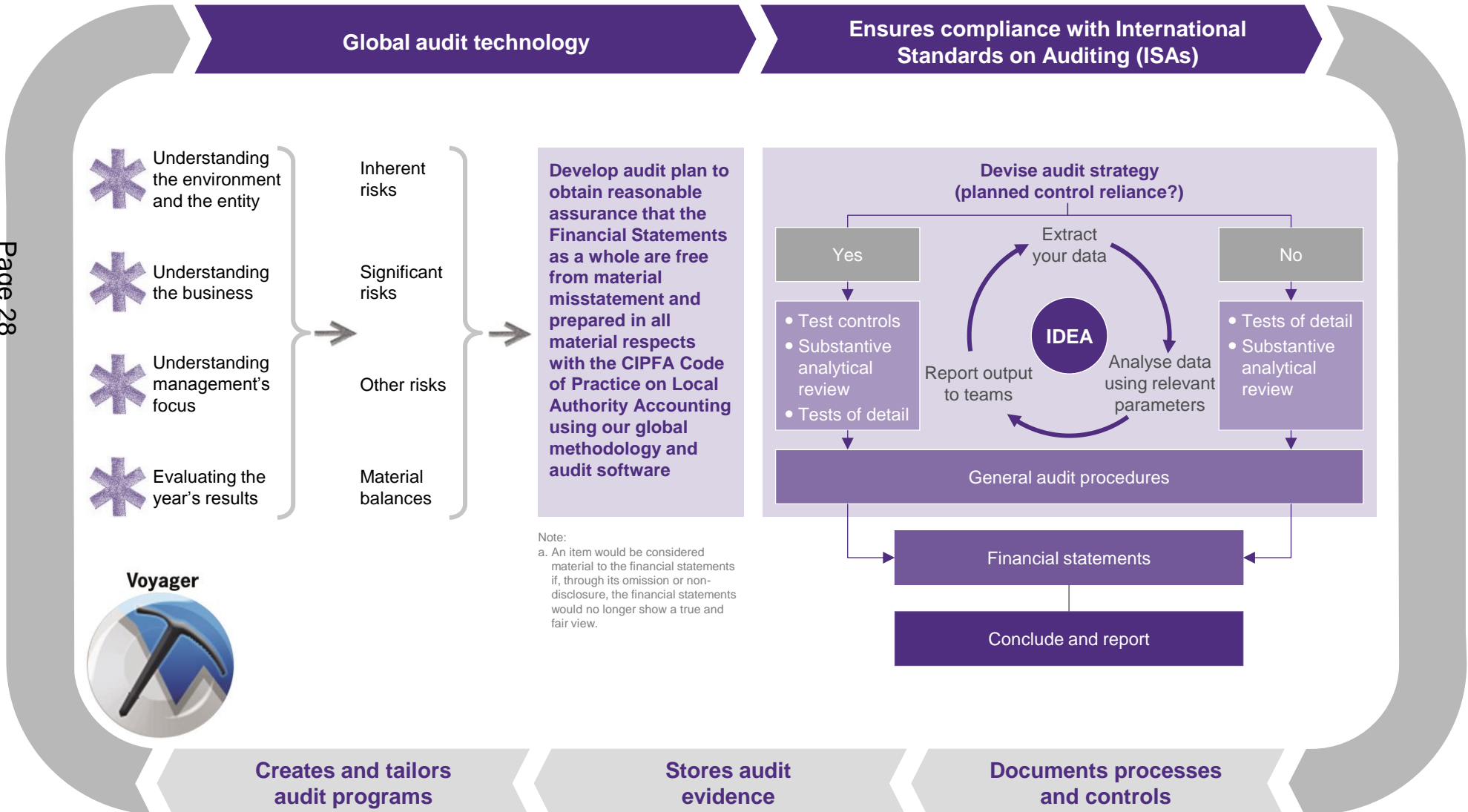
- We will ensure that the Pension Fund financial statements comply with the requirements of the Code through our substantive testing.

- We will continue to review the arrangements that the Pension Fund has in place for the quality of its' membership data.

- We will continue to discuss with officers their plans for increasing the level of transparency associated with the costs of managing the Pension Fund.

Our audit approach

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Note:
a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA(UK&I)) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in pension schemes, we have determined materiality for the statements as a whole as a proportion of net assets for the Pension Fund. For purposes of planning the audit we have determined overall materiality to be £31,935k (being 1% of the net assets from the prior year audit accounts). We will consider whether this level is appropriate following receipt of the final accounts during the course of the audit. We will advise you if we revise this.

Under ISA(UK&I)450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £1,597k.

ISA(UK&I)320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified the following items where separate materiality levels are appropriate.

Balance/transaction/disclosure	Explanation	Materiality level
Related party transactions	Due to public interest in these disclosures and the statutory requirement for them to be made.	Any errors identified by testing will be assessed individually, with due regard given to the nature of the error and its potential impact on users of the financial statements. We are unable to quantify a materiality level as the concept of related party transactions takes in to account what is material to both the Pension Fund and the related party.
Cash and cash equivalents	The balance of cash and cash equivalents is usually material, and as the majority of your transactions affect the balance it is therefore considered to be material by nature also.	Any errors identified by testing in excess of £500k will be considered as to whether they would affect the users understanding of the financial statements.



Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA(UK&I)315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under International Standards on Auditing (UK & Ireland) (ISA(UK&I)) which are listed below:

Significant risk	Description	Audit approach
The revenue cycle includes fraudulent transactions	<p>Under ISA(UK&I)240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA(UK&I)240 and the nature of the revenue streams at Surrey Pension Fund, we have determined that the risk of fraud arising from revenue recognition relating can be rebutted, because:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue recognition • Opportunities to manipulate revenue recognition are very limited due to clear separation of duties • The culture and ethical frameworks of local authorities, including Surrey Council as the administering authority, mean that all forms of fraud are seen as unacceptable. • Revenue contributions are made by direct bank transfers from admitted /scheduled bodies and are supported by separately sent schedules and are directly attributable to gross pay making any improper recognition unlikely. • Transfers into the scheme are all supported by an independent actuarial valuation of the amount which should be transferred and which is subject to agreement between the transferring and receiving funds. • The split of responsibilities between the Authority, the Custodian and its Fund Managers provide a very strong separation of duties reducing the risk around investment income and change in market value of investments.
Management over-ride of controls	<p>Under ISA(UK&I)240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Risk assessment of accounting estimates, judgements and decisions made by management • Early testing of journal entries <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries to year-end • Review of unusual significant transactions

Significant risks identified (continued)

Significant risk	Description	Audit approach
<p>Level 3 Investments – Valuation is incorrect</p>	<p>Under ISA(UK&I)315 significant risks often relate to significant non-routine transactions and judgemental matters.</p> <p>Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have performed walkthrough tests of the controls in place to estimate the valuation of these assets. <p>Further work planned:</p> <ul style="list-style-type: none"> For a sample of private equity investments, test valuations by obtaining and reviewing the audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31st March with reference to known movements in the intervening period. Review the qualifications of the fund managers as experts to value the level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached. To review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments. Review the competence, expertise and objectivity of any management experts used.



Other risks identified

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

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit approach
Investment income	Investment activity not valid. Investment income not accurate. (Accuracy)	<p>Work planned:</p> <ul style="list-style-type: none"> We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances Test a sample of investment income to fund manager reports ensure it is appropriate Complete a predictive analytical review for different types of investment income
Investment purchases and sales	Investment activity not valid. Investment valuation not correct. (Valuation gross)	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have performed substantive testing of material purchases and sales up to the time of our interim visit and agreed these to supporting documentation. <p>Further work planned:</p> <ul style="list-style-type: none"> We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances.
Investment values – Level 2 investments	Valuation is incorrect. (Valuation net)	<p>Work planned:</p> <ul style="list-style-type: none"> We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances If required, we will test a sample of level 2 investments prices from the custodian/ fund manager to independently obtained prices.
Contributions	Recorded contributions not correct (Occurrence)	<p>Work completed to date:</p> <ul style="list-style-type: none"> Interim testing a sample of contributions from scheduled and admitted bodies to supporting documentation. <p>Work planned:</p> <ul style="list-style-type: none"> Controls testing over occurrence, completeness and accuracy of contributions Testing a sample of contributions to source data to gain assurance over their accuracy and occurrence, including contributions from Surrey County Council co-ordinated with the Council's audit team Rationalise contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained. We will complete a monthly trend analysis of contributions received to determine whether contributions are largely consistent and investigate any anomalous results.

Other risks identified (continued)

Other risks	Description	Audit approach
Benefits payable	Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Interim controls testing over completeness, accuracy and occurrence of benefit payments • Interim testing of a sample of individual pensions in payment by reference to member file. • We have performed walkthrough tests of the controls identified in the cycle. <p>Further work planned:</p> <ul style="list-style-type: none"> • Complete controls and substantive testing listed above to provide coverage for the full financial year • We will rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained. • We will complete a monthly trend analysis of benefits paid to determine whether benefits are largely consistent and investigate any anomalous results.
Member Data	Member data not correct. (Rights and Obligations)	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Sample testing of changes to member data for new member, leavers and new pensioners that occurred during the year to source documentation. • We have performed walkthrough tests of the controls identified in the cycle. <p>Further work planned:</p> <ul style="list-style-type: none"> • Controls testing over annual/monthly reconciliations and verifications with individual members • Complete sample testing of changes to member data for new member, leavers and new pensioners that occurred during the year to source documentation.



Other risks identified (continued)

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous section but subject to the year end balances/ values may include :

- Transfers in
- Transfers out
- Administrative expenses
- Cash deposits
- Current assets
- Actuarial Valuation and Actuarial Present Value of Promised Retirement Benefits disclosures
- Financial Instrument disclosures

Other audit responsibilities

- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will review the Pension Fund Annual Report and ensure that it is consistent with the Pension Fund accounts on which we give our opinion.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

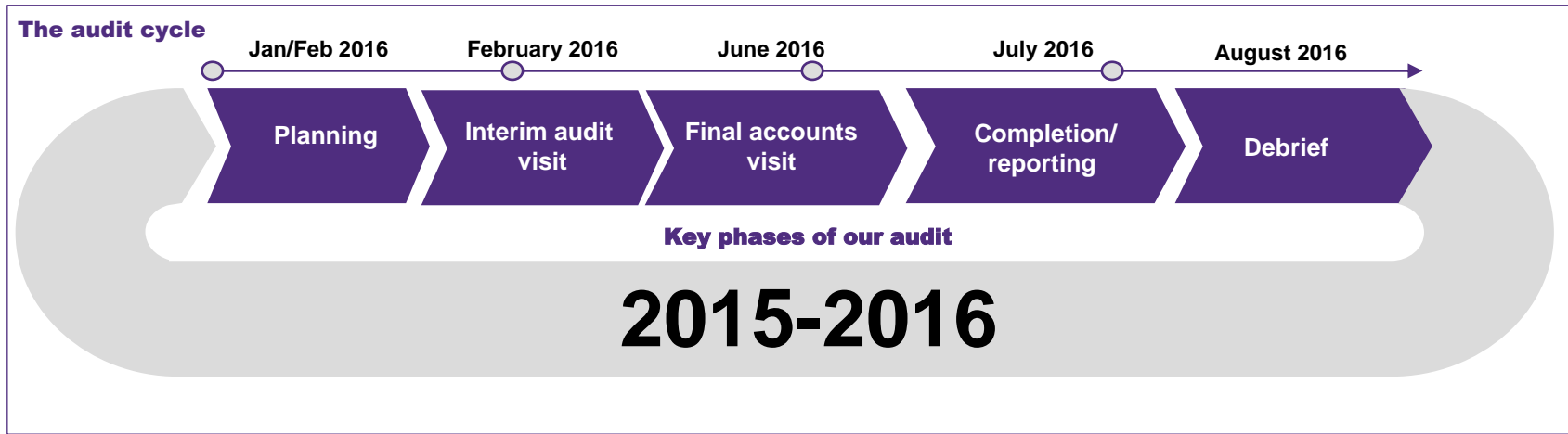
	Work performed	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on both the Administering Authority and the Pension Funds key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	Our review of internal audit work has not identified any weaknesses which impact on our audit approach.
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	Our work has identified no material weaknesses which are likely to adversely impact on the Pension Fund's financial statements
Review of information technology controls	<p>Our information systems specialist will perform a high level review of the general IT control environment of Surrey County Council, as part of the overall review of the internal controls system.</p> <p>This will involve an assessment of whether IT (information technology) controls have been implemented in accordance with our documented understanding.</p>	Our specialists will complete this testing in March 2016 and we will report any matters to bring to your attention in our Audit Findings Report.
Walkthrough testing	<p>We have completed walkthrough tests of the Pension Fund's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Pension Fund in accordance with our documented understanding.</p>	Our work has not identified any weaknesses which impact on our audit approach.



Results of interim audit work (continued)

	Work performed	Conclusion
Controls testing	<p>We performed testing of the operating effectiveness of key controls on those information systems where we had identified a reasonably possible risk of material misstatement to gain assurance about this and to reduce the amount of substantive testing performed on the financial statements. We commenced testing on:</p> <ul style="list-style-type: none"> - The controls for members data, including new starters, leavers and new pensioners. The testing on new pensioners also provided assurance on the controls for benefit payments. - We have rolled forward the testing on contribution controls from the previous year as permitted under auditing standards, as we have confirmed that there have been no significant changes to the controls in place during the year. 	<p>Our work identified that the key controls tested on member data, contributions receivable and benefits payable systems were operating effectively for months 1 to 10 and we are able to reduce the amount of substantive testing on these areas as a result. We will complete testing for the remainder of the year as part of the main audit visit.</p>
Journal entry controls	<p>We reviewed the journal entry policies and procedures as part of determining our journal entry testing strategy and to identify any material weaknesses which are likely to adversely impact on the control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review. No issues have been identified that we wish to highlight for your attention.</p>	<p>No control deficiencies have been identified. We will report the findings from the remainder of our work in this area in our Audit Findings Report.</p>
Early substantive testing	<p>The opening balances from the pension fund ledger have been agreed to the prior year accounts and explanation for any differences obtained.</p> <p>We have completed substantive interim testing on material investment purchases and sales. These transactions were agreed to supporting documentation from the investment manager.</p> <p>We also tested a sample of private equity purchases and sales and agreed these to supporting documentation.</p>	<p>Our testing completed to date has not identified matters that we wish to bring to your attention.</p>

Key dates



Date	Activity
January/February 2016	Planning
w/c 15 February 2016 and w/c 29 February 2016	Interim site visit
26 May 2016	Presentation of audit plan to Audit and Governance Committee
13 – 29 June 2016	Year end fieldwork
July 2016	Audit findings clearance meeting with Director of Finance
25 July 2016	Report audit findings to those charged with governance (Audit and Governance Committee)
By 29 July 2016	Sign financial statements opinion

Fees and independence

Fees

	£
Pension Fund Scale Fee	27,105
Total audit fees (excluding VAT)	27,105

Fees for other services

Service	Fees £
Audit related services	Nil
Non-audit services	Nil

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list.
- The scope of the audit, and the Pension Fund and its activities, have not changed significantly.
 - The Pension Fund will make available management and accounting staff to help us locate information and to provide explanations.
 - The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and the Annual Audit Letter of the Administering Authority.

Independence and ethics

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

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

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

Communication of audit matters with those charged with governance

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

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

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

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Administering Authority's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Pension Fund's key risks when reaching our conclusions under the Code of Audit Practice.

It is the responsibility of the fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

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



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AUDIT & GOVERNANCE COMMITTEE
 26 May 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 April 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 13 audit reports issued since the last report to this Committee in April 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	CRSA - Governance Policies	Effective	0
2	Organisational Ethics	Effective	0
3	Locally Managed School Capital Projects	Significant Improvement Needed	0
4	Public Health Payments to GPs and Pharmacies	Significant Improvement Needed	4
5	Capital Expenditure Monitoring	Effective	0

6	Procure to Pay (Accounts Payable)	Some Improvement Needed	0
7	Suspensions and HR Case Management	Some Improvement Needed	1
8	Off Contract Agency Spend	n/a	0
9	HIV Service	Some Improvement Needed	1
10	Direct Payments	Some Improvement Needed	0
11	Property LA Trading Company	Effective	0
12	Revenue Budgetary Control	Effective	0
13	Data Management in CSF	Some Improvement Needed	0

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

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

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
CRSA - Governance Policies	<p>SCC's Code of Corporate Governance refers to a list of 32 policies that are of key importance to ensuring good governance. Using a cyclical programme of Control Risk Self Assessment Questionnaires (CRSA), the extent to which staff are aware of the contents of specific policies and comply with them is assessed each year.</p>	<p>Responses highlighted that there was only a low level of awareness of the relaunched IT Security Policy with a third of all managers unaware of the changes and simplified policy document.</p> <p>There is a strong awareness of the Strategy Against Fraud and Corruption and managers demonstrated good knowledge of their responsibilities to prevent fraud and corruption. The survey did highlight that awareness of the Fraud Awareness eLearning could be increased.</p> <p>Managers demonstrated good awareness and knowledge of the Whistle Blowing Policy and the Council's Safer Recruitment Policy.</p>	Effective	<p>Results of the survey to be shared with the Information Governance Risk Board to ensure that steps to promote the IT Security Policy are identified and implemented. (M)</p> <p>The fraud awareness eLearning should be effectively promoted to all new starters including a refresh for existing staff. (M)</p>

Completed Audit Reports (March - April 2016)

Annex A

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Organisational Ethics	In order to satisfy the requirements of the Public Sector Internal Audit Standards (PSIAS), Internal Audit are required to evaluate the design, implementation and effectiveness of the Authority's ethics related objectives, programmes and activities.	<p>The present arrangements provide assurance that the routine actions of members and officers, and the consequent decisions taken by the council, are based upon strong ethical principles.</p> <p>The council does not currently have a published Supplier Code of Conduct or an Ethical Procurement Policy Statement. The Committee on Standards in Public Life (CSPL) published a report in June 2014 on Ethical Standards for Providers of Public Services, with subsequent guidance on how to implement this being published in December 2015.</p> <p>The audit identified that a majority of policies and procedure notes reviewed did not explicitly mention ethics, or define the ethical expectations of the council. This omission included the Code of Conduct, although implicit reference is made through the formal recognition of the seven 'Nolan Principles'</p>	Effective	<p>Consider the CSPL guidance document and the specific examples of good practice related to ethical procurement and supplier practice, with a view to ensuring the council is explicit about its ethical commitments around procurement and delivery of public services through third parties. (M)</p> <p>Consider including a statement of ethical behaviour within the Code of Conduct in order to explicitly clarify the council's expectations for its employees. (L)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
<p>Locally Managed School Capital Projects</p>	<p>SCC is responsible for all community school capital maintenance work, which will flow from the school's Asset Management Plan. Individual schools are responsible for funding ongoing repairs and maintenance either directly, or through participation in the buyback schemes with Property Services.</p> <p>Where the premises are owned by SCC, or the school has voluntary controlled status, then the Governing Body should seek the prior consent of SCC to any works proposed to the premises, irrespective of value, in accordance with established procedures which are intended to ensure that appropriate construction and Health and Safety standards are complied with.</p>	<p>In one case reviewed by the Auditor, payments representing 48% of the total contract value were made prior to the contract being formally signed.</p> <p>The Auditor was unable to obtain broad assurance over the transparency and effectiveness of local arrangements for obtaining quotations and determining the final choice of contractor for those capital projects reviewed.</p> <p>The Auditor would have expected to find clearer audit trails in place for obtaining and evaluating quotations, with documented reasons for selecting the winning contractor.</p> <p>In some instances formal contracts/agreements between the school and the architect or project manager were not kept on file. This presents an unnecessary risk to the schools in question should issues concerning insurances, warranties and guarantees of work have arisen.</p> <p>For four of the five schools visited by the Auditor, no formal agreement existed with the contractors that clarified the rights and obligations of each party for the work being undertaken. Should the school have received a sub-standard product and/or a service that differed from that expected, there may have been little recourse to compensation or means to challenge the contractor.</p>	<p>Significant Improvement Needed</p>	<p>Where the audit of an individual school has led to specific findings or recommendations, these have been communicated to the individual school.</p>

Completed Audit Reports (March - April 2016)

Annex A

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Public Health Payments to GPs and Pharmacies	<p>Public Health commissions various services to improve the health and wellbeing of the residents of Surrey. Service providers include General Practitioners (GPs), pharmacies, and other community based organisations</p> <p>The Public Health Team is funded directly by a ring-fenced grant provided by Public Health England. In 2015/16 the service received a grant of £35.5 million. The overall spend for services provided in Surrey by GPs and pharmacies in 2013/14 and 2014/15 was approximately £1.3m and £1.2m respectively.</p> <p>The purpose of the audit was to seek assurance that payments to GPs and pharmacies are effectively managed, approved and monitored.</p>	<p>Public health agreements (PHA) are in place with all except three providers from the test sample. Individual payment claims are not checked against the provider's service offer which may result in payments being made for services which do not align with their PHA.</p> <p>The service holds a large spreadsheet to log provider claims and payments made since April 2013. Payment files produced for the payments team, do not have password or cell protection applied to them.</p> <p>Complicated processes, reconciliations and macros are executed during the payment process. The service does not hold documented operating procedures to support the process or reconciliations.</p> <p>The service conducts limited verification on the validity of the submitted claims</p> <p>PHA specifications include the provision to audit public health service providers for payment claims and associated activity data. There is no evidence of this being undertaken by the service. As a result a large amount of trust is placed on the integrity of GPs and pharmacies to only bill for services they have actually delivered, compared to other council vendors.</p>	Significant Improvement Needed	<p>The service should consider either hard coding GPs service offer onto the claim form or they should conduct checks to ensure that the council is only paying for services agreed in their respective PHAs. (H)</p> <p>Cells in the payment file should be locked to ensure the file cannot be inadvertently amended (H)</p> <p>Develop comprehensive operating procedures which include the checks performed to verify the quality and accuracy of the activity data and thresholds for raising queries. (M)</p> <p>Put in place signed and dated PHAs for all GPs and pharmacies that provide a public health service. Where one does not exist payments should be stopped until a signed agreement is returned. (H)</p> <p>Maintain reconciliation records for discrepancies they have investigated and resolved. (H)</p> <p>Analyse data trends and correlations to inform the verification of payment claims. (M)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Capital Expenditure Monitoring	<p>The Council approved a capital budget of £175.4m for the 2015/16 financial year which formed part of the Council's overall 5 year Medium Term Financial Plan (MTFP) 2015-2020 for capital expenditure totalling £696m.</p> <p>The audit sought to establish whether appropriate systems are in place to manage and monitor the capital programme.</p>	<p>The capital programme for 2015/16 is £176.2m and there is a projected underspend of £16.4m. This is almost 10% and is a significant sum that is not being optimised.</p> <p>The audit took a sample of 10 capital schemes to test. All sites were physically tested to assess value for money. Good value was noted with most of the capital schemes and expenditure was largely to budget or under budget. Invoices were reviewed and the Auditor was able to confirm that expenditure had been correctly accounted for and authorised. All works were identified on site and had been correctly recorded in the asset register.</p> <p>The quotation for the Godalming Library refurbishment was estimated at £382,149. The final account was £542,711. The most significant additional cost related to the installation of a fire alarm costing £46,614.</p>	Effective	<p>SCC should develop arrangements to enable the capital programme to more effectively bring forward schemes that could start in place of other schemes which are delayed. (L)</p> <p>Consideration should be given to the specification stage of capital schemes to ensure that all relevant aspects are included. In particular, all significant works should be specified including fire prevention within the initial tender documentation. (M)</p>

Completed Audit Reports (March - April 2016)

Annex A

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Procure to Pay (Accounts Payable)	Procure to Pay (P2P) is one of the key financial functions of Surrey County Council (SCC) and is organised as part of the Shared Service Centre within the Business Services Directorate. SCC expenditure in 2014/15 was £1.4bn on 470k transactions and in 2015/16 the council is forecast to spend around £1.5bn on about 463k transactions.	<p>Teams within the Procure to Pay process have detailed written procedure notes but procedure notes for the Data Management Team (DMT) has been 'work in progress' for some time.</p> <p>Although the FISCAL software is currently not used by the DMT to check duplicate vendors, this check will be included in the imminent upgrade.</p> <p>The contract to provide the e-invoicing facility via the Supplier Portal was awarded to Taulia Inc and commenced in July 2015 with payments being made from that date.</p>	Some Improvement Needed	<p>The Data Management Team within the Finance and Procurement Group to document the procedures undertaken by their staff so that effective and consistent working practices continue regardless of staff turnover. (L)</p> <p>Implement the upgraded version of the FISCAL software and use it to its full potential to detect duplicate payments and vendors. (M)</p> <p>Staff in Procurement, Shared Services and Finance should continue to work closely to clearly document the assumptions and monitor the costs to ensure that the 'Invest to Save' money used for the e-invoicing system implementation, is returned, and savings - including contributions from East Sussex County Council - are tracked and reported to senior management and Members if required. (M)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
<p>Suspensions and HR Case Management</p>	<p>An audit of staff suspensions was requested by senior HR management as it was apparent that some suspension cases were taking a long time to resolve.</p> <p>A new Case Management System (CMS) was implemented in September 2015 and CMS is now used to manage information relating to all HR casework including suspensions.</p> <p>As well as looking at the procedures for dealing with suspension cases, this audit looked at the implementation and use of CMS to ensure that casework data, particularly suspensions data, is captured, updated, monitored and managed effectively in order to ensure efficient resolution of cases.</p>	<p>The management reports which are automatically generated from CMS are expected to offer better information and control than was previously available although not all of the reports delivered by the system suppliers are up to the standard required.</p> <p>A CMS user manual does not specify expected standards (such as timeliness and accuracy of input) to be followed when using CMS.</p> <p>Although most of the data fields in CMS were completed, there were some gaps eg of 544 closed cases, 130 did not have an outcome code.</p> <p>In the past two years, there were six recorded suspensions involving fraud, theft or possible theft. Only two of these were reported to the Chief Internal Auditor. While HR staff might reasonably assume that the responsible line manager has informed Internal Audit, as a backup it would be useful if HR could notify details of suspected irregularities to Internal Audit.</p>	<p>Some Improvement Needed</p>	<p>HR Management should continue to expedite provision of the specified system reports as these are integral to the effective management, supervision and control of team casework performance. (H)</p> <p>Enhance the CMS user manual to include expected standards and conventions which should be specified so that staff are fully aware of their responsibilities with regard to CMS data input and monitoring. (M)</p> <p>Remind staff to check that data recorded on CMS is complete and accurate. HR advisors should be required to perform a weekly review of CMS cases to ensure that data is up-to-date, complete and accurate. Specification of such checks should be included in the user manual. (M)</p> <p>HR management should refer details of all suspected financial irregularities to the Chief Internal Auditor. (M)</p>

Completed Audit Reports (March - April 2016)

Annex A

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Off Contract Agency Spend	<p>As part of the Internal Audit planning process for 2015/16, the Director of People and Development requested a review of agency staff expenditure to understand why certain business areas were recruiting staff directly from agencies other than Surrey County Council's (SCC's) appointed outsourced recruitment provider (Manpower UK Limited).</p> <p>More recently there has been a significant change to the arrangements for recruiting agency staff. In February 2016, Manpower was replaced by a new provider, Adecco UK Limited.</p>	<p>Considerable effort has been made by Adecco to engage with all agencies supplying temporary staff resource.</p> <p>The contract manager has reviewed the details of the recruitment agencies that had provided temporary staff in the recent financial year. Relevant details had been forwarded to Adecco to facilitate discussions with the aim of all agencies signing an agreement to provide staff resource through the Adecco contract. Initial indications are that Adecco had already been successful in securing sub-contracting agreements with many of the agencies listed.</p> <p>Independent analysis of SAP information by the Auditor suggests that the number of off-contract agencies and the related spend has reduced.</p>	n/a	<p>There were no audit recommendations.</p> <p>An audit of the Adecco Contract has been included in the 2016/17 Annual Internal Audit plan.</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
HIV Service	<p>The NHS and Surrey County Council are jointly responsible for providing the HIV Service in Surrey. The Service comprises a mixture of clinical services, support in relation to health improvement and long term condition management.</p>	<p>Arrangements for the continuity of the HIV Service beyond the contract end date (31 March 2016) have not yet been finalised.</p> <p>There are no agreed regular anonymous quality assurance surveys being completed by service users.</p> <p>The contract requires reporting on 7 outcomes to be measured against the Commission of Social Care Inspection 'Independence, Well-being and Choice', which is currently not being done.</p> <p>The Contract Managers have not provided an annual report to be presented at the Annual Review meeting.</p> <p>The Contract provides for ongoing monitoring of services. From discussions with key officers, there was no evidence of any such monitoring or inspection visits carried out by the Public Health Team even though the contract facilitates this.</p>	Some Improvement Needed	<p>The Public Health Service should work with Procurement and Commissioning to agree a forward plan to maintain the HIV Service. (H)</p> <p>Ensure that quarterly contract monitoring reports provide information on outcomes and surveys in compliance with the contract terms. (M)</p> <p>The officer responsible for monitoring the contract should ensure that the contract provider submits an annual report in accordance with the contract terms. (M)</p> <p>Responsibility for contract management and carrying out of inspection visits at contractor sites should be assigned to existing officers thus ensuring the service provider meets the contract terms and service specification. (M)</p>

Completed Audit Reports (March - April 2016)

Annex A

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Direct Payments	<p>Direct Payments (DPs) are financial payments made to individuals and carers to enable them to meet their assessed care and support needs. The payment replaces directly commissioned services and the purpose of the DP is detailed in a support plan.</p> <p>This audit considered the effectiveness of reconciliation checks in safeguarding public funds.</p>	<p>Recently updated DP Guidance will significantly improve the management of DPs and reduce the level of surplus balances.</p> <p>The increase in use and commitment to move the majority of DPs to pre paid accounts enables easier monitoring, negating previous issues previously identified with reconciliations.</p> <p>All reconciliation records were available and over 92% of the DPs reviewed showed no apparent evidence of inappropriate spend.</p> <p>While checks are being done in a timely manner, it appears there is not a consistent approach to querying potentially inappropriate spend, although good practice is evident in some teams.</p>	Some Improvement Needed	<p>Support plans should provide unambiguous detail of what the DP should be used for. (M)</p> <p>The service must investigate all 19 cases where the Auditor has queried appropriateness of spend. (M)</p> <p>Where receipts for cash are not included with reconciliations, individuals should be reminded of the requirement to do so. (M)</p> <p>Where close family members are carers, they should be supported to ensure they have proper respite breaks. (M)</p> <p>During the upcoming DP Guidance awareness training, officers should be reminded of the requirement to contact Internal Audit regarding suspected financial irregularities. (M)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Property Local Authority Trading Company (LATC)	The Investment Strategy approved by the Cabinet on 23 July 2013 led to the establishment of a Property Local Authority Trading Company (LATC) named Halsey Garton Property (HGP) Ltd.	<p>An Investment Advisory Board (IAB) was formed and approved by the Cabinet. The IAB reviews submitted business cases for investment opportunities and recommends them to the Cabinet as appropriate. There are 2 Gateway processes with defined criteria which are used to review the business cases for robustness and transparency. The business cases that are recommended to the Cabinet are usually considered as Part 2 items due to the confidential nature of commercial information.</p> <p>Three property investments have been made by the Property LATC during October 2015 and March 2016 following the due processes required by the IAB and the Cabinet.</p>	Effective	There were no audit recommendations.

Completed Audit Reports (March - April 2016)

Annex A

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Revenue Budgetary Control	Sound revenue budgetary control is vital to the council achieving its objectives within increasingly tight financial resources. The system of budgetary control provides officers with reports from SAP and a range of locally maintained spreadsheets to monitor income and expenditure against the budget during the course of the year.	Overall information and support for budget holders is effective and the council's financial performance continues to be measured favourably by the external auditors.	Effective	There were no high or medium priority audit recommendations.

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Children's Data Management	<p>The Children's Schools and Families (CSF) Directorate manages significant volumes of personal data which need to be held confidentially and in accordance with the Data Protection Act.</p> <p>The audit focused on breach management, specifically the reporting of data breaches within CSF and the steps taken to reduce the risk of further breaches occurring.</p>	<p>Not all breaches were supported by a breach template. Use of a template was not being enforced, and some breaches were reported by e-mail, phone, or personal attendance. This raised the issue of audit trail and assurance that all relevant data was being collected.</p> <p>Issue of follow-up instructions to line managers from the IG team are recorded but not always supported by a clear audit trail: the same applies to confirmations from the relevant line manager that required actions have been completed.</p> <p>The audit highlighted issues with the IG team's lack of access to information about organisational and employee detail and the identification and recognition of staff who handle personal data and where they are based. Furthermore, there is lack of access to information about who has undertaken relevant e-learning courses and classroom courses.</p>	Some Improvement Needed	<p>A breach template should be raised for all reported breaches. (M)</p> <p>Names of responsible managers should be recorded for easy reference purposes. (M)</p> <p>Proof of remedial action taken should be evidenced. Where this is not possible, spot-checks to ensure that remedial action has been carried out should be performed by the CSF IG team. (M)</p> <p>The IG Manager should aim to identify the CSF staff population and which locations or organisational units pose the greatest risk to data governance (M)</p> <p>A policy to determine the categories of staff that should be expected to attend IG-related classroom training should be prepared and agreed by the Head of Performance and Support. (M)</p> <p>Comprehensive training records should be maintained with details of staff that have completed e-learning and classroom training. (M)</p>

¹ Audit Opinions

Effective	Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Some Improvement Needed	A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
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
26 May 2016

INTERNAL AUDIT ANNUAL REPORT 2015/16

SUMMARY:

This report summarises the work of Internal Audit for the period 1 April 2015 to 31 March 2016, identifying the main themes arising from the audit reviews and the implications for the County Council. The Chief Internal Auditor reports key findings and recommendations arising from audits undertaken as part of regular reporting to this Committee on completed audits.

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

RECOMMENDATION:

Members are asked to note the work undertaken and performance of Internal Audit in 2015/16 and the resultant annual audit opinion; and, determine whether there are any matters that the Committee wishes to draw to the attention of the Cabinet or the County Council.

INTRODUCTION

- 1 The Accounts and Audit Regulations require every local authority to undertake an adequate and effective internal audit of its accounting records and of its system of internal control. Within Surrey County Council the Internal Audit function, which sits within the Strategy and Performance Service, carries out the work required to satisfy this legislative requirement and reports its findings and conclusions to management and to this Committee.
- 2 Best practice requires the Chief Internal Auditor to produce an annual report that:
 - (a) provides an opinion on the overall adequacy and effectiveness of the organisation's control environment
 - (b) discloses any qualifications to that opinion, together with reasons for the qualification
 - (c) presents a summary of the audit work from which the opinion is derived
 - (d) draws attention to any issues of particular relevance
 - (e) compares the work actually undertaken against the work that was planned

- 3 This report fulfils the requirements above and represents the Internal Audit Report for the period 1 April 2015 to 31 March 2016. This report informs the 2015/16 Annual Governance Statement and provides an overview of the key findings arising from the audit reviews and the implications for the County Council. Taking account of the issues described the Committee will need to consider whether any matters should be referred to the Cabinet or the County Council.

BACKGROUND TO THE YEAR 2015/16

- 4 Internal Audit is one of four teams, the others being Performance and Change; Economic Growth; and, Policy and Strategic Partnerships; within the Strategy and Performance service. As such Internal Audit is well placed to respond to new policy initiatives and help drive innovation and improvement across the council.
- 6 As part of the council's network leadership approach, the statutory responsibilities network was formed in the summer of 2014. The Chief Internal Auditor is a member of this network which has met fortnightly throughout 2015/16. In addition the Chief Internal Auditor has continued to meet regularly throughout the year on a one to one basis with the Chief Executive and the S151 Officer to brief them on governance matters.
- 7 During 2015/16 the Chief Internal Auditor has continued to undertake the following responsibilities:
- member of the Investment Panel which reviews business cases in advance of them being presented to Cabinet for approval
 - member of the Governance Panel
 - member of the Strategic Risk Forum
 - the council's Money Laundering Regulatory Officer
- All the aforementioned roles complement the work of Internal Audit.
- 8 The high profile of Internal Audit reports has been maintained throughout 2015/16 with the Audit and Governance Committee and Scrutiny Boards showing a strong interest in what action officers have taken in response to Internal Audit recommendations. The on-line library means all elected members can access reports as they wish.

INTERNAL AUDIT OPINION

- 9 The overall audit opinion, based on the reviews completed during the period, on the governance and internal control environment during 2015/16 is **Some Improvement Needed**. A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
- 10 In forming this opinion, the Chief Internal Auditor can confirm that Internal Audit activity throughout 2015/16 has been independent of the rest of the organisation and has not been subject to interference in the level or scope of audit work completed. There are no qualifications to this overall opinion.
- 11 This overall audit opinion is largely a reflection of the system and procedural controls around the County's key financial systems that are subject to annual review by Internal Audit and are considered to be sound. It is noted however that despite the controls in place, there is a high risk as highlighted in the Leadership Risk register of failure to achieve the Medium Term Financial Plan (MTFP) going forward as a result of:

- not achieving savings
- additional service demand and/or
- over optimistic funding levels

- 12 More generally however in wider service reviews some specific weaknesses were identified by Internal Audit that meant that control in those particular areas did not provide reasonable assurance that risks are being managed so that objectives would be met. The following table shows the spread of audit opinions for the 58 standard audit reports issued in the period 2015/16 with comparative information for 2014/15.

Audit Opinion	2014/15		2015/16	
	No of Audit Reports	%	No of Audit Reports	%
Effective	16	26	17	29
Some Improvement Needed	33	53	25	43
Significant Improvement Needed	5	8	11	19
Unsatisfactory	1	2	2	4
n/a	7	11	3	5
Total	62	100	58	100

- 13 A complete list of audit reports issued in the period is set out in Annex A. The key issues arising from audit work completed during 2015/16 are set out in the Key Audit Findings section of this report.

MANAGEMENT ACTION PLAN (MAP) PROGRESS UPDATE

- 14 A summary of Management Action Plan (MAP) progress in implementing audit recommendations for audit reports issued in the period July – December 2015 can be found at Annex B
- 15 Annex C contains details of all audit reports issued prior to July 2015 where implementation of High Priority recommendations has not previously been reported to this Committee as “Green”.

PERFORMANCE SUMMARY

- 16 The audit plan for 2015/16 was approved by this Committee on 9 April 2015. This plan was based on a budget of £639,791. Actual outturn at the year-end was £635,004. The table below shows actual performance against the original plan for the year.

Audit Area	Plan Days (whole year)	Actual Days	% Actual to planned
Corporate Governance Arrangements	85	43	51%
Key Financial Systems	185	210	113%
Grants	61	24	39%
Contract reviews	125	89	71%
Service reviews (systems and projects)	845	799	95%
Follow-up Audits	50	36	72%
Innovation & Client Support and Service liaison	153	119	78%
Special reviews not included in the original audit plan. NFI and other fraud prevention Irregularity investigations	280	329	118%
Audit planning and management, corporate and member support	285	287	101%
Total days	2069	1937	94%
Figures as shown in 2014/15 report (for comparison)	2180	1744	80%

17 The Internal Audit team establishment for 2015/16 comprised 12 full time equivalent (FTE) staff. The team had three vacancies for much of the year and so agency resource was used throughout the year to cover vacancies and help ensure satisfactory delivery of the annual audit plan.

18 2015/16 Annual Audit Plan Completion

Annex D provides an analysis of completion of the 2015/16 Internal Audit programme of work. Further information is set out below.

Deferred/Cancelled Audits - the following audits, which were included in the 2015/16 annual audit plan, were cancelled/deferred for the following reasons:

- SAP Application Controls – audit deferred to 2016/17 as the 2014/15 audit report issued in December 2014 had an “Effective” audit opinion and there were minimal changes to the SAP environment in 2015/16.
- Financial Assessments and Benefits - audit deferred to 2016/17 as this area was reviewed in some depth in 2014/15, with audit reports issued on both Financial Assessments and Benefits and Social Care Debt.
- Care Act – audit cancelled due to changes in implementation timescales.
- SAP Interfaces – audit deferred to 2016/17 due to delays in securing the technical resource to complete this review.
- Network Security - audit deferred to 2016/17 due to delays in securing the technical resource to complete this review.
- Student Fare Care – audit cancelled due to reassessment of risk priority

- Special Schools – deferred to 2016/17 to complement other SEND work
- Short Stay Schools – audit cancelled as short day schools were considered as part of a wider schools compliance audit.
- Works Management System - audit deferred to 2016/17 due to a delay in the implementation of this new system

In addition, as shown in Annex D, a small number of audits relating to 2015/16 are still in progress.

19 Grants

Six grant audits were completed in the period, as follows:

- Active Sports (Sport England)
- Bus Subsidy
- RESTORE project final claim (EU funded)
- Repair & Renew Grant
- Teacher Training (SCiTT)
- Troubled Families 2 (Payment By Results)

20 Fraud and Irregularity and Special Reviews

The 2015/16 audit plan included specific time for Irregularity and Special Investigations (audits which, although not in the annual plan, take place as a result of concerns being raised directly with Internal Audit by Members or officers). Some of this time (107 days) was spent on investigating alleged irregularities. The Council's Financial Regulations require all matters involving, or thought to involve, corruption or financial irregularity in the exercise of the functions of the County Council to be notified to the Chief Internal Auditor who will decide whether an audit investigation is appropriate.

A separate report has been produced for this Committee which provides more information on the irregularity investigations undertaken by Internal Audit during 2015/16.

Also included in this is time spent on fraud awareness work, including delivering Fighting Fraud presentations to teams across the council and circulating fraud alerts received from such audit networks as the National Anti-Fraud Network and the County Chief Auditor's Network.

21 Customer Satisfaction Survey (CSQ)

The Internal Audit team is continually aiming to improve the service it provides and as such, on completion of each review the auditee is asked to complete a Customer Satisfaction Survey (CSQ) to provide feedback on a number of aspects of the audit – from planning through to reporting. The CSQ also asks for an overall rating on the added value of the audit on a scale of 1 to 4, where 1 is **not very** useful and 4 is **very** useful.

The following table shows the breakdown of CSQ scores received during the period 2015/16 (previous year figures in brackets for comparative purposes):

CSQ Overall Rating	No of CSQs	%
4 – very useful	8 (12)	44 (42)
3	7 (11)	39 (38)
2	3 (5)	17 (17)
1 – not very useful	0 (1)	0 (3)
Total	18 (29)	100

EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT

- 22 A report on the findings of the 2015/16 review of the effectiveness of the system of Internal Audit was presented to this Committee on 11 April. This review concluded that 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.
- 23 No matters of non compliance with the Public Sector Internal Audit Standards were identified that would require mention in the 2015/16 Annual Governance Statement.

KEY AUDIT FINDINGS

- 24 The key audit findings arising from completion of the 2015/16 Internal Audit plan are categorised under the 7 themes as set out below:

1. Adult Social Care (ASC)

An audit review of AIS care assessments gave an audit opinion of **Significant Improvement Needed** and noted numerous data quality issues and omissions eg one third of cases reviewed by the auditor showed no recorded progress against desired outcomes. Data quality issues are further exacerbated within the AIS system by the automated default to “no” or “unknown” for a significant proportion of data entry fields. A replacement for the AIS system is planned for implementation during 2016/17 and in agreeing the specification/configuration for this new system, the service has sought to address the weaknesses identified by the audit.

An audit review of Telecare gave an audit opinion of **Some Improvement Needed** and noted that performance monitoring information focuses on numbers of referrals and types of service provision. While this information is useful in assessing one of the key commissioning objectives (*enabling access of residents to the telecare market*) it does not, on its own, allow a satisfactory assessment of the second key objective (*improving outcomes for vulnerable adults*). The audit recommended the introduction of metrics that support a more qualitative assessment of outcomes.

An audit of Surrey Choices completed in August 2015 gave an audit opinion of **Significant Improvement Needed** and concluded that the management information being provided by Surrey Choices did not allow the quality of services to be effectively

monitored. The audit also noted that although the Personalisation Team were expected to complete 270 care plan reviews a year, only 56 had been completed. Subsequently, the Personalisation Team was brought back in-house from January 2016. The 2014/15 external audit report for Surrey Choices identified serious concerns regarding the financial governance of Surrey Choices Ltd – which is wholly owned by Surrey County Council – and at the February 2016 meeting of the Audit and Governance Committee, the Leader and Chief Executive reported that Surrey Choices had been asked to present a business plan to the Shareholder Board in April 2016.

An audit of Deputyships resulted in an audit opinion of **Some Improvement Needed** and noted a number of areas of good practice. It was specifically noted that social care debt relating to deputyship accounts, which had previously been highlighted as an area of concern, is now being satisfactorily addressed.

Family, Friends and Communities is a key strategic programme designed to maximise the independence of individuals with care and support needs and support them to achieve better outcomes at lower costs. An audit of Family, Friends and Communities gave an audit opinion of **Some Improvement Needed** and highlighted the difficulties in meeting the very challenging savings targets assumed within the Medium Term Financial Plan. Reassessments of care packages were resulting in 15% savings against a stretch target of 20%.

An audit of the Better Care Fund – S75 agreements concluded that the agreements met the format required by NHS England and had been suitably tailored to meet the needs of the local areas. At the time of the audit all agreements had been signed except for the one with North West Surrey Clinical Commissioning Group (CCG) which was being amended to reflect the involvement of the NHS Windsor and Maidenhead CCG. Internal Audit has subsequently been assured that this outstanding agreement was signed on 23 February 2016.

2. Children Schools and Families (CSF)

Internal Audit provided support to the Children's Improvement Plan throughout the year and issued a Position Statement in March 2016. This concluded that there is close monitoring of the improvement plan by the Improvement Board which is representative of key officers and members. While it was possible to identify improvement plan actions being completed it was less easy to assess the impact of those actions. It was apparent that the council has continued to struggle to recruit and retain children's social workers and the change of culture necessary to address the failings identified by the Ofsted inspection will take time to embed.

An audit of the Children's Safeguarding Quality Assurance (QA) Process completed in June 2015, attracted a **Significant Improvement Needed** audit opinion and found insufficient follow-up of action plans resulting from QA reviews. It was recommended that all QA reports and related improvement plans should be presented to the directorate leadership team to ensure managers take effective action and that a summary of findings should be presented to the Social Care Services board. At the time of writing the Children's Improvement Plan Audit Position Statement, referred to above, it was apparent that this recommendation had not been satisfactorily implemented, although subsequent assurance has been obtained that at the meeting of the Social Care Services Board in March 2016, the Strategic Director for Children, Schools and Families committed to providing the Board with both more detailed performance information and details of the findings of QA activity.

An audit of Foster Care Service Arrangements resulted in an **Unsatisfactory** audit opinion. This audit looked at the administrative and financial aspects of the service; it did not evaluate the standard of care provided to looked after children and young people. Issues identified included incomplete/inconsistent training records; inconsistencies in records of Disclosure and Barring Service (DBS) checks of foster carers and their extended families; a lack of evidence of completion of unannounced visits; and, instances of allowance payments being made with no independent authorisation.

An audit of Transport for Education completed in March 2016 resulted in an audit opinion of **Significant Improvement Needed**. The audit concluded that the work involved in updating the Special Education Needs strategy to reflect the requirements of the Children's and Families Act which came into effect on 1 September 2014 had been wholly under estimated by senior management within Schools and Learning, particularly in terms of time and resource requirements. The audit found that the strategy, policies and procedures relating to Special Educational Needs and Disabilities (SEND) had not been finalised. Up to date SEND information was not available to staff on the intranet, nor to parents on the council's external website.

Internal Audit has subsequently provided support on SEND both through participation in a Peer Challenge and through some specific audit testing. There are significant issues within this service area, relating both to the increasingly high costs of providing SEND services; and, unsatisfactory performance against operational targets (including statutory timeframes). Internal Audit resource will continue to focus on this area in 2016/17.

An audit of Nursery Education resulted in a **Significant Improvement Needed** audit opinion. The audit found several instances of misalignment of the hours of Early Years Education (EYE) on the parental declaration forms against the actual hours funded by the council. Several parental declaration forms were found to have been signed in advance (eg forms signed in autumn for both the spring and summer terms). While the service area had identified nursery education settings which were of concern to them, they had not conducted visits to those settings to investigate their concerns.

Internal Audit inspections were conducted at 20 schools over the year. Audit findings, and recommendations where appropriate, were reported back to the individual school and an overarching audit report – Schools Compliance Audit – was issued in January 2016. This report gave an opinion of **Significant Improvement Needed** in relation to procurement practices in schools. Specific issues included a lack of evidence (quotations etc) supporting the award of some contracts; procurement threshold limits not being defined; and, a lack segregation of duties for procurement (eg the same individual could raise requisitions and approve orders). This latter point is a common resourcing issue within smaller schools and remains an active risk.

An audit of School Places attracted an **Effective** audit opinion.

3. Highways

An Internal Audit review of Highways Schemes – Integrated Transport Schemes (ITS) gave an audit opinion of **Some Improvement Needed** and noted that many variation orders were not priced when they were issued, resulting in the additional costs not being known until the contractor prepares their final account. Similarly, an audit of Highways Communication found that for all the schemes reviewed by the auditor, variation orders were issued after the works were completed. The audit noted that a

communication strategy had been developed and a Communications Manager appointed. This should improve the quality and timeliness of communication required to the different stakeholders including county/borough elected members; residents and local businesses.

Audits of the Highways Contract – Safety Inspections and Streetworks Permit Scheme attracted an **Effective** audit opinion.

4. IMT Security and Information Governance

An audit of Non-Corporate Applications completed in December 2015 considered the controls in place over the various IT applications used by specific service areas to meet their particular needs. This audit gave an **Effective** audit opinion and concluded that appropriate controls are in place around the hosting, maintenance and support arrangements for Non-Corporate System Applications.

An audit of IMT Incident Response gave a **Some Improvement Needed** audit opinion and concluded that the council has a robust system in place for managing IMT incidents.

An audit of SAP application Controls did not take place during 2015/16 but Internal Audit is mindful that there have been minimal changes to the SAP environment since the 2014/15 audit which gave an **Effective** audit opinion and concluded that SCC has rigorous controls in place to ensure employees only have access to the functionality and information required for them to undertake their duties.

Throughout 2015/16 Internal Audit has been represented on the Information & Risk Governance Board and has provided support and advice on a number of key areas including breach monitoring and the refresh of the IT security policy. The rollout of Office 365 – replacing the current email system – will continue to be tracked by the Board.

An audit report on Information Governance (IG) gave a **Some Improvement Needed** audit opinion and noted that many aspects of information risk are being managed satisfactorily. In particular, policies and procedures are in place; there is a proper process for reporting potential breaches and a suitable information sharing protocol. It was noted however that the Corporate IG Manager, while recognised as the IG lead and co-ordinator for the council, has no oversight of, authority over, or responsibility for, the work of the Adults' and Children's IG teams.

5. Risk Management and Organisational Ethics

The Public Sector Internal Audit Standards specifically require Internal Audit to review the organisation's ethics related programme of activities and risk management arrangements.

An **Effective** audit opinion was given following a review of Organisational Ethics and the auditor concluded that the present arrangements provide assurance that the routine actions of members and officers, and the consequent decisions taken by the council, are based upon strong ethical principles. Following the Committee on Standards in Public Life's report on Ethical Standards for Providers of Public Services (published in December 2015), it is recognised that the Council has an opportunity to

be more explicit about its ethical commitments around procurement and delivery of public services through third parties.

Initial findings from the 2015/16 audit of Risk Management Arrangements suggest that there are sound governance arrangements for monitoring and reporting risks.

The risk management strategy was refreshed in 2015 and a new risk management plan was put in place as part of this refresh.

Some areas of improvement were identified but generally, systems, procedures and controls evaluated were found to be adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives achieved.

6. Procurement and Contract Management

An audit of Procurement Standing Orders (PSO) - Waivers found that the Council has clear rules over tendering; the requirements for quotations; and, the very limited circumstances when a waiver of PSOs may be permitted. The number of waivers recorded is low in relation to annual procurement spend (1.8% in 2014/15) and the waivers log was considered by the auditor to be an accurate record of waivers granted.

An audit of Public Health Contracts concluded that a proportionate performance monitoring approach is adopted but noted that several contracts (valued > £100k) had not been uploaded to CMS, the Council's contract management system.

An audit of ASC Contract Management attracted an audit opinion of **Some Improvement Needed** and concluded that contract management arrangements for home based care were satisfactory. It was noted however that the new contract framework still leaves commissioners with 121 suppliers and that limited use was being made of CMS to manage documents/data related to these contracts. Contract management arrangements for the Surrey Independent Living Council contract had improved following corrections to the key performance indicator reporting arrangements that had erroneously raised concerns about SCC's commitment to the concept of direct payments compared to directly provided care packages.

An audit of HIV Services has highlighted the difficulties around procurement of a new service to replace the existing contract which officially ended on 31 March 2016, where key partners are unwilling to commit to future funding for this service.

An audit of the Babcock 4S Contract attracted an audit opinion of **Some Improvement Needed** and recommended improvements to key performance indicators so that they better measure outcomes.

A Highways Contract (Lot1) audit highlighted the need for Highways Service; Procurement and Commissioning; and Highways Service Management to work more closely together to strengthen contract and supply chain management for Highways maintenance. In particular the auditor highlighted the need for contract documentation, including agreed schedules, to be held on CMS.

A previous audit of the Highways contract completed in May 2014 had noted that the 12% discount on Kier MG invoices was not being recovered on a monthly basis as required by the contract and it was recommended that this should be implemented with the outstanding balance recovered immediately from Kier MG. In the course of conducting the audit of Highways Contract (Lot1) – referred to above – it was apparent that there continued to be delays in receiving the discounts due to the council from the

supplier. Highways officers attended Audit and Governance Committee in December 2015, and reported that an interim payment of £1m had been received in respect of 2014/15 discounts due to the council, with the outstanding balance (£150k) expected to be received before the year end.

A follow-up audit of the Agency Staffing Contract completed in July 2015 gave an audit opinion of **Some Improvement Needed** and noted the regional conversations which were taking place as part of a move towards a memorandum of cooperation for managing the demand and supply of Children's Social Workers. During 2015/16 this contract was retendered and awarded to a new supplier – Adecco. An audit of the new contract is included within the 2016/17 Internal Audit Plan.

7. Cultural Services

A follow-up audit of Surrey Arts completed in September 2015 gave an opinion of **Significant Improvement Needed** and made recommendations to improve controls around decommissioning of instruments and maintenance of a central inventory of all musical instruments.

An audit of Community Learning and Skills highlighted a fraud and error risk due to the lack of a reconciliation of income received from different sources and the SCC bank account. Recommendations were made to introduce monthly bank reconciliation procedures and proper cash handling practices. The audit also highlighted an opportunity to improve efficiency through the implementation of an online enrolment facility.

The Henrietta Parker Trust fund is available to serve any adults (i.e. persons over the compulsory school age) who wish to learn from a curriculum defined as "Home and Family Studies" in the Molesey area. An audit of this trust fund attracted an audit opinion of **Unsatisfactory** as it was apparent that SCC was not managing the trust fund in accordance with the requirements of the Charity Commission. Little progress had been made on an earlier Internal Audit recommendation to review options for the future use of the trust fund. Over the past five years £62k was spent on items such as kitchen equipment, whilst income from investments totalled £162k. The fund balance has continued to grow over the past 20 years and the fund balance at March 2015 was £1.3m. A subsequent audit of the wider governance across the council's Trust Funds found similar issues, with most funds not being properly managed.

An audit of Community Partnership Libraries attracted an **Effective** audit opinion.

IMPLICATIONS:

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

WHAT HAPPENS NEXT:

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

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Sources/background papers: Internal Audit reports

ANNEX A

2015/16

	Month Final Report issued	Audit	No of High Priority Recs	Audit Opinion	Relevant * Directorate
1	Apr-15	Social Care Debt - Credit Balances - follow-up review	0	Significant Improvement Needed	BS
2	Apr-15	Care Act Preparedness	0	Effective	ASC
3	Apr-15	Accounts Payable	0	Effective	BS
4	May-15	Waste Management & Minimisation	1	Some Improvement Needed	E&I
5	May-15	Revenue Budget Control	0	Effective	BS
6	May-15	Telecare	1	Some Improvement Needed	ASC
7	May-15	Accounts Receivable	0	Effective	BS
8	May-15	Henrietta Parker Trust Fund	3	Unsatisfactory	CEO
9	Jun-15	Fuel Cards - Follow-up	0	Some Improvement Needed	BS
10	Jun-15	Community Learning and Skills	1	Some Improvement Needed	CEO
11	Jun-15	Data Analytics	0	Effective	BS
12	Jun-15	Highways Safety Inspection	0	Effective	E&I
13	Jun-15	Children's Safeguarding Quality Assurance Process	1	Significant Improvement Needed	CSF
14	Jun-15	Managed Print Services	0	n/a	BS
15	Jun-15	Risk Management	0	Some Improvement Needed	BS

	Month Final Report issued	Audit	No of High Priority Recs	Audit Opinion	Relevant * Directorate
16	Jun-15	AIS Care Assessments	1	Significant Improvement Needed	ASC
17	Jul-15	Agency Staffing Follow-up	0	Some Improvement Needed	BS
18	Jul-15	School Places	0	Effective	CSF
19	Jul-15	Review of PSO Waivers	0	Some Improvement Needed	BS
20	Jul-15	Consultants	1	Some Improvement Needed	BS
21	Jul-15	Fire Transformation Grant	3	Significant Improvement Needed	CEO
22	Aug-15	Capital Expenditure Monitoring	0	Some Improvement Needed	BS
23	Aug-15	Trust Funds Follow-up	4	Significant Improvement Needed	BS
24	Aug-15	Highways Schemes (ITS)	0	Some Improvement Needed	E&I
25	Aug-15	Surrey Choices	2	Significant Improvement Needed	ASC
26	Sep-15	Energy Management	0	Some Improvement Needed	E&I
27	Sep-15	Surrey Arts	1	Significant Improvement Needed	CEO
28	Sep-15	Absence Management Follow-up	1	Some Improvement Needed	BS
29	Sep-15	Pensions Administration	0	Effective	BS
30	Sep-15	Streetworks Permit Scheme	0	Effective	E&I
31	Sep-15	Information Governance	3	Some Improvement Needed	CEO

	Month Final Report issued	Audit	No of High Priority Recs	Audit Opinion	Relevant * Directorate
32	Oct-15	Highways Communications	2	Significant Improvement Needed	E&I
33	Oct-15	Babcock 4S Contract	0	Some Improvement Needed	CSF
34	Oct-15	Nursery Education	2	Significant Improvement Needed	CSF
35	Oct-15	Community Partnership Libraries	0	Effective	CEO
36	Nov-15	Highways Contract (Lot 1)	0	n/a	E&I
37	Nov-15	Deputyships	1	Some Improvement Needed	ASC
38	Nov-15	ASC Contract Management	0	Some Improvement Needed	ASC
39	Dec-15	Training Course Cancellations	0	Some Improvement Needed	BS
40	Dec-15	General Ledger	0	Effective	BS
41	Dec-15	Non-Corporate Applications.	0	Effective	BS
42	Jan-16	LAC Finances - Follow-up review	1	Some Improvement Needed	CSF
43	Jan-16	Schools Compliance Audit	0	Some Improvement Needed	CSF
44	Jan-16	Members' Allocations	0	Some Improvement Needed	C&C
45	Feb-16	Public Health Contracts	0	Some Improvement Needed	ASC
46	Feb-16	Family, Friends and Communities	2	Some Improvement Needed	ASC
47	Feb-16	Treasury Management	0	Effective	BS




	Month Final Report issued	Audit	No of High Priority Recs	Audit Opinion	Relevant * Directorate
48	Feb-16	IMT Incident Response	0	Some Improvement Needed	BS
49	Feb-16	Better Care Fund - S75 Agreements	0	Some Improvement Needed	ASC
50	Feb-16	Accounts Receivable	0	Effective	BS
51	Feb-16	Pension Fund Investments	0	Effective	BS
52	Mar-16	Transport for Education	5	Some Improvement Needed	CSF
53	Mar-16	Children's Improvement Plan	0	n/a	CSF
54	Mar-16	Foster Care Service Arrangements	12	Unsatisfactory	CSF
55	Mar-16	CRSA - Governance Policies	0	Effective	BS
56	Mar-16	Organisational Ethics	0	Effective	CEO
57	Mar-16	Locally Managed School Capital Projects	0	Significant Improvement Needed	CSF
58	Mar-16	Public Health Payments to GPs and Pharmacies	4	Significant Improvement Needed	ASC

* Directorate Key

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

Management Action Plan (July - December 2015) – Progress update

Annex B


Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Agency Staffing Follow-up (July 2015)	Some Improvement Needed	<p>SCC should monitor the impact of the Memorandum of Co-operation on Social Workers and ensure it participates when appropriate. (M)</p> <p>Children’s Services should ensure the implementation of management arrangements to fully address its commitments (e.g. for supervision and practitioner development) in its new ‘Locums Policy’ (M)</p>	<p>SCC have signed up to the 2nd phase of the MoC (1st April 2016 start date). Implementation includes communications and monitoring of impact.</p> <p>A clear commitment has been given to ensuring what the council is doing is fit for the future, including proper supervision. This will be formally captured as part of work to refresh the Children’s Workforce Strategy and embedded to ensure proper management oversight as part of Leadership and Management development improvement plans and the QA framework. Locums are also provided access to the essential training required and have access to the appropriate support and guidance.</p>	 
		<p>Children’s Services should ensure that there is a clearly documented, IR35 compliant rationale for all Limited Company locums (M).</p>	<p>As of 01.02.2016 the previous agency contract with Manpower and other providers was replaced by a Framework agreement with Adecco. As part of that contract IR35 compliancy issues sit with them. Changes in HMRC rules mean that IR35 rules will be enforced from April 2017 and we will be working with Adecco, our agency provider to ensure compliance.</p>	

Notes: (1) Audit opinion is as stated in the relevant Internal Audit Report
 (2) Recommendation priority may be High (H), Medium (M) or Low (L)
 (3) Red/Amber/Green (RAG) status is a high level assessment of progress



Management Action Plan (July - December 2015) – Progress update



Annex B

Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Agency Staffing Follow-up cont'd (July 2015)		Children's Services should now agree targets for the reduction in the numbers of locum and agency social workers with HR. (M).	<p>Work has been taking place to recruit as many good quality, permanent social work staff as possible in order to reduce reliance on locums.</p> <p>Analysis of recent recruitment is that it continues to be newly qualified/inexperienced social workers are attracted rather than experienced social workers, which is a national issue. The recruitment to the expanded ASYE Academy has been a success and "growing our own" by training unqualified workers is progressing well. We continue to recruit to replace workers who leave, however the overall vacancy rate is unchanged.</p> <p>Recent work has included strategies to encourage as many of the existing locums as possible to convert to permanent positions. This has included providing managers with the tools to have 'conversion conversations' with their locum staff and a number have already been successful. We also have a locum workshop planned for 16.05.2016 which will provide us with useful data about what may be the barriers to locums converting to permanent contracts and to outline our Surrey offer if they do.</p>	

Notes: (1) Audit opinion is as stated in the relevant Internal Audit Report
 (2) Recommendation priority may be High (H), Medium (M) or Low (L)
 (3) Red/Amber/Green (RAG) status is a high level assessment of progress

Management Action Plan (July - December 2015) – Progress update

Annex B

Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
School Places (July 2015)	Effective	<p>When obtaining quotations for goods and services, Schools Commissioning should ensure that these come directly from the suppliers and are not 'presumed'. Comparisons of options should be against a single set of appropriately weighted criteria. (M)</p> <p>Consideration should be given to what software options might exist for scenario modelling. (L)</p>	<p>The Service has not had any subsequent procurement processes.</p> <p>The School Commissioning Team met with Edge Analytics in May. It is anticipated that the updated Edge Model will be delivered, tested and ready for use by the start of the academic year in September 2016. This will allow for modelling around:</p> <ul style="list-style-type: none"> - changing age ranges of schools (conversion from infant/junior to primary) - closing schools - opening new schools - bespoke aggregations of groups of schools 	 

Notes: (1) Audit opinion is as stated in the relevant Internal Audit Report
 (2) Recommendation priority may be High (H), Medium (M) or Low (L)
 (3) Red/Amber/Green (RAG) status is a high level assessment of progress



Management Action Plan (July - December 2015) – Progress update





Annex B

Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Review of PSO Waivers (July 2015)	Some Improvement Needed	<p>Annually, the Buying Solutions Team should produce and share widely, summary statistics which identify where less than three quotations were provided from Requests for Quotations. This information should be used to identify any trends and where it may be necessary to consider more closely who is being asked for a quotation. (M)</p> <p>A summary report on retrospective waivers, which are a breach of the SCC constitution, should be presented annually to the Governance Panel. Consideration should also be given to whether the PRG should refer more cases to HR. (M)</p> <p>Consider the recording and formatting improvements to the waiver log identified by the Internal Auditor. The Procurement SMT, should periodically review the log's data to drive up compliance with the PSOs. (M)</p> <p>Procurement Category Managers should ensure they have adequate supervision arrangements and access to reports (eg from CMS) on contracts at risk of missing procurement activity deadlines. (M)</p>	<p>Following the audit additional reporting arrangements were implemented in response to the audit recommendations and to provide additional information.</p> <p>Reports are monitored by the buying solutions team and has resulted in process improvements that have been put in place ie. it is encouraged for potential bidders to express interest which allows the team to be proactive in ensuring a minimum of 3 quotes will be received.</p> <p>Monthly reviews have shown that for the quotes where 3 quotes haven't been received there is a valid reason why eg. specialised request.</p> <p>Data is now in place to monitor the use of waivers and compliance with PSOs and provide additional reporting.</p>	<p style="text-align: center;">G</p> <p style="text-align: center;">G</p> <p style="text-align: center;">G</p> <p style="text-align: center;">G</p>

Notes: (1) Audit opinion is as stated in the relevant Internal Audit Report
 (2) Recommendation priority may be High (H), Medium (M) or Low (L)
 (3) Red/Amber/Green (RAG) status is a high level assessment of progress

Management Action Plan (July - December 2015) – Progress update

Annex B



Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Consultants (July 2015)	Some Improvement Needed	<p>A single clear definition of a consultant should be agreed, adopted and used across all related guidance and instruction. (M)</p> <p>Babcock4S costs and costs associated with professionals engaged by Property Services should be coded to separate GL account codes from the next financial year. (M)</p> <p>The next issue of PSOs should clarify how approval should be obtained. Proof of approval (where necessary) must be retained for reference purposes. (H)</p> <p>Service users to be reminded to check for expired service contracts and to re-let as appropriate. POs for consultancy services must be supported by a priced quotation or contract specifying hourly/daily rates. (M)</p>	<p>Procurement Standing Orders (PSOs) were updated in September 2016. A suitable definition is in place.</p> <p>Finance have reviewed the coding of these items of expenditure and issued guidance and advice on where to more appropriately code these costs. This should enable more transparent recording of expenditure.</p> <p>The new PSOs link to the SNet page on Consultancy Services which offer guidance on use of the Business Case Template.</p> <p>Actioned.</p>	<p style="text-align: center;"></p> <p style="text-align: center;"></p> <p style="text-align: center;"></p> <p style="text-align: center;"></p>

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Management Action Plan (July - December 2015) – Progress update



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Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Fire Transformation Grant (July 2015)	Significant Improvement Needed	<p>Business cases and a programme delivery plan should be prepared for the Integrated Transport Function (ITF) and agreed with the Strategic Board and DCLG. (H)</p> <p>Ensure the savings from the new plans for the work-streams are robust, achievable and agreed with the DCLG. (H)</p>	<p>A partner-approved six-monthly return was submitted to DCLG in October 2015 setting out the revised approach to delivering the Integrated Transport Function within the strategy developed for this ambitious work.</p> <p>DCLG provided a response to this, endorsing the approach and acknowledging that the grant expenditure and savings profile has been revised and will be delivered over a longer period of time.</p> <p>The three main delivery areas included in the bid are being actively progressed: Workshops, Telematics and Fuel.</p> <p>The ESCP Finance Board members scrutinise the business cases and ensure that they are robust. Finance Board comprises senior finance officers from each of the partner organisations and is chaired by the ESCP Sponsor. Once approved within the programme governance structure, business cases go through partner internal governance as required. DCLG (Home Office) are being kept informed of progress through ongoing discussions as well as the bi-annual returns on use of the grant funding</p>	<p></p> <p></p>

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Fire Transformation Grant (July 2015)	Significant Improvement Needed	<p>Establish a revised benefits delivery plan for the joint working between SFRS and SECAMB to confirm the realistic savings in 2015/16 for the programme. (M)</p> <p>The Strategic Board should seek confirmation from the DCLG that they support the revised plans and related savings for both grants to ensure that most of the grant income is retained. (H)</p>	<p>SFRS went live with co-responding on behalf of SECAMB to Red1 category (may be immediately life threatening) calls on 28 September 2015. This was part of a rolling plan developed to extend the scheme to include certain Red2 category calls in a controlled way once the process was embedded for Red1.</p> <p>Due to specific and exceptional circumstances affecting SECAMB (including changes in Leadership), they have not been in a position to approve the extension of the co-responding to include Red2 category (may be life threatening but less time critical) calls, despite SFRS being ready/equipped to provide this additional support. Until a date is identified, and the phased incremental plan is put into effect, the increased projected benefits will not be realised.</p> <p>In the meantime, the Red1 responding is delivering benefits across Surrey in terms of contribution to potential improved health outcomes for patients, which is the primary focus of this project and understood by DCLG.</p> <p>DCLG grant awards for Transformation now come under the Home Office. The response to the first 6 monthly return about revised plans at the end of April 2016, will provide Strategic Board with this assurance. The Chief Fire Officer and Programme Sponsor has maintained dialogue with the lead officers in DCLG about the grants awarded and has been provided with assurance that the revised plans are supported.</p>	<p style="text-align: center;"></p> <p style="text-align: center;"></p>

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Capital Expenditure Monitoring (August 2015)	Some Improvement Needed	<p>The changes to budgets and variances as well as the fluctuations to forecast variances at year-end should be clearly explained in the monthly Cabinet reports (M).</p> <p>The Finance Service should identify good practices in capital budget monitoring including budget profiling (as seen in Property Services) and share best practices with all the services (M).</p>	<p>The monthly monitoring report contains a bullet-pointed high level explanation of the significant variances within the in-year capital monitoring.</p> <p>In the same way as revenue budget monitoring, capital monitoring involves meeting budget holders and discussing performance. Finance team members share best practice through their networks and embed this</p>	 

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Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Trust Funds Follow-up (August 2015)	Significant Improvement Needed	<p>The Surrey Educational Trust (SET) should register as a charity in accordance with the Charity Commission regulations. It should prepare accounts that meet the requirements of the SORP, and arrange for its accounts to be subject to an independent audit examination. (H)</p> <p>Ensure the Henry Blanchett Bequest fund meets the requirements of the Charity Commission, establish a board and plan for its use. (H)</p> <p>Seek guidance from the Charity Commission on how to apply the Yarrow Lecture Fund balances of £121,526 at March 2015. (H)</p> <p>Increase the levels of knowledge and understanding of managing charities of officers within legal, finance and services. (H)</p>	<p>As a result of a request by the Council Overview Board, a Work Task & Finish Group was set up specifically to review the Council's arrangements in relation to trust funds. The group aim to find an effective and sustainable solution to ensure the trusts are utilised for the purposes for which they were bequest for the benefit of the communities of Surrey. A range of options for the future management of the trust funds was considered by the group and recommendations are due to be reported to the Council Council Overview Board on 1 June, with the hope that these recommendations will then be passed on to Cabinet for the 21 June.</p>	<p style="text-align: center;">A</p> <p style="text-align: center;">A</p> <p style="text-align: center;">A</p> <p style="text-align: center;">A</p>

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Highways Schemes (ITS) (August 2015)	Some Improvement Needed	<p>Ensure all VOs contain estimated costs when they are issued. Any significant additional costs should be agreed with the client (Local Committee) before the VO is signed. (M)</p> <p>Establish procedure notes for the issue of highways scheme VOs (L)</p> <p>The documentation for the highways schemes should be retained in the relevant scheme folder. (M)</p>	<p>The Highways Team were informed by email of the requirement to agree any additional costs with the client and this has also been raised at team meetings as a reminder. The Team are now recording the client's agreement to significant additional costs.</p> <p>A procedure note was devised and circulated to the team. The document remains in the teams QMS documents folder. In addition there is now a Road Zone system (used by Kier / SCC) where the reason for the VO and an estimated cost is logged.</p> <p>The change control register was amended to reflect GW 3 statuses. Key emails affecting costs are saved to the project folders. The scheme checklist has been updated to reflect changes.</p>	  

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Surrey Choices (August 2015)	Significant Improvement Needed	<p>SCC should ensure that SC provides the performance management dashboard as required under the terms of the contract. (H)</p> <p>SCC should review the effectiveness of the Personalisation Team in SC with a view to increasing the rate of care plan review. (H)</p> <p>SCC should seek to maximise the usage of respite care beds for the remainder of 2015/16 and negotiate competitive best value spot rates to be applied from April 2016. (M)</p>	<p>The performance dashboard is now being provided.</p> <p>Following the review the Personalisation Team returned to SCC from January 2016.</p> <p>Liaising with commissioners, and social workers are aware of the availability. Spot rates being negotiated for 2016/17</p>	  
Energy Management (September 2015)	Some Improvement Needed	A tighter schedule for the production of the CRC data return and the Green House Gases (GHG) data and narrative report should be produced for the 2015/16, so that there is more time available for scrutiny by Internal Audit. (M)	The CRC procedures were reviewed in January/February 2016. A timeline for data collection was agreed in a March 2016 CRC/GHG meeting. Data request has begun two weeks ahead of last year's schedule. First draft GHG report based on available data to be submitted in May 2016. To be updated as more complete data comes in during June.	

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Surrey Arts (September 2015)	Significant Improvement Needed	<p>The Instrument Hire Manager, with the support from his line manager, should complete the revision of the Instrument Hire Policy and re-present it as a draft Musical Instrument Asset Management Strategy to the Surrey Arts Senior Management Team (SMT) for approval. (H)</p> <p>A clear timetable should be set for the full entry of all SCC musical instruments into the Paritor system, with a completion date no later than 31 March 2016. (M)</p> <p>The Surrey Arts Management Team should ensure that it closely monitors the delivery of agreed activities and tasks from the service improvement schedule developed during the audit. (M)</p>	<p>The Instrument Hire manager presented the Final Draft of a Musical Instrument Asset Management Strategy to the Surrey Arts Senior Management Team (SMT) on 18.11.15. The management team has continued to monitor agreed activities and identified service improvement goals have been met.</p> <p>Work has been undertaken to ensure instruments are documented on the Paritor database. In addition Surrey Arts has reviewed its business model and some changes are planned including the introduction in September 2016 (new academic year) of charges to schools to cover the maintenance of instruments used in Tuning Up/ First Access programmes.</p> <p>The service has initiated a review of business models in partnership with services in Kent, East Sussex, West Sussex and Brighton & Hove. Surrey Arts have led on a review of current resources across the region and the data acquired will now be used to explore ways in which aspects of operation may be shared in the future.</p> <p>The Instrument Hire Service has started to make use of volunteers to help repair instruments and to build up local expertise. Volunteers working for a local charity have been assisting in the approved disposal of instruments where they are no longer serviceable and uneconomic to repair.</p>	  

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Absence Management Follow-up (September 2015)	Some Improvement Needed	<p>Conduct a review of absence data which is input to SAP but which does not get processed through to the Business Warehouse or the Absence Dashboard and is therefore not reported in the WR. (H)</p> <p>Confirmation is sought from senior HR management that sickness days from outside the twelve month period should continue to be included in the absence count. (M)</p>	<p>Actioned. A full investigation has been carried out and the problem identified. Regular integrity checks are completed to prevent degradation of data.</p> <p>Confirmed.</p>	<p style="text-align: center;"></p> <p style="text-align: center;"></p>

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Pensions Administration (September 2015)	Effective	<p>After personal data has been input to Altair, a report from Altair should be sent to the newly admitted body for confirmation purposes and so that details can be checked. (L)</p> <p>For admitted bodies, it would be good practice to perform an annual reconciliation of total individual contributions to total contributions remitted by admitted bodies. The Pensions Services Manager should liaise with the Senior Accountant in the Finance Pension Fund and Treasury team to determine the best approach. (L)</p>	<p>Confirmation has been given that such action will be taken: however so far there have been no new bodies admitted since the date of the audit.</p> <p>The Senior Accountant in the Finance Pension Fund is in the process of closing the Pension Fund accounts, and this will involve a reconciliation of employer returns, which will be completed within May.</p>	 
Streetworks Permit Scheme (September 2015)	Effective	There were no recommendations arising from this Internal Audit review		

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Information Governance (September 2015)	Some Improvement Needed	<p>A detailed annual service plan outlining team objectives, targets and performance indicators should be prepared annually for each IG team. (H)</p> <p>Consider reviewing the existing IG structure to ensure more effective direction and co-ordination of all three teams. (H)</p> <p>Action is required to give IG teams much clearer visibility about which staff (and agency staff) have or have not completed compulsory e-learning and classroom training. The potential for recording IG training data in SAP should be explored with HR and IMT. (H)</p>	<p>Team Plans are now complete (Nov 2015)</p> <p>Successful initial meetings have taken place amongst the IG leads with further workshops taking place in 2016 to consolidate and improve working practices with the Corporate IG team taking the lead.</p> <p>E-learning data is available on request from the Learning Development Team. Classroom training is currently being constructed for Corporate & Childrens IG.</p>	<p></p> <p></p> <p></p>

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Highways Communications (October 2015)	Significant Improvement Needed	<p>Ensure the communication strategy for highways schemes is complied with consistently. (M)</p> <p>The Highways Team should ensure VO's are issued promptly and before the works are completed. (H)</p> <p>SCC should ensure that all final accounts are carefully checked and the overpayment of £13,000 is recovered from the highways contractor. (H)</p>	<p>Revised communication strategy is in place and followed by all teams.</p> <p>All VO's now completed in RoadZone by engineers before work undertaken.</p> <p>Kier repaid in October 2015 and management reminded engineers of importance of checking all calculations.</p>	<p></p> <p></p> <p></p>

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Babcock 4S Contract (October 2015)	Some Improvement Needed	<p>Where academies are included in the year-end contract performance information due to conversions occurring part way through the year, the relevant reports should be reviewed to ensure that performance data is only captured and reported for the period in which they are maintained schools. (M)</p> <p>Specifically for the projects identified with less effective KPI's the responsible officers should develop and refine more quantitative measures to show outcomes are measured and in line with expectations. (M)</p> <p>In terms of the termly reports from B4S the descriptions of project outcomes should be sufficiently detailed (M)</p> <p>SCC officers should ensure that a documented audit trail for decisions, assumptions and determinations is maintained during and after the annual negotiation process between the council and B4S (M)</p>	<p>The service is maintaining the details of how many schools have converted and which ones. SCC is judged by the DfE on the overall performance of all Surrey schools and so the overall performance will be also maintained in B4S reporting.</p> <p>Tasks and new KPIs re-written for 2016-17 output specifications and meetings held with B4S to agree.</p> <p>This has been avoided in the new output specifications and the termly reporting method has been changed to include comments by the client that are incorporated into the reports.</p> <p>In hand, the service is in the process of implementing this.</p>	<p style="text-align: center;"></p> <p style="text-align: center;"></p> <p style="text-align: center;"></p> <p style="text-align: center;"></p>

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Nursery Education (October 2015)	Significant Improvement Needed	<p>Based on the findings of this audit guidance notes should be re-circulated to ensure that settings understand how and at which point in the term the declaration forms are completed. (H)</p> <p>The service should develop an effective rolling programme of audit visits to ensure compliance with funding requirements (H)</p>	<p>Reminders sent to settings</p> <p>Delays in delivering a part of the portal system have resulted in a significant level of manual processes remaining. As a result audit visits by the service will not start until October 2016.</p>	 
Community Partnership Libraries (October 2015)	Effective	There were no recommendations arising from this Internal Audit review		
Highways Contract (Lot 1) (November 2015)	n/a	There were no recommendations arising from this Internal Audit review		

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Deputyships (November 2015)	Some Improvement Needed	<p>Assistance with formatting the payment log should be sought from Corporate Finance. (M)</p> <p>The Deputyship Team must investigate all payments where there is a discrepancy and take corrective action. (H)</p>	<p>The Payment log has been re-formatted by the Business Support Officer so that it is fit for purpose. A meeting has been requested with Corporate Finance to establish whether any further improvements to functionality can be made</p> <p>Corrective action has been taken where necessary on those items where a discrepancy was identified by the Auditor. Additional spot checks are being undertaken to improve accuracy going forward.</p>	 
ASC Contract Management (November 2015)	Some Improvement Needed	<p>Consider reviewing the current basket of KPIs for Home Based Care (HBC). Where KPIs returns are not received, providers should be challenged to provide robust explanations or face the phased application of Service credits as allowed for under the terms of the framework agreement. (M)</p> <p>Commissioning staff should give further consideration to the implications of the continuing fall in the number of residents with needs referred for potential support on Direct Payments (DPs). (M)</p>	<p>Following a review, amended KPIs will be implemented on 6 May 2016. Performance monitoring will be collected from all providers with contracts (not just strategic providers). Providers have been given training on the new KPIs on the Contract Management System. As a result of these changes it has not been deemed appropriate to use service credits against providers.</p> <p>In-depth analysis of the number of individuals in receipt on new DPs revealed the apparent decrease was due to inconsistencies in reporting. Updated statistics show the number of referrals is not decreasing.</p>	 

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Training Course Cancellations (December 2015)	Some Improvement Needed	<p>Consideration should be given to re-introducing the requirement for managers to give advance approval of staff applications to attend training courses. (M)</p> <p>A suitable management exception report should be devised to highlight exceptional booking and cancellation activity to staff managers, the Training Administration Team and the HR Service Partners. (M)</p> <p>Updated lists of expected course attendance should be made available to trainers on the day of the course, to give them more accurate information, and to enable attendance registers to be compiled more accurately and efficiently. (M)</p> <p>Course trainers must be urged to submit course attendance returns immediately after each course. Analyses of non-returns should be carried out to identify trainers with the highest non-compliance rates. (M)</p>	<p>Introduction of manager approval is planned. A request to SAP has been made however plans have been delayed due to sickness absence.</p> <p>A unique report has been devised and will be sent out every month. This commenced in April 2016.</p> <p>This has been achieved. Lists have been sent for three months already and will continue.</p> <p>Columns have been added to tracker sheets. Logging of dates has shown an improvement in data being returned. None returns are being chased.</p>	<p style="text-align: center;"></p> <p style="text-align: center;"></p> <p style="text-align: center;"></p> <p style="text-align: center;"></p>

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General Ledger (December 2015)	Effective	<p>Continue to ensure that sufficient resources are applied to investigate, correct and eliminate non-reconciling items from key control accounts (including GR/IR, external payroll deduction accounts, external pension contribution accounts, advance recovery and BACS Recall). (M)</p> <p>Review the policy for waiting six years before uncashed cheques are cancelled from the relevant GL account. (L)</p> <p>A clearer policy and procedure for dealing with unidentified income should be established. (L)</p> <p>Details of accruals for the LSTF projects should be jointly reviewed by Finance and Highways staff to ensure they are up to date and as accurate as possible. (L)</p>	<p>A plan to resolve this issue has been agreed. Work is ongoing but not yet complete.</p> <p>Finance agree that the six year period is too long. A more appropriate time period is being reviewed and a revised policy will be implemented from 16/17 onwards.</p> <p>A reviewed policy has been agreed with the income receivables team which will be implemented from 16/17 onwards. The small balance remaining on the existing code (which is due to be blocked) will be drawn down in 16/17..</p> <p>Actioned: accrual balances have reduced.</p>	<p></p> <p></p> <p></p> <p></p>
Non-Corporate Applications (December 2015)	Effective	There were no recommendations arising.		<p></p>


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

Annex C



Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Transport for Education (Feb 2013)	Major (Significant) Improvement Needed	Special Educational Needs (SEN) staff should have clear written procedures to allow consistency (H)	The South East Area Education Officer who is responsible for SEN transport has provided a flow chart to indicate the flow of information with timescales that is currently being used by the service. Although this is not a replacement for written procedure notes, the auditor is satisfied that a clear process is in place to enable staff to follow consistently across all areas.	

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



Annex C

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Direct Payments (Sep-13)	Some Improvement Needed	<p>Management must seek to achieve the target of all service users receiving a SCR at least annually (H)</p> <p>Management must either invest further resources in chasing late reconciliations, taking more serious action against failures to complete required paperwork and ensuring that adequate support is available to service users struggling to complete their reconciliations, or alternative action is required. Management could, for example, consider outsourcing the reconciliation element of DP management. (H)</p> <p>By reducing the frequency of reconciliation required for lower risk (low value, stable care packages) DPs the staff could focus on the higher risk reconciliations.</p>	<p>Locality Teams ensure individuals are contacted throughout the year with reviews being carried out annually.</p> <p>New DP Guidance sets out clear procedures for dealing with late reconciliations including supporting the individual to bring their account up to date and offering to move the individual to a Pre Paid Account. Risk based monitoring is being implemented and the increase in the number of Pre Paid Accounts is reducing the impact of late reconciliations. This was included in the Direct Payments audit issued in April 2016.</p>	<p style="text-align: center;"></p> <p style="text-align: center;"></p>

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

Annex C




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Operation Horizon (May-14)	Some Improvement Needed	A process should be put in place for monthly payment of discounts due with the outstanding balance recovered from Kier MG immediately. (H)	<p>For 2014/15 savings, an interim payment of £1m has been transferred to SCC, with the outstanding balance of £150k to be transferred before the end of the year. Unfortunately, the transfer of this outstanding payment from Kier to SCC took longer than anticipated due to resource being focussed on the contract extension, along with discussions over the discount structure with all parties in the Alliance Agreement. All tonnages and percentage discounts have now been confirmed and payment will be made in the next Bill Batch.</p> <p>Highways are still working on a more regular payment process and are considering bi annually rather than quarterly. This would enable more time to confirm the tonnages within those periods and enable savings to be more accurately calculated.</p>	
Surrey Arts (Jul-14)	Significant Improvement Needed	Surrey Arts should strongly consider prioritising the creation of a comprehensive database of its instrument stock. (H)	<p>Stock is recorded in Excel but the data needs to be transferred to Paritor. This is underway and the service had drafted in additional staff to complete the task by March 2016. Given the spread of instruments with schools and customers throughout the county, the planned additional exercise of bar-coding all instruments is a massive task and will take time to complete.</p> <p>Internal Audit will conduct a follow-up of this area in 2016/17 Qtr 1</p>	

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



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



Annex C

Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Apprenticeship Scheme (Nov-14)	Some Improvement Needed	<p>Consider how to mitigate the risks associated with funding changes. (H)</p> <p>Consider creating a permanent apprentice placement and support function that oversees all areas of the scheme. (H)</p> <p>Develop a strategy overarching the three apprenticeship schemes in Surrey. (H)</p>	<p>An apprenticeship lead has been appointed within the OD team, who has prepared a plan working with training and service leads to address apprenticeship targets. This plan will be presented to the Continuous Improvement and Performance Network for endorsement. Finance colleagues have made provision for the levy.</p> <p>The officer within HR who leads on Surrey based apprentices works in close collaboration with Children's Services making sure Surrey apprentices are included in the offer to NEETS and more widely in Surrey. The council is also looking at how it can extend advice and guidance to organisations seeking to provide apprentice programmes as part of establishing contracting arrangements with Surrey.</p> <p>The corporate apprenticeship support will continue to provide internal support and support to external contractors (where needed) and will form part of a career development team making sure there is support for development of qualifications from pre-employment to post graduate level and working with recruitment to establish recruitment plans that will address the apprenticeship targets. This work will be carried out in partnership with CSF.</p>	<p></p> <p></p> <p></p>

Notes: (1) Audit opinion is as stated in the relevant Internal Audit Report
 (2) Recommendation priority may be High (H), Medium (M) or Low (L)
 (3) Red/Amber/Green (RAG) status is a high level assessment of progress

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

Annex C


Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Property Asset Management System (PAMS) (Nov-14)	Some Improvement Needed	The process for filing paid invoices should be resolved using the payment report from IMT. (H)	This is still outstanding since it is a lower priority for IMT and the invoices are separately held using a daily header with the name of the officer who processed the invoices on that particular day.	
Telecare (May 2015)	Some Improvement Needed	Consider the feasibility of incorporating metrics within the SLA that support qualitative outcomes assessments. In particular the auditor would suggest considering the number and type of sensor activations that resulted in a provider action and the outcome thereof. (H)	Telecare is being reviewed and providers have been informed of this. This review includes KPIs to ensure they are able to demonstrate outcomes and benefits for the whole system as well as outcomes for individuals.	

Notes: (1) Audit opinion is as stated in the relevant Internal Audit Report
 (2) Recommendation priority may be High (H), Medium (M) or Low (L)
 (3) Red/Amber/Green (RAG) status is a high level assessment of progress



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




Annex C

Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Henrietta Parker Trust (May 2015)	Unsatisfactory	Establish a formal strategy for using the HPT money and ensure that it is implemented and followed. (H)	<p>The newly constituted Management Board of the Henrietta Parker Trust met for the first time on Thursday 3 March 2016. In attendance were Linda Kemeny, Cabinet Member for Schools, Skills, and Educational Achievement; Mary Lewis, Cabinet Associate Member; Ian Burrows Elmbridge Borough Council; Cheryl Poole, Community Partnerships and Committee Officer, Elmbridge; Peter Milton, Head of Cultural Services; and Paul Hoffman, Principal Surrey Adult Learning.</p> <p>A Terms of Reference for the Board has been agreed, and it was agreed that a more robust and accountable variation on the current position, strengthened by the new governance arrangements, should be given two full academic years commencing in September 2016 to prove its effectiveness. This option will maximise the funds available to be utilised in line of the donor’s original intentions and the 1984 Scheme agreed by the Charity Commission.</p> <p>The Board agreed to explore a relationship with the Surrey Community Foundation as effective and efficient means of enabling the Trust reach and support aligned local initiatives</p>	

Notes: (1) Audit opinion is as stated in the relevant Internal Audit Report
 (2) Recommendation priority may be High (H), Medium (M) or Low (L)
 (3) Red/Amber/Green (RAG) status is a high level assessment of progress

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

Annex C

Audit (report date)	Audit opinion (1)	Recommendations for improvement (priority) (2)	Management action to date	Audit assessment (RAG) (3)
Community Learning and Skills (Jun 2015)	Some Improvement Needed	Implement appropriate monthly bank reconciliation procedures for cheques or cash received from all sources. The process should be reflected in a written procedure including clear segregation of duties. (H)	Banking Reconciliation Policy was updated to reflect recent staff changes and was circulated to those individuals, their Line Managers and C&C and CEO Finance Team.	
Children’s Safeguarding Quality Assurance (QA) Process (Jun 2015)	Significant Improvement Needed	All QA reports and related improvement plans should be presented to the Leadership Team to ensure managers take effective action; and, a summary should be provided to the Social Care Services Board. (H)	It is planned to provide this information to the Social Care Services Board in July 2016.	
AIS Care Assessments (Jun 2015)	Significant Improvement Needed	The service must review the essential information fields in light of service wide impact and previous audit recommendations. (H)	The service has explored and identified a means to flag an individual’s next of kin in the new ASC Liquidlogic system. Guidance and training will reflect the requirement to complete the next of kin field. The consent to share field has been made a mandatory entry field.	

Notes: (1) Audit opinion is as stated in the relevant Internal Audit Report
 (2) Recommendation priority may be High (H), Medium (M) or Low (L)
 (3) Red/Amber/Green (RAG) status is a high level assessment of progress



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2015/16 Annual Internal Audit Plan

Status @ May 2016

Corporate Governance Arrangements

CRSA and S151 responsibilities	Report issued
Risk Management	In progress
Annual Governance Statement - Internal Audit Opinion	Completed
Information Governance	Report issued
Organisational Ethics	Report issued

Key Financial and Non Financial Systems

SAP Application controls - policy, roles and access	Deferred to 2016/17
Accounts Payable	Report issued
Capital Expenditure Monitoring	Report issued
Payroll	In progress
Accounts Receivable	Report issued
Revenue Budget Control	Report issued
Treasury Management	Report issued
General Ledger	Report issued
Financial Assessments and Benefits	Deferred to 2016/17
Pension Administration	Report issued
Pension Fund Investments	Report issued

Grants

Government Grants	Completed
EU Grants	Completed

Contract Reviews

Highways Contract Management	Report issued
Surrey Choices	Report issued
Supply Chain / Contract Resilience	Audit cancelled
Contract Monitoring in ASC	Report issued
Contract Monitoring in CSF	In progress
Babcock 4S	Report issued

Adult Social Care

Family, Friends and Communities	Report issued
Better Care Fund	Report issued
Deputyships	Report issued
Provider Portal	In progress
HIV Services	Report issued
Direct Payments	Report issued
Care Act	Audit cancelled
Home Based (Domiciliary) Care	In progress

Business Services

Carbon Reduction Scheme	Report issued
SAP Interfaces	Deferred to 2016/17
Network Security	Deferred to 2016/17

LATC - Property Company	Report issued
Property Asset Management (PAMS) - Income Module	In progress
Consultancy	Report issued
IMT Incident Response	Report issued
Retrospective Waivers	Report issued
Off Contract Agency Spend	Report issued
Student Fare Card	Audit cancelled
IT Feeder (Non Corporate) Systems	Report issued
HR Casework - Resolution and Suspensions	Report issued
Training Cancellations	Report issued
Customers and Communities	
Member Allocations	Report issued
Fire Transformation Grant	Report issued
Chief Executive's Office	
0-5 Health Visitors	In progress
Public Health Database Procurement	Report issued
Payments to GPs and Pharmacies	Report issued
Community Partnered Libraries	Report issued
Children's Schools and Families	
Schools Compliance	Report issued
Foster Care	Report issued
Special Schools	Deferred to 2016/17
Children's Improvement Plan	Report issued
Surrey Family Support Programme	Support provided
Short Stay Schools	Audit cancelled
Nursery Education	Report issued
Data Management	Report issued
Locally Managed School Capital Schemes	Report issued
School Improvement Programme	In progress
Youth Centres	In progress
Environment and Infrastructure	
Green House Gases	Report issued
Highways Schemes	Report issued
Highways Savings	Support provided
Works Management System	Deferred to 2016/17
Follow-up Audits including:	
Fuel Cards	Report issued
Looked After Children - Finances	Report issued
Agency Staff Contract	Report issued
Surrey Arts	Report issued



Audit & Governance Committee
26 May 2016

**Full-year summary of Internal Audit irregularity investigations and counter fraud measures
April 2015 – March 2016**

Purpose of the report:

The purpose of this report is to inform members of the Audit and Governance Committee about irregularity investigations and proactive counter fraud work undertaken by Internal Audit between 1 April 2015 and 31 March 2016. This report complements and builds upon the half-year irregularity report presented to this committee on 7 December 2015.

Recommendation

The committee is asked to:

1. Note the contents of this report; and
2. Note the Fighting Fraud Plan 2016/17, attached at Annex B.

Introduction

3. The council's Financial Regulations require all officers and members of the council to notify the Chief Internal Auditor of any matter that involves, or is thought to involve, corruption or financial irregularity in the exercise of the functions of the council. Internal Audit will in turn pursue such investigations in line with the Strategy against Fraud and Corruption.
4. The annual Internal Audit Plan for 2015/16 carried within it a contingency budget for 'Irregularity and Special Investigations' of 280 days. This contingency covers time to investigate 'irregularities' (actual or alleged financial impropriety, corruption, and other similar matters) as well as time for proactive counter fraud work and the National Fraud Initiative (NFI), detailed in the latter part of this report.
5. Special ad hoc reviews not originally included in the agreed annual plan are also charged against this contingency if commissioned in-year by members or senior managers. While often linked to concerns raised by management or members, these reviews may also arise during the course of planned audit work. Examples of such work undertaken in the second half of 2015/16 include project support for the implementation of Liquidlogic Adults' Social Care System and assisting Human Resources with an employee investigation.
6. Audit reports following irregularity investigations typically help to provide independent evidence to support a management case against an employee under formal disciplinary

procedures, or help strengthen controls in areas where weaknesses are identified. As formalised in the Reporting and Escalation Policy, agreed by this committee, irregularity audit reports are not subject to the same distribution as general audit reports due to their confidential nature.

Summary of investigations between 1 April 2015 and 31 March 2016

Resources

7. During the 2015/16 financial year a total of nine officers undertook work on irregularity investigations excluding ad hoc special reviews. The total time spent on investigations was 107 days (28 days in the first half of the year; 79 days in the second half of the year), which equates to 0.48 of a full time equivalent post. The total comparative time taken in 2014/15 was 86 days.
8. Based solely on the hourly rates of these officers, the total amount spent on the investigation of fraud and irregularity was £20,126 (increasing to £54,564 including average employer pension contributions and recovery of overhead charges).

Number and types of investigations

9. In the first six months of 2015/16 a total of 16 investigations commenced and one case was carried forward from 2014/15. By 31 March 2016 the total number of cases had risen to 39, a significant increase from the 22 cases in 2014/15.
10. The increase in the number of investigations is partly due to an increase in referrals from whistle blowing and other public sector bodies. The methods by which cases were brought to the attention of Internal Audit are shown in the table below, with the figures from 2014/15 shown for comparison.

Source of referral	2014/15	2015/16
Management or Human Resources	12	14
Whistle blowing	5	14
Other council, police or DWP	3	6
Complaint	-	1
Member	1	-
Internal Audit	1	4
	22	39

11. Of the 39 investigations undertaken in the 2015/16 financial year, 12 were proven, 20 were not proven, and 7 are ongoing. For those cases 'not proven', this is based on the specific allegations investigated; for example, while it may not be possible to prove 'theft' has occurred, a conclusion of 'poor control' might still be reached.
12. Full details of the categories by which fraud and irregularity investigations are reported are attached at Annex A. All proven fraudulent or irregular behaviour by officers may be considered misconduct; similarly, poor controls increase the likelihood of fraud occurring. The categories, however, reflect alleged specific types of fraud or irregularity.
13. The proportion of all recorded irregularities across the council's directorates is shown in Figure 1 while Figure 2 shows the categories of investigations undertaken. The number of investigations is shown in parentheses.

Figure 1. Investigated irregularities by directorate from 1 April 2015 to 31 March 2016

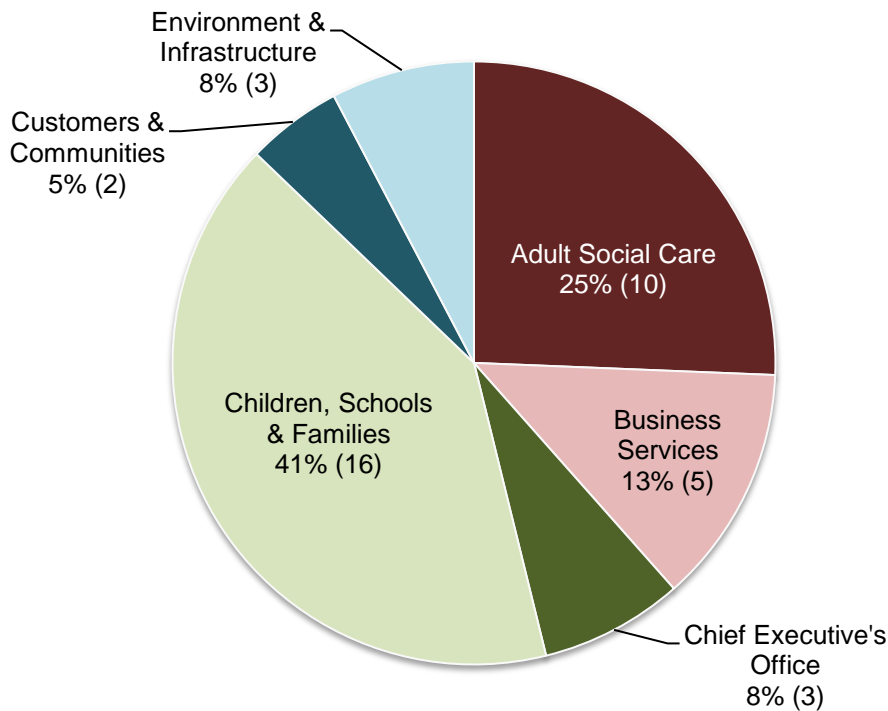
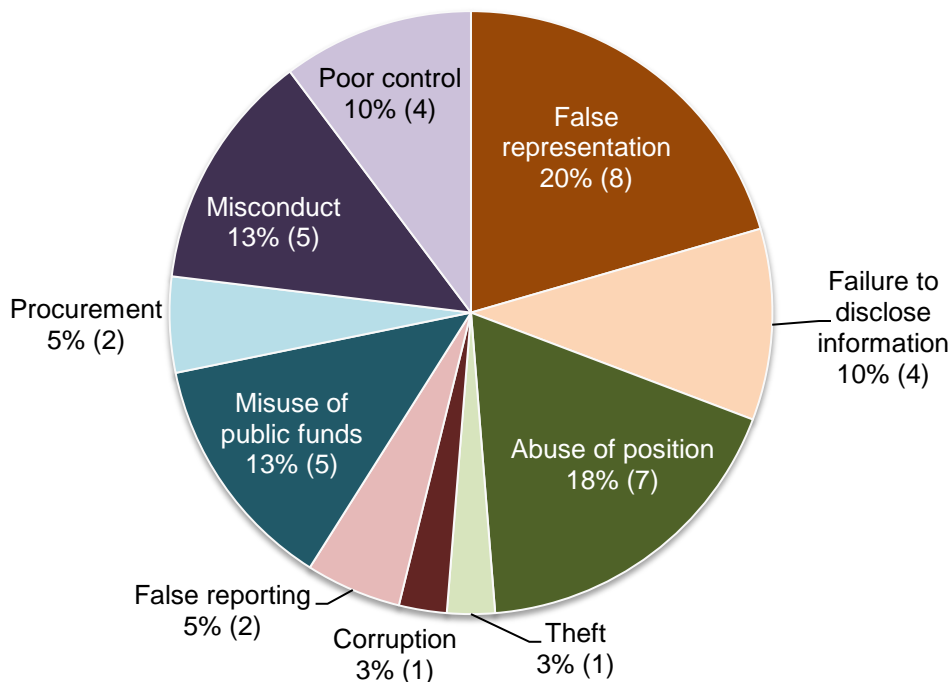


Figure 2. Summary of irregularities by type from 1 April 2015 to 31 March 2016



14. The category and allegations for cases undertaken or concluded in the second half of 2015/16 are summarised in Tables 1 to 3, which also detail outcomes for completed cases. Some cases may involve the allegation or investigation of more than one type of irregularity; the summaries therefore show the primary reason for investigation.

Table 1. Proven: 4 cases (12 over full year)

Category	Allegation	Outcome
False representation	Member of the public fraudulently displayed a blue badge relating to a deceased individual	Badge cancelled but no further action due to low monetary value
Corruption	Misconduct by a council officer and receipt of bribes and other payments from a supplier	Officer resigned; case being referred to the police
Poor control	Irregularities in the process for agreeing and calculating a head teacher's residential emolument	Overpayment of £6,600 being recovered and advice given to strengthen controls
Theft	Officer misused a council fuel card to fuel their own vehicle	Officer resigned and agreed to repay the full amount of £836. Case referred to the police.

Table 2. Not proven: 11 cases (20 over full year)

Category	Allegation	Outcome
Failure to disclose information	Intentional failure by the council to pay correct mileage rates	Weak management controls rather than fraud by SCC; corrective action being taken
Abuse of position	Misuse of school funds and purchase cards by a school bursar	Bursar now retired; support offered to the school
	Carer unduly awarded additional allowances due to a personal relationship with a manager	No evidence found to support the allegations
False reporting	Under-reporting of data breaches and manipulation of performance data	Weak management controls rather than fraud; advice given to service data
Misuse of public funds	Supernumerary post set up unfairly	No evidence found to support the allegations
	Inappropriate use of council funds for accommodation and food for management	Weak management controls rather than fraud; advice given to service
	Irregularities in funding given to a trust through member allocations	No evidence found to support the allegations
Procurement	Improper extension of a contract	No evidence found to support the allegations
Misconduct	Dual working by an officer undertaking hours in one post while on leave from another post	Weak management controls rather than fraud; advice given to service
Poor control	Lack of transparency and accountability for member allocations made to a project	No evidence found to support the allegations
	Money missing from petty cash relating to two youth centres	No evidence found to support the allegations

Table 3. Ongoing: 7 cases

Category	Allegation
Abuse of position	Officer receiving payments from an elderly neighbour who receives social care support from the council
	Irregularities in a head teacher's salary, pension and leave
	Unfair appointment of a team leader
Misuse of public funds	Failure by a provider to fulfil a contract and dual working by a council employee with the provider
Procurement	Irregularities in the purchase of specialist equipment
Misconduct	School officer undertaking additional work during suspension
Poor control	Youth centre cash income unaccounted for and not banked

Proactive fraud prevention and awareness work

Fighting Fraud and Corruption Locally (FFCL)

15. In March 2016 the Department for Communities and Local Government (DCLG) published the updated 'Local government counter fraud and corruption strategy'. The strategy provides a blueprint for a tougher response to fraud and corruption perpetrated against local authorities.
16. The FFCL Companion includes a checklist to enable councils to assess their fraud management arrangements. An initial review suggests the council is in a good position to tackle fraud and corruption although improvements in the following areas will be addressed in 2016/17:
 - Raising awareness of fraud and corruption through publicity of successful cases;
 - Audit review of disclosures of gifts and hospitality; and
 - Strengthening the Fraud Response Plan to ensure all areas of counter fraud work are covered.
17. The FFCL Strategy identifies a number of increasing fraud risks, including procurement and cyber frauds, both of which will be assessed. In recognition of the increasing fraud risks associated with insurance, in 2015/16 Internal Audit supported the council's Insurance Team in updating procedures for risk assessing claims. The emerging fraud risks relating to 'No recourse of public funds' will be reviewed during an audit included as part of the 2016/17 Internal Audit Plan.

Fighting Fraud Plan 2016/17

18. The Internal Audit Plan for 2016/17 includes a contingency budget of 340 days for irregularity and special investigations including fraud prevention. Internal Audit is continuing to strengthen its programme of proactive fraud and corruption work.
19. To ensure wide coverage of all areas, proactive fraud work will be carried out according to four overarching themes: fraud awareness; data analytics; alignment with the FFCL Strategy; and partnership working. Details of specific activities are shown in the Fighting Fraud Plan 2016/17, attached at Annex B.

Strategy against Fraud and Corruption

20. Following a full review of the council's Strategy against Fraud and Corruption, a refreshed strategy has now been drafted. The intention is for the main body of the strategy to be shared among Orbis partners to provide a collaborative and consistent approach to tackling fraud.
21. The new strategy has been prepared in accordance with CIPFA's Code of Practice on managing the Risk of Fraud and Corruption as well as the FFCL Strategy. The strategy is based on the principles Acknowledge, Prevent, and Pursue. It will be supported by a Fraud Response Plan outlining the council's approach to investigating suspected fraud.
22. The new strategy will be shared with the Chief Executive, statutory officers and Human Resources for comment before being presented to this committee for approval and endorsement to Council for inclusion in the Constitution.

National Fraud Initiative

23. Over 75% of the 18,500 data matches identified as part of the 2014 NFI exercise have been investigated, including all matches for key reports such as payroll, pensions, direct payments, and creditors. There are no additional outcomes to report since the last update, presented to this committee in December 2015.
24. A total of almost £6,000 has been recovered as a result of the exercise. Only a small number of errors have been identified and the data matches have not revealed any instances of fraud. This provides assurance that the processes and procedures in place are minimising losses through fraud and error.
25. The exercise highlighted the importance of maintaining up to date records for employees, pensioners and individuals receiving social care services. To this end all local issues have been followed up with services both to improve practice and in preparation for the submission of data in October 2016 as part of the 2016 NFI exercise.

Partnership working

26. While DCLG funding for the Surrey Counter Fraud Partnership ended in 2015/16, the council has committed to continuing its partnership working with ten of Surrey's borough and district councils. The partnership has also expanded to include Surrey Police and Trading Standards.
27. Since forming in 2014/15 the partnership has successfully generated £3.7million in savings, including over £0.5million in business rates. Other success includes:
 - The recovery of over 30 properties allowing reallocation to families in genuine need;
 - The prevention of 22 property allocations and the rejection of 25 Right-to-Buy applications on the basis that applicants were not eligible or had lied to enhance their application; and
 - The return of two properties and a number of referrals for further investigation following a key amnesty pilot in one borough.
28. Partners now have access to commercial property data to provide intelligence to target business rates avoidance and, after the elections, the partnership plans to launch another awareness campaign.

Implications

Financial and value for money

29. Public money is safeguarded through Internal Audit investigation of fraud and irregularities. This ensures that perpetrators are appropriately dealt with, monies are recovered where possible, and recommendations to improve internal control are made where necessary.

Equalities

30. There are no known equalities implications in this report. All individuals responsible for managing or receiving public money are dealt with on an equal basis.

Risk management

31. Combating fraud will contribute to improved internal control and value for money.

Next steps

32. The Internal Audit team will deliver the 2016/17 Fighting Fraud Plan and outcomes will be reported in line with the Reporting and Escalation Policy.

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Sources: Morgan Kai Insight database, irregularity reports

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Definition of Fraud Categories

Annex A

Theme	Fraud category (for reporting)	Definition	Examples (not an exhaustive list)
Fraud Act 2006	False representation	Knowingly making an untrue or misleading representation to make gain, cause loss or expose the council to the risk of loss	Submitting incorrect expense claims; falsely claiming to hold a qualification
	Failure to disclose information	Intentionally withholding information to make gain, cause loss or expose the council to the risk of loss	Failing to declare pecuniary interests or additional employment
	Abuse of position	Use of position to act against, or fail to safeguard, the interests of the council or individuals under the council's care	Nepotism; financial abuse of social care individuals
Theft Act 1968	Theft	Dishonest appropriation of assets (often cash) belonging to the council or individuals under the council's care	Removing cash from safes; removing individuals' personal items in care homes
Bribery & Corruption Act 2010	Corruption	Offering, giving, soliciting or accepting any inducement or reward which may influence a person's actions, or to gain a commercial or contractual advantage	Accepting money to ensure a contract is awarded to a particular supplier
Finance and reporting	False reporting	Intentional manipulation of financial or non-financial information to distort or provide misleading reports	Falsifying statistics to ensure performance targets are met; delaying payments to distort financial position
	Misuse of public funds	The use of public funds for ultra vires expenditure or expenditure for purposes other than those intended	Officers misusing grant funding; individuals misusing social care direct payments
	Procurement	Any matter relating to the dishonest procurement of goods and services by internal or external persons	Breach of the Procurement Standing Orders; collusive tendering; falsifying quotations
Internal	Misconduct	Failure to act in accordance with the Code of Conduct, council policies or management instructions	Undertaking additional work during contracted hours; personal use of council IT equipment
	Poor Control	Weak local or corporate arrangements that result in the loss of council assets or a breach of council policy	Storing a key to a safe in the immediate vicinity of the safe

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Fighting Fraud Plan 2016/17



Fraud awareness

Implement new Strategy against Fraud and Corruption
 Continued delivery of fraud awareness presentations
 Fraud publicity campaign on S-net and in schools
 Refresh of fraud e-learning with Orbis partners

Data analytics

National Fraud Initiative (NFI):

- Final review of data matches from NFI 2014
- Submission of data for NFI 2016

Schools:

- Schools payroll data analysis
- School Information Management System data analysis
- Address verification for schools admissions

Overseas pensioner verification exercise

Learning from Competition & Markets Authority data matching exercise

Fighting Fraud and Corruption Locally (FFCL)

Profile fraud risks based on FFCL Companion document, including:

- Procurement fraud risk assessment
- Cyber fraud risk assessment

Refresh of the Fraud Response Plan

No recourse to public funds audit

Review of Gifts and Hospitality arrangements

Surrey County Fraud Partnership

Single Person Discount exercise

Publicity campaign on Housing Tenancy fraud

Key amnesty in targeted areas

Exploring options for a Fraud Referral App

Proactive data matching

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Audit & Governance Committee
26 May 2016

Whistle Blowing Update

Purpose of the report:

To provide Audit and Governance Committee with a complete summary of whistle blowing investigations, promotional and developmental activity throughout 2015-16.

Recommendations:

1. It is recommended that the Committee:
 - a) Notes the progress outlined in the report;
 - b) Approves the creation of an annual staff engagement plan in order to maintain current awareness of the whistle blowing policy, and to promote confidence in the confidentiality of the service.

Introduction:

2. This report provides a summary of all whistle blowing promotions and whistle blowing investigations that have been carried out across the organisation during the last financial year. It combines data held by Human Resources & Organisational Development (HR&OD), Legal & Democratic Services and Internal Audit.

Whistle blowing information searched by staff via s-net (intranet)

3. The following table shows the activity of staff accessing information on whistle blowing on the intranet, which aligns to promotional activity and shows a healthy level of enquiry about the policy.

S-net page visits	What happened next?
S-net visits 2015-16 : 2278	1310 ended session 216 downloaded policy 100 viewed flowchart 77 downloaded whistle blowing leaflet 76 viewed Ending Bullying & Harassment page 72 viewed FAQs 34 viewed Expolink website
S-net visits 2014-15 : 1701	942 ended session 173 downloaded policy 111 viewed flowchart 88 viewed FAQs 49 viewed Ending Bullying & Harassment page 47 viewed Expolink website

Improving Management of Cases

4. In August 2015, a new Case Management System (CMS) was launched for HR Advisors, to record data about each case they are managing. The system allows for a systematic record to be created of each case from the time it is logged, through any investigation process to the time it is closed. All whistle blowing cases are explicitly logged on CMS and are managed in the same process, using the same policies and processes as general HR cases.
5. A software feature of CMS allows cases to be viewed only by nominated HR Advisors, which ensures that confidentiality of a report is maintained. This will improve our overview of all whistle blowing cases - whether investigated by Human Resources or another service.

Analysis of Expolink activity 2015-16:

6. During the autumn of 2015-16 we introduced two new options for whistle blowers to submit a report anonymously to Expolink – reports can now be submitted confidentially online, or to a bespoke email address that Expolink manages for Surrey County Council.
7. Throughout the latter part of the financial year we have experienced an increase in the usage of this service. This may reflect the raised profile of the whistle blowing policy on the home page of s-net, or perhaps that people felt more confident to report using one of these new options.
8. A summary of all Expolink activity is provided below, together with a comparison of activity during 2014-15.

Month	Total no. of calls 2014-15	Total no of investigations 2014-15	Total no. of calls 2015-16	Total no of investigations 2015-16
April	2	0	1	0
May	11	3	3	1
June	2	1	7	2
July	2	0	5	1
August	2	1	3	1
September	4	0	3	1
October	3	2	3	2
November	4	0	3	2
December	2	0	1	0
January	1	1	0	0
February	1	0	10	8
March	0	0	6	1
Totals	34	8	45	19
Average per month	2.8	0.6	3.7	1.6
Ratio of calls which become investigations.		1 : 4.2		1 : 2.4

The ratio of calls which become investigations shows improved quality of valid calls and conversion rates as well as an increase in the number of calls.

Analysis of whistle blowing reports received 2015-16:
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9. A summary of all whistle blowing cases that have been investigated by HR, Internal Audit and Legal & Democratic Services is provided below. No referrals were made to Legal and Democratic Services.

Human Resources

Source	Service	Allegation
Expolink	CEO	IMT security issue
Expolink	CSF Schools	Substance abuse
Expolink	BS	Victimisation
Expolink	CSF Schools	Fraudulent practice
Expolink	ASC	Unprofessional practice
Expolink	C&C	Unprofessional practice
Expolink	CEO	Colleague being intimidated by a member of the public
Expolink	CSF	Fraudulent practice
Expolink	CSF	Fraudulent practice
Expolink	ASC	Unprofessional behaviour
Expolink	CSF Schools	Fraudulent practice
Expolink	E&I	Unprofessional behaviour
Expolink	CSF	Unprofessional behaviour
Expolink	ASC	Unprofessional behaviour

Internal Audit

Source	Service	Allegation
Direct	ASC	Misuse of money
Direct	ASC	Unfair employment
Direct	BS	Financial misstatement and misconduct
Direct	BS	Unfair employment
Direct	C&C	Fraudulent use of Blue Badge
Direct	C&C	Fraudulent use of Blue Badge
Direct	CEO	Financial irregularity
Direct	CSF	False reporting
Expolink	Property	Fraud
Expolink	CSF	Corruption
Expolink	E&I	Corruption
Expolink	BS	Unprofessional practice
Expolink	Not disclosed	Not disclosed

Summary of cases investigated 2015-16

Source	Service	No of reports
Expolink	HR	14
Direct	HR	0
Expolink	Internal Audit	5
Direct	Internal Audit	8
Expolink	Legal & Democratic Services	0
Direct	Legal & Democratic Services	0
Total		27

Benchmarking:

10. Given the nature of this kind of activity, there is very little benchmarking data available. Expolink has advised that in a comparison with its other private sector clients of a similar size, Surrey receives an above average number of calls and reports. This outcome could reflect our ongoing and extensive promotion of the service.
11. We will continue to review benchmarking data, as and when it becomes available.

Summary of promotional activity 2015-16:

12. During the summer of 2015 a considerable amount of work was taken to refresh awareness of Surrey's whistle blowing facility and to make sure that reporting processes were still fit for purpose. As a result of this activity we have carried out work to improve communication, access and awareness of whistle blowing – see Annex A.

Financial and value for money implications

13. There are no financial impacts identified as a result of this report. Having whistle blowing procedures in place helps the local authority to identify and tackle issues which could otherwise have financial implications.

Equalities and Diversity Implications

14. All equality strands will be applicable to ensure staff have access to reporting concerns, and the outcomes are monitored to ensure the overall well-being of staff. In addition the organisation/services will benefit from robust application of our Strategy against Fraud & Theft. Any issues that arise through whistle blowing are addressed as they arise.

Risk Management Implications

15. There are no risks identified as a result of this report. Having whistle blowing procedures in place helps the local authority to identify and manage risks.

Next steps:

16. A whistle blowing process flowchart, which explains the enquiry and investigation process for each whistle blowing allegation, is currently being reviewed and an updated version will be posted on s-net. This document is aligned to our whistle blowing policy and is referenced in s-net and policy text.
17. Since the inception of CMS, a monthly report on all HR case activity is produced for review by the HR Leadership Team (HRLT). This report will enable HR whistle blowing activity to be reviewed on a monthly basis, and HR, Legal & Democratic Services and Internal Audit whistle blowing activity together to be reviewed on a quarterly basis.

Report contact :

Abid Dar, Equality, Inclusion and Wellbeing Manager
abid.dar@surreycc.gov.uk, 07875 740187

Report author :

Tess Corlett, Senior HR Business Services Advisor
Tess.corlett@surreycc.gov.uk

Communication

- The whistle blowing leaflet (see Annex B) was re-branded and updated with:
 - clearer text in places,
 - a new link to Expolink's online reporting facility,
 - a new Expolink email address for Surrey users.
- The leaflet has been added to electronic packs for all new starters and all those who are changing post, which ensures that people are made aware of this service at the time that they join the organisation and receive reminders of the service when changing post.
- The new leaflet was circulated to all staff by email during August and was also sent to A&G Committee members.
- Whistle Blowing has had prominent promotion on s-net. It has been featured twice on the s-net carousel and is now a permanent heading under Working for Surrey on the home page of s-net, carrying a link to the s-net policy page.

Access

- A brief reminder about the service and the updated leaflet were included in ASC, CSF, E&I and HR&OD newsletters.
- The wording of the leaflet was adapted slightly to make it relevant for Schools staff and was circulated to all Schools via the Schools newsletter during winter 2015 (see Annex C). The revised wording assures that "Arrangements for whistle blowing are covered by individual school's procedures to reflect their respective governance arrangements. Academy schools have their own local arrangements for reporting issues."
- Surrey's s-net pages were updated with the new link to Expolink's online reporting facility and Expolink's new email address for Surrey users. The new leaflet was also posted on s-net.
- The Surrey website page, [Strategy against Fraud & Corruption](#), has been updated to ask non members of staff to phone or write to the Contact Centre if they want to raise an issue. On the external website, only the freephone number for Expolink has been given.
- A set of Guidelines on the process to follow when receiving a whistle blowing report has been created. The guidelines also outline the process to follow when further information is required from a caller.

Process

- Authorised report recipients are Ken Akers, Tess Corlett, Louise Savage, Rakhi Saigal, and Bella Smith. The primary recipient is Tess Corlett.
- The process for receiving calls was updated in March 2015 to facilitate an instance, where, if a caller specifically requests that HR does not receive a report, it can be submitted to Legal & Democratic Services (via Sue Lewry-Jones) or Internal Audit (via Ann Charlton).
- Expolink's welcome statement and screen guidance (that their staff refer to when receiving a call) have been reviewed and updated. We have refreshed the listing of Surrey schools and academies and also the SCC sites from which we can receive reports.

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Will I be supported if I raise a concern?

The decision to report a concern can be a difficult one to make.

We take action to help staff when they raise concerns by offering you support, protecting your identity and making sure we address your concerns. We take these processes seriously, and we ask that you do too, by:

- telling us information in good faith;
- making sure that to the best of your knowledge the concern is true;
- not acting maliciously or making false allegations;
- not seeking personal gain from the action.

Will other people know I have raised a concern?

All concerns are treated in confidence. At the appropriate time, you may be asked to come forward as a witness. This will be discussed and agreed with you in advance.

What will Surrey do if I report an incident?

- We investigate and respond to concerns through appropriate lines of communication, including senior management and Expolink.
- Disclosures are considered against the correct policy and logged on our case management system.

Who can whistle blow?

- All employees of Surrey County Council
- Members of the council
- Contractors
- Agency workers
- Consultants
- Service providers (under a council contract)

Schools

Arrangements for whistle blowing are covered by individual school's procedures to reflect their respective governance arrangements. Academy schools have their own local arrangements for reporting issues.

Quote from 2014 whistle blowing survey:
Whistle blowing is "part of my duty of care and supports the people of Surrey."

For further information, visit www.Surreycc.gov.uk and search for [Strategy against fraud and corruption](#)

Surrey employees can also find further information on s-net under [Whistle blowing policy](#)

Whistle blowing

Raise your concerns in a safe and protected way



Employees are often the first to realise there may be something wrong within the council.

You may not want to raise concerns but we regularly hear from colleagues on all sorts of issues, and want our staff to have the confidence to speak out.

All employees have the right and also a duty to report any improper or suspicious actions. You can raise concerns without fear of victimisation.

What is whistle blowing?

Whistle blowing is when a worker reports suspected wrongdoing at work. Officially this is called 'making a disclosure in the public interest'.

An employee can report illegalities, antisocial or unacceptable behaviour, or neglect of duty, including but not limited to:

- criminal offence
- someone's health and safety being in danger
- damage to the environment or property
- fraud or theft
- discrimination, bullying or harassment
- the organisation not obeying the law
- covering up wrongdoing.

Who should I go to if I have a concern?

We are committed to achieving an open working environment where you feel able to raise concerns with your immediate manager or another manager. Or you can approach the Chief Executive, Head of Finance, Head of HR and OD, Head of Legal and Democratic Services (Monitoring Officer) or the Chief Internal Auditor.

Expolink

If you don't feel comfortable or able to raise a concern with a senior member of staff, you can use an external, independent and completely confidential service provided by Expolink to make a disclosure. You can contact Expolink in the following ways :

Online : www.expolink.co.uk

/ Whistleblowing / **Submit a report.**

Surrey's access code to submit a report is surreycc.

Telephone : 0800 374 199

A freephone help line. Expolink staff are impartial, discreet professionals who will maintain your anonymity and confidentiality at all times. Calls are not traced or recorded and you do not need to disclose personal information.

Email : surreycc@expolink.co.uk

If you do prefer to share your concerns in writing, please provide as much detail as possible to help us address your issue quickly and effectively.

What happens next?

The information you give Expolink will be passed on to a senior manager in Surrey County Council, who will act on this anonymous information and investigate it, without compromising you in any way. You will be given a unique code number to make it easy for you to phone back and add more information, if you wish, or to ask for an update on your allegation.

Is there anyone I can talk to in confidence if I'm not sure?

If you want to talk things through with someone before deciding what to do, you can talk to your manager, a fairness champion, Expolink on 0800 374 199, or you can contact our employee assistance programme Workplace Options, on **0800 243458**.



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**Audit & Governance Committee
26 May 2016**

Annual risk management report

Purpose of the report:

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

Recommendations

It is recommended that the committee:

1. Consider the contents of the report and confirm they are satisfied with the risk management arrangements;
2. Commend the Risk Management Strategy to Council for inclusion in the Constitution (Annex A); and
3. Review the Leadership risk register (Annex B) and determine whether there are any matters that they wish to draw to the attention of the Chief Executive, Cabinet, Cabinet Member or Scrutiny Board.

Introduction

4. The terms of reference of the Audit and Governance Committee include the requirement to monitor the effective development and operation of the council's risk management arrangements. This report summarises the risk management activity from April 2015 to date and provides an update on the Leadership risk register.

Progress on key actions from 2015/16

5. The 2015/16 risk management plan identified three key risk management actions for the year and progress is summarised below.

Continue to promote a positive risk culture

6. Strong risk leadership, supported by a network of risk representatives, continues to ensure that management teams at all levels across the organisation focus on having effective conversations about risk and that the risk registers (operational and strategic) document those discussions. Emerging risks or risks that are becoming more significant are escalated through the risk governance arrangements (shown below) as appropriate.



7. Each service has a named risk representative who is responsible for supporting management teams with their risk management, including embedding understanding of risk and ensuring regular risk register reviews. A number of risk representatives have changed over the year, which has led to additional review and challenge of the risk arrangements in some areas to further develop and support the council's risk culture.
8. The Risk and Governance Manager facilitated a session with members of the Audit and Governance Committee on risk management to provide an overview of the continuing work on risk culture and confirm that members are satisfied with the risk information the committee receives.
9. The Council Risk and Resilience Forum (CRRF) consists of service risk and business continuity representatives and shares knowledge and good practice across the organisation. Two formal meetings and one interactive workshop have been held during the year and they have focused on supply chain resilience and the provider/supplier business continuity protocol. Scenarios are used to identify areas that may require further testing or updating of business continuity plans and risk registers.
10. Risk updates are also provided by the Risk and Governance Manager at the beginning of each CRRF meeting and workshop to ensure risk representatives are kept up to date with any changes to the risk arrangements and the key risks facing the council.

Develop the risk registers to ensure they are fit for purpose

11. Risk registers are continually evolving alongside organisational changes and new ways of working. The Strategic Risk Forum¹ reviews and discusses strategic and operational risk registers at each meeting to ensure they are consistent and support risk discussions within services and directorates.
12. The Leadership risk register has been extensively reviewed by the Statutory Responsibilities Network to ensure there is continued focus on the significant risks facing the organisation. The Leadership risk register now has eight risks, split into two sections of four strategic risks and four cross-cutting risks.
13. The Risk and Governance Manager has supported the facilitation of a number of risk workshops over the year. The Environment service management team held a workshop in August 2015 to review their service risk register. The Highways service management team held a risk workshop in April 2016 to discuss the key service risks to the achievement of the goals within their strategic business plan and ensure the risks are appropriately documented on the risk register.
14. The Children, Schools and Families leadership team held a risk workshop in December 2015 and have updated their risk registers to reflect the risk discussions.

Present risk information in a clear and user-friendly way

15. Risk information is being presented in different ways to help aid risk conversations and focus risk discussions. A one page risk overview that maps the risks on the Leadership risk register against directorate risks is reviewed by the Strategic Risk Forum at each meeting and has also been discussed at the Statutory Responsibilities Network. The overview is an effective way of reviewing summary risk information and provides assurance as well as challenge.
16. The Strategic Risk Forum also reviews a summary of strategic risks from other south east local authorities. This provides assurance that significant risks identified by other councils are on Surrey County Council risk registers but also generates discussion about other risks or emerging risks that may need to be flagged.

<h3>2015/16 risk management arrangements</h3>
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17. The Statutory Responsibilities Network continues to be provided with a monthly risk update from the Director of Finance (strategic lead for risk management). The risk updates are focused on the Leadership risk register and emerging risks, but also includes the risk strategy and specific risk information such as the risk overview.
18. The Strategic Risk Forum, chaired by the Director of Finance, meets on a bi-monthly basis. The forum scrutinises and challenges strategic risk and discusses risk arrangements across the council to ensure a consistent approach is applied. The Strategic Risk Forum has also reviewed the fraud risk register developed by internal

¹ Strategic Risk Forum membership – Director of Finance (Chair), strategic risk leads, Chief Internal Auditor, Head of Emergency Management, Risk and Governance Manager

audit to discuss the key fraud risks the council is facing and to ensure that risk registers reflect them as appropriate.

19. The Leadership risk register is presented to Cabinet on a quarterly basis to provide oversight of the council's strategic risks and controls. The Leadership risk register was also presented to Council Overview Board in April 2016 and the Chief Executive attended to answer the members' questions.

Assurance

Internal audit review

20. Internal audit provide an annual independent assessment of the risk management arrangements. The 2014/15 management action plan has been completed and was reported to the committee in December 2015 as part of the half year risk management report. The outcome of the 2015/16 audit is yet to be reported.

Risk management benchmarking

21. The council takes part in an annual risk management benchmarking exercise run by CIPFA (Chartered Institute of Public Finance and Accountancy) and ALARM (the public risk management association). The benchmarking questions are based on the ALARM national performance model for risk management, which assesses the maturity of existing risk management arrangements.
22. Information was submitted in September 2015 and the output report shows that the council's risk management arrangements are at level 4 (out of 5) embedded and integrated.
23. The output from the internal audit review and the benchmarking will be discussed with the risk groups as appropriate.

Risk management strategy and plan

24. The risk management strategy 2016-21 (Annex A) clearly sets out the council's risk management approach, in alignment with the Corporate Strategy.
25. The risk management strategy is supplemented by the risk management plan which outlines the risk governance arrangements, specific roles and responsibilities and the key risk actions for 2016/17 which are:
 1. Ensure the council's risk arrangements are fit for purpose and support new ways of working;
 2. Continue to moderate, challenge and present risk information in a clear and transparent way across the organisation; and
 3. Gain assurance on links between strategic/operational risk and programme/project risk.
26. The risk management strategy and plan have been reviewed by the Strategic Risk Forum and the Statutory Responsibilities Network and their comments are incorporated.

Leadership risk register

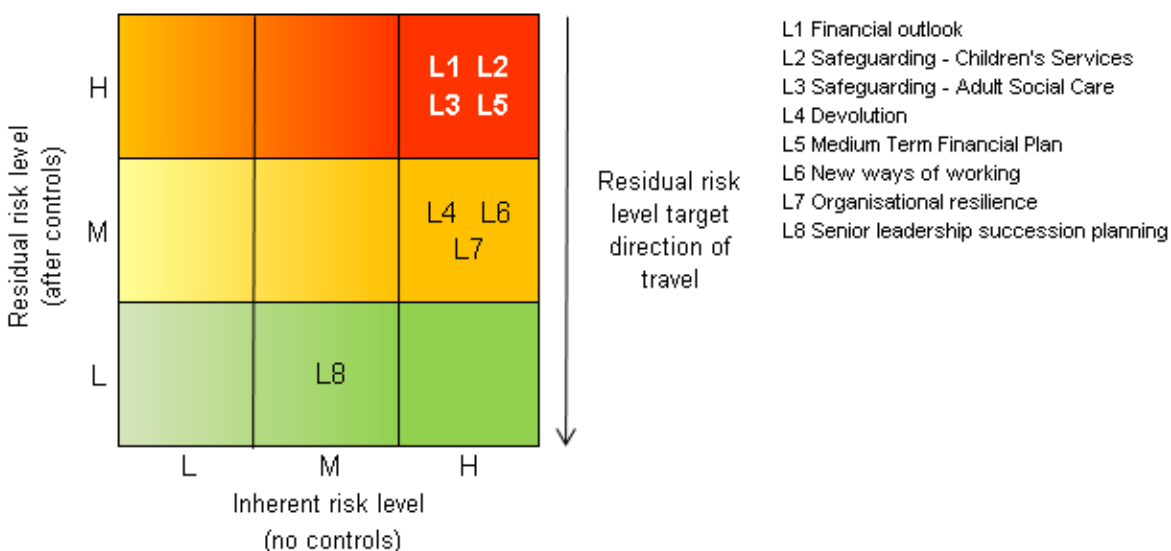
27. The Leadership risk register (Annex B) is owned by the Chief Executive and shows the council’s 8 key strategic risks as at 30 April 2016.

Changes to the risk register

28. Since the Leadership risk register was last presented to the committee in April 2016, the Senior Leadership Succession Planning risk (L8) inherent risk level has been reduced from high to medium and the residual risk level has been reduced from medium to low.

Residual risk level

29. The Leadership risk register includes both the inherent and residual risk levels for each risk. Despite mitigating actions, four risks have a high residual risk level (L1,L2,L3,L5), three risks have a medium residual risk level (L4,L6,L7) and one risk has a low residual risk level (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

30. Integrated risk management arrangements, including effective controls and timely action, supports the achievement of the council’s objectives and enables value for money.

Equalities and Diversity Implications

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

Risk Management Implications

32. Embedded risk management arrangements leads to improved governance and effective decision-making.

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

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

Sources/background papers:

- Risk management reports, Strategic Risk Forum and Council Risk and Resilience Forum agendas and minutes

PURPOSE

To realise opportunities and manage exposures to ensure Surrey residents remain healthy, safe and confident about their future.

VISION

A risk culture that supports
ONE place
ONE budget
ONE team for Surrey

VALUES



Listen



Responsibility



Trust

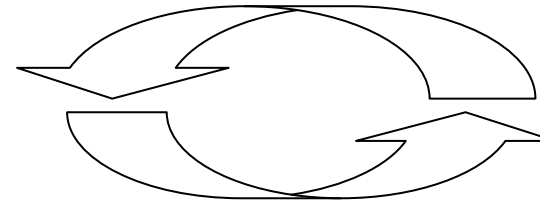


Respect

Context

The demand for council services continues to grow while financial resources are decreasing. Effective risk management is an integral part of ensuring the continued delivery of our services and providing organisational resilience during major change and transformation.

This Risk Management Strategy supports the achievement of our key priorities, goals and service delivery to residents. It is supplemented by our risk management plan that sets out our key risk actions for the coming year.



INTEGRATED APPROACH:

Risks are continually discussed and considered in the context of financial and performance management.

RISK PROCESS:

We have a consistent, iterative process of risk identification, risk assessment, risk monitoring and reporting.

GOVERNANCE:

Risk management roles and responsibilities are clearly defined and regularly reviewed.

Our strategic approach to risk management

1. Principles

Our approach to risk management is built on the following principles:

- It is dynamic, iterative and reacts to change
- It is open, transparent and consistently applied
- It provides risk information that objectively informs decision making and creates value
- It is integrated into our processes and aligns with our objectives
- It ensures lessons are learnt and actions for improvement are identified and implemented

2. Benefits

Through our risk management approach, the following benefits are realised:

- Enhanced organisational resilience through facilitating continuous improvement and innovation
- Stakeholder confidence and trust
- Flexibility to positively respond to new and continued pressures and challenges
- Strengthened governance to enable informed decision making
- Proactive management of risk and opportunities

3. Realisation

Realisation of the principles and benefits will be achieved through:

- Strong risk leadership that ensures the effective operation of the council's risk approach and arrangements
- Consistent compliance with the risk strategy and framework
- Staff and members being equipped to work with and support the risk culture
- Clear communication of the council's risk approach to our stakeholders
- Strong and transparent risk governance arrangements, including reporting and escalation of risk



To realise opportunities and manage exposures to ensure Surrey residents remain healthy, safe and confident about their future.

Challenges and opportunities

The ongoing climate of funding reductions, demand increases and changing responsibilities for Local Government continues to bring significant risk as well as opportunities. Sustaining the council's strong organisational resilience will require working differently, effectively managing our risks and realising the opportunities identified by new ways of working.

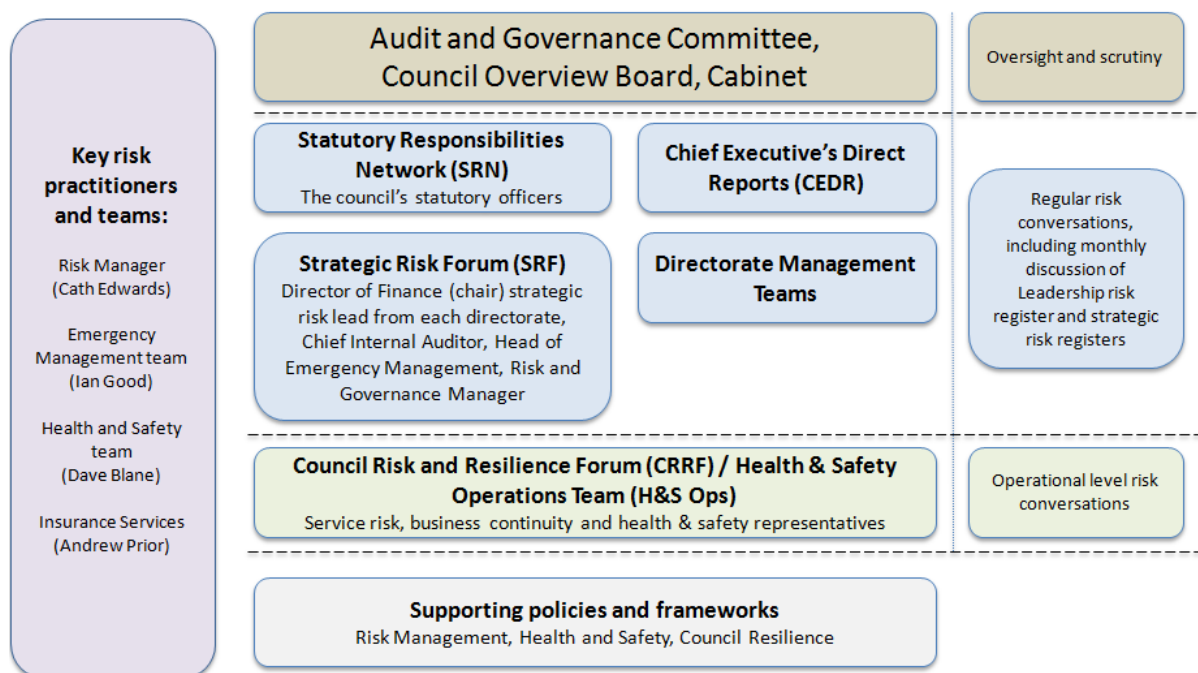
Risk management is a continuous and evolving process that runs through everything we do. Continually identifying and managing risks and opportunities increases the probability of success and supports the achievement of our goals and priorities.

Key actions

During 2016/17 three risk management actions will be prioritised to support the achievement of the council's corporate strategy:

1. Ensure the council's risk management arrangements are fit for purpose and support new ways of working.
2. Continue to moderate, challenge and present risk information in a clear and transparent way across the organisation.
3. Gain assurance on links between strategic/operational risk and programme/project risk.

Risk governance



The strategic lead officer for the corporate risk management arrangements is Sheila Little, Director of Finance and she is supported by Cath Edwards, Risk and Governance Manager.

The Audit and Governance Committee is responsible for monitoring the effectiveness of the risk management arrangements.

Roles and responsibilities

11

ROLE	RESPONSIBILITIES
The Cabinet	Oversee effective risk management across the council and ensure that key risks are identified, managed and monitored.
Portfolio Holders	Ensure that key risks within their portfolio are effectively managed through discussions with senior officers. Contribute to the Cabinet review of risk and be proactive in raising risks from the wider Surrey area and community if appropriate.
Scrutiny Boards	Monitor and challenge key risk controls and actions.
Audit and Governance Committee	Provide independent assurance to the council on the effectiveness of the risk management arrangements. Annually approve the risk management strategy and plan.
Leadership Team	Ensure effective implementation, monitoring and review of the council's risk management arrangements. Identify, own and manage key risks facing the council.
Strategic Directors	Own their risk register and regularly identify, prioritise and control risks as part of wider council performance. Ensure that risk management is consistently implemented in line with the council's Risk Management Strategy and proactively discuss risk with senior officers and members.
Heads of Service	Own their risk register and regularly identify, prioritise and control risks as part of wider council performance. Challenge risk owners and review actions to ensure controls are in place and monitored. Support and have a regular dialogue with risk representatives and ensure that risk management is consistently implemented in line with the council's Risk Management Strategy.
Managers	Take ownership for actions and report progress to management. Co-operate and liaise with risk representatives and report any new or emerging risks.
Staff	Assess and manage risks effectively and report risks to management.
Risk and Governance Manager	Lead on the implementation of the risk management arrangements, including moderating and challenging risk across the organisation and providing training and communication. Centrally hold and publish all council risk registers and facilitate the review and challenge of the Leadership risk register.
Strategic Risk Forum	Review strategic risk through challenge and moderation and make recommendations to senior management on changes to the corporate risk arrangements and strategic risks. Identify and escalate common themes and issues through sharing learning and best practice.
Risk representatives	Embed and aid understanding of risk across the council and support management with the review of risk, including the risk register, as part of performance monitoring.
Internal Audit team	Annually audit the council's risk management arrangements and use risk information to inform the annual internal audit plan to ensure that internal controls are robust.

Review

The Risk Management Strategy and plan is reviewed annually. For any queries or comments on this document please contact Cath Edwards, Risk and Governance Manager.

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Leadership risk register as at 30 April 2016 (covers rolling 12 months)

Owner: David McNulty

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

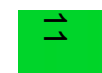
Ref	Risk ref.	Description of the risk	Inherent risk level (no controls)	Processes in place (ie the 'how' risks are being mitigated)	Controls (i.e. decisions needed)	Lead risk owner	Residual risk level (after existing controls)
L1	FN01	<p>Financial outlook Lack of funding, due to constraints in the ability to raise local funding and/or distribution of funding, results in significant adverse long term consequences for services.</p>	High	<ul style="list-style-type: none"> 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). <p>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.</p>	<ul style="list-style-type: none"> 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	CSF3,4	<p>Safeguarding – Children's Services Avoidable failure in Children's Services, through action or inaction, including child sexual exploitation, leads to serious harm, death or a major impact on well</p>	High	<ul style="list-style-type: none"> 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 further development of the Multi-Agency 	<ul style="list-style-type: none"> Timely interventions by well recruited, trained, supervised and managed professionals ensures appropriate actions are taken to safeguard and promote the well being of children in Surrey. Actively respond to feedback 	Deputy Chief Executive and Strategic Director of Children's Schools and Families	High

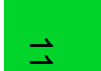
Key to references:

ASC = Adult Social Care risk
CSF = Children, Schools and Families risk
C&C = Customers and Communities risk

EAI = Environment and Infrastructure risk
FN = Finance Service risk
FR = Fire and Rescue Service risk

ORB = Orbis risk





Leadership risk register as at 30 April 2016 (covers rolling 12 months)

Owner: David McNulty

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)
		being.		<p>Safeguarding Hub.</p> <ul style="list-style-type: none"> 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. 	<p>from regulators.</p> <ul style="list-style-type: none"> 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. 		
L3	ASC6,7	<p>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.</p>	High	<ul style="list-style-type: none"> 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. Established a locality safeguarding advisor to assure quality control. Strong leadership, including close involvement 	<ul style="list-style-type: none"> 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 Act 2014 consultation. Actively respond to feedback from regulators. 	Strategic Director of Adult Social Care & Public Health	High

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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)
				by Associate Cabinet Member for Adult Social Care in safeguarding functions.			
L4		Devolution Failure to achieve a 3SC devolution deal leaves SCC without a coherent response to the strategic challenges facing the county.	High	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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.

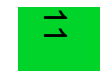
Ref	Risk ref.	Description of the risk	Inherent risk level (no controls)	Processes in place (ie the 'how' risks are being mitigated)	Controls (i.e. decisions needed)	Lead risk owner	Residual risk level (after existing controls)
L5	ASC1,2 CSF1,2 C&C2 EAI1 FN2 ORB11	Medium Term Financial Plan (MTFP) 2016-21 Failure to achieve the MTFP, which could be a result of: <ul style="list-style-type: none"> Not achieving savings 	High	<ul style="list-style-type: none"> 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). 	<ul style="list-style-type: none"> Prompt management action taken by Directors / Leadership Teams to identify correcting actions. (Evidenced by robust action plans) 	Director of Finance	High

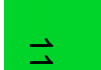
Key to references:

ASC = Adult Social Care risk
 CSF = Children, Schools and Families risk
 C&C = Customers and Communities risk

EAI = Environment and Infrastructure risk
 FN = Finance Service risk
 FR = Fire and Rescue Service risk

ORB = Orbis risk





Leadership risk register as at 30 April 2016 (covers rolling 12 months)

Owner: David McNulty

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)
		<ul style="list-style-type: none"> Additional service demand and/or Over optimistic funding levels. <p>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.</p>		<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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 		
L6	ASC2,9 CSF1,2, 5,6 EAI3,15 FR74 ORB4	<p>New ways of working</p> <p>Failure to identify and manage the impacts / consequences of implementing a range of new models of delivery leads to severe service disruption and reputational damage.</p>	High	<ul style="list-style-type: none"> Shared and aligned strategies to ensure no unintended consequences. Robust governance arrangements (eg. Inter Authority Agreements, Better Care Board, 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. 	<ul style="list-style-type: none"> Leadership and managers recognise the importance of building and sustaining good working relationships with key 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. 	Chief Executive	Medium

Key to references:

ASC = Adult Social Care risk
 CSF = Children, Schools and Families risk
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Leadership risk register as at 30 April 2016 (covers rolling 12 months)

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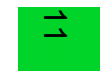
Ref	Risk ref.	Description of the risk	Inherent risk level (no controls)	Processes in place (ie the 'how' risks are being mitigated)	Controls (i.e. decisions needed)	Lead risk owner	Residual risk level (after existing controls)
				<ul style="list-style-type: none"> Close liaison and communication with customers. 			
L7	ASC4, 5,8 CSF5 EAI2, 5,17 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	<ul style="list-style-type: none"> 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 external experiences / incidents 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 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.	Medium	<ul style="list-style-type: none"> Improving collective ownership and risk 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 programme Introducing new senior leadership appraisal process that mainstreams feedback (shaping leaders) and succession planning into appraisal process. 	- Transparent and effective succession plans	Chief Executive	Low

Key to references:

ASC = Adult Social Care risk
CSF = Children, Schools and Families risk
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EAI = Environment and Infrastructure risk
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Movement of risks

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

Risks removed from the register in the last 12 months

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

Leadership level risk assessment criteria

Due to their significance, the risks on the Leadership risk register are assessed on their inherent risk level (no controls) and their residual risk level (after existing controls have been taken into account) by high, medium or low.

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

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**Audit and Governance Committee
26 May 2016**

Governance Strategy and Code of Corporate Governance

Purpose of the report:

This report provides the committee with an update on the changes made to the council's Governance Strategy and Code of Corporate Governance.

Recommendations

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

Governance Strategy

- 1 The council's Governance Strategy, attached at Annex A, clearly sets out the meaning of governance and the benefits of good governance in alignment with the Corporate Strategy. The strategy is underpinned by the Code of Corporate Governance.
- 2 The Governance Strategy for the period 2016-21 has been reviewed by the Governance Panel¹ and Statutory Responsibilities Network. Key changes include:
 - 'Our core governance principles' section has been updated to reflect the revised principles within the Code of Corporate Governance (see paragraph 6 below); and
 - Revised bullets under the 'In 2016/17 we will' section to reflect the areas detailed in the 'Focus for 2016/17' section of the 2015/16 Annual Governance Statement.

Code of Corporate Governance

- 3 The Local Government Act 2000 places a reliance on local authorities to review their governance arrangements and operate through a local governance framework, which brings together requirements, governance principles and processes.

¹ Consisting Director of Legal, Democratic and Cultural Services (Chair), Director of Finance, senior representatives from HR and Strategy & Performance, Chief Internal Auditor, Risk and Governance Manager

- 4 Surrey County Council's Code of Corporate Governance meets those requirements by outlining the council's commitment to good governance and providing a robust framework of policies and procedures that underpin compliance with the governance principles. It also sets out the mechanisms for monitoring and reviewing the corporate governance arrangements.
- 5 An annual review of the Code of Corporate Governance has been undertaken to ensure that it is fit for purpose and reflects the authority's approach and commitment to good governance. The Governance Panel approved the updated Code of Corporate Governance at its meeting on 27 April 2016 and it is attached at Annex B.
- 6 Key changes are outlined below:

Section	Page	Changes
Core governance principles	5	The six core governance principles have been updated to reflect the new governance framework for local authorities - Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016).
Supporting governance documents	10	Inclusion of the Behaviours Framework and Governance Strategy.

Implications

Financial

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

Equalities

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

Risk management

- 9 An effective governance and internal control environment leads to improved performance and outcomes for residents.

What happens next

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

REPORT AUTHORS: Cath Edwards, Risk and Governance Manager

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

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

PURPOSE

To operate effectively, efficiently and ethically to ensure Surrey residents remain healthy, safe and confident about their future.

VISION

To be an exemplar of the Standards of Public Life:

- Selflessness
- Openness
- Integrity
- Honesty
- Objectivity
- Leadership
- Accountability

VALUES



Listen



Responsibility



Trust



Respect

Context

- Good governance is about doing things in the right way and acting in the public interest at all times. This is becoming more complex and challenging as a consequence of continually increasing partnership and collaborative working.
- This Governance Strategy demonstrates our commitment to good governance and promotes the values and principles that guide the behaviour of all our officers and members. It is supplemented by the Code of Corporate Governance that sets out the way we meet that commitment.
- Good governance practice and any areas for improvement are identified annually through our published Annual Governance Statement.



DECISION MAKING:

Good governance encourages better informed and longer-term decision making as well as the efficient use of resources.

ACCOUNTABILITY AND TRANSPARENCY:

Good governance strengthens accountability for the stewardship of resources.

OUTCOMES:

Good governance improves management and oversight, resulting in more effective interventions and a better resident experience.

In 2016/17 we will:

- Maintain our focus on devolution, integration of Health and Social Care and improving services for Children (including Early Help and Special Educational Needs and Disability) to help provide better outcomes for residents.
- Continue our extensive work on innovation and transformation to provide the basis for longer term sustainability.
- Continue to develop our organisational culture with a focus on succession planning and workforce development.

Our core governance principles

1. We will focus on our purpose to optimise the achievement of intended outcomes for Surrey and its local communities
2. Members and officers will behave with integrity and demonstrate a strong commitment to ethical values
3. We will ensure openness and effectively engage with our stakeholders
4. We will develop the capacity and capability of members and officers to continue to be effective
5. We will manage risks and performance through robust internal control and strong public financial management
6. We will implement good practice in transparency and reporting to deliver effective accountability.

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Code of Corporate Governance

May 2016



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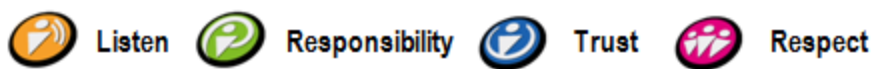
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COMMITMENT TO GOOD GOVERNANCE

The Corporate Strategy, 'Confident in Surrey's future' sets out the council's overall purpose to ensure Surrey residents remain healthy, safe and confident about their future.

Good corporate governance underpins confidence in public services and should be transparent to all stakeholders. We are committed to demonstrating that the council has sound corporate governance and the Governance Strategy and this Code of Corporate Governance sets out the way we meet that commitment. This in turn promotes adherence to our values that guide the behaviour of all officers and Members:



Corporate governance is the way in which the council directs and controls its arrangements to ensure that the intended outcomes for stakeholders are defined and achieved. A robust governance code provides assurance that Surrey is meeting best practice in protecting its assets and serving the community.

The council annually reviews the effectiveness of its governance arrangements and produces an Annual Governance Statement (AGS), which summarises the governance framework and environment in place during the year. The AGS is signed by the Chief Executive and the Leader of the Council and is included within the Statement of Accounts, as required by statute. A summary of the AGS is also included within our Annual Report.

This Code of Corporate Governance supplements the Governance Strategy and sets out the mechanisms for monitoring and reviewing the corporate governance arrangements, which enables the council to identify good governance practice and also areas for improvement.



Our Corporate Strategy, Confident in Surrey's future

GOOD GOVERNANCE PRINCIPLES

12

Principles of Public Life

The council is committed to ensuring that good governance is in place and that we are serving the local community in accordance with the seven principles of public life as defined by the Nolan Committee¹. These principles apply to everyone working in the public services and should be incorporated into all codes of conduct and behaviour to ensure residents and service users receive a high quality service.

The principles are as follows:

Selflessness

Officers and members should act solely in terms of the public interest. They should not act in such a way in which to gain financial or other benefits for themselves, their family or their friends.

Integrity

Officers and members should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, officers and members should make choices on merit.

Accountability

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

Openness

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

Honesty

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

Leadership

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

¹ The Nolan Committee was established in 1994 by the Prime Minister in response to concerns that conduct by some politicians was unethical.

Core Governance Principles

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

<p>We will focus on our purpose to optimise the achievement of intended outcomes for Surrey and its local communities.</p> <p>We will meet this by:</p> <ul style="list-style-type: none"> • Making the best use of our resources available to ensure best value is achieved; and • Promoting decision making that is rigorous and transparent.
<p>Members and officers will behave with integrity and demonstrate a strong commitment to ethical values.</p> <p>We will meet this by:</p> <ul style="list-style-type: none"> • Demonstrating and communicating our values; and • Understanding, monitoring and maintaining our ethical standards.
<p>We will ensure openness and effectively engage with our stakeholders.</p> <p>We will meet this by:</p> <ul style="list-style-type: none"> • Demonstrating, documenting and communicating our commitment to openness; and • Engaging with residents, partners, businesses and other stakeholders in the development of services.
<p>We will develop the capacity and capability of members and officers to continue to be effective.</p> <p>We will meet this by:</p> <ul style="list-style-type: none"> • Clarifying roles and responsibilities; and • Ensuring members and officers have the appropriate skills, knowledge, resources and support to perform well in their roles.
<p>We will manage risks and performance through robust internal control and strong public financial management.</p> <p>We will meet this by:</p> <ul style="list-style-type: none"> • Ensuring integrated and effective risk management arrangements are in place; and • Monitoring service delivery.
<p>We will implement good practice in transparency and reporting to deliver effective accountability.</p> <p>We will meet this by:</p> <ul style="list-style-type: none"> • Reporting to stakeholders in an understandable way; and • Having good quality information that is easy to access.

SUPPORTING GOVERNANCE DOCUMENTS

There is a robust framework of council policies and processes that are of key importance in maintaining good governance, support the achievement of the Corporate Strategy and Governance Strategy and underpin compliance with the core governance principles. The documents are shown at Annex A.

Responsibility for each governance document ultimately rests with the Chief Executive or one of the strategic directors, aside from statutory functions that fall within the personal responsibility of the Section 151 Officer or the Monitoring Officer. Cabinet Members must also demonstrate ownership within their individual portfolios.

Below those officers and members mentioned above, where appropriate, are officers who have a material input and control over governance documents. These officers are referred to as Governance Custodians and they are shown in Annex B.

Governance Custodians are responsible for keeping documents up to date and therefore making necessary changes. Any significant changes require approval by members or officers as shown at Annex C. It is the decision of the relevant officer and/or member as to what is classed as significant.

GOVERNANCE REVIEW

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

PART 1 – CUSTODIAN ASSURANCE

Governance Custodians are required to complete an annual Custodian Assurance Statement. A summary report is presented to the Governance Panel, which makes recommendations on any specific areas to be reviewed as part of the governance compliance work undertaken by Internal Audit (see below).

PART 2 – GOVERNANCE COMPLIANCE AND REPORT ON INTERNAL CONTROL

Following agreement by the Governance Panel on the areas of focus, a number of methods are used by Internal Audit to test governance compliance:

- Relevant audit reviews already undertaken or in progress;
- Use of surveys sent to a sample of staff and members; and
- Assurance mapping.

Key findings from the testing above are presented to the Governance Panel and any significant areas will be included in the AGS.

The Chief Internal Auditor uses information gathered from internal audit reviews carried out as part of the annual audit plan, to report on the adequacy of the overall internal control

environment. This report is presented to the Governance Panel and any significant areas will be included in the AGS

PART 3 – ASSESSMENT OF THE CORE GOVERNANCE PRINCIPLES

The Risk and Governance Manager carries out the annual assessment of the core governance principles. The review consists of:

- interviews with key officers,
- reviewing existing procedures,
- assessing existing governance arrangements against best practice, and
- reviewing any assurance mapping undertaken by Internal Audit.

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

PART 4 – ADDITIONAL GOVERNANCE INFORMATION

In order to pull together a full picture of governance across the organisation, the Governance Panel also look at any relevant reports and findings from other inspectorates and groups, along with any self-assessments that the council has completed within the relevant year. Any significant issues are then included in the AGS and the information can include the following:

- External audit reports
- External inspection reports
- Annual review of the effectiveness of the system of internal audit
- Member task group reports and findings

PART 5 - AGS

Taking all the above information into account, the draft AGS is developed and agreed by the Governance Panel. The Chair of the Governance Panel consults with the Statutory Responsibilities Network and the senior leadership team before the AGS is presented to the Audit and Governance Committee and the Cabinet for approval. The AGS is then incorporated into the Statement of Accounts and the Annual Report.

PART 6 - MONITORING

The Governance Panel monitors progress on any improvement actions identified and update reports are presented to senior officers and the Audit and Governance Committee as appropriate.

ROLES AND RESPONSIBILITIES

12

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

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

REVIEWING AND REVISING THE CODE

This Code of Corporate Governance will be reviewed annually to reflect any changes. For any queries or comments on this document please contact:

Cath Edwards, Risk and Governance Manager, Business Services

GLOSSARY

Annual Governance Statement (AGS)	A statement required by the Accounts and Audit Regulations (England) 2011 explaining how the council has complied with the code of corporate governance. It is signed by the Chief Executive and Leader of the Council and published as part of the annual Statement of Accounts and the Annual Report.
Chartered Institute of Public Finance and Accountancy (CIPFA)	The leading accountancy body for public services.
Constitution of the Council	Sets out how the Council operates, how decisions are made and the procedures that are followed to ensure efficiency, transparency and accountability.
Corporate Governance	How local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
Custodian Assurance Statement (CAS)	An annual submission from each Governance Custodian providing assurance that each policy is up to date and detailing any work that has been undertaken throughout the year.
Effectiveness review	An annual review of the effectiveness of the system of internal audit.
External Audit	An external annual review of the Council's accounts.
Governance Custodian	Officers who have responsibility for ensuring that governance documents are up to date and promoted across the authority.
Governance Panel	Chaired by the Director of Legal, Democratic and Cultural Services, the panel ensures that the council has a robust appraisal of governance. It advises Statutory Responsibilities Network, Audit & Governance Committee and Cabinet on the adequacy of the governance arrangements.
Internal Audit Team	An independent appraisal function that objectively examines, evaluates and reports on the adequacy of internal control.
Monitoring Officer (Director of Legal, Democratic and Cultural Services)	The statutory officer in accordance with section 5 of the Local Government and Housing Act 1989 ensuring lawfulness and fairness of decision making.
Section 151 Officer (Director of Finance)	The statutory officer with responsibility for the proper administration of the Council's affairs under section 151 of the Local Government Act 1972.
Society of Local Authority Chief Executives and Senior Managers (SOLACE)	The representative body for senior strategic managers working in local government, promoting effective local government.
Statutory Responsibilities Network (SRN)	Chaired by the Chief Executive, the SRN brings the senior statutory officers together to provide oversight on the council's major statutory responsibilities.

GOVERNANCE DOCUMENT CUSTODIANS

Annex B

Document	Custodian
Arrangements for dealing with complaints about Members	Director of Legal, Democratic and Cultural Services
Behaviours Framework	Head of HR
Cabinet Forward Plan	Cabinet Business Manager
Capability	Head of HR
Change Management	Head of HR
Code of Conduct for Members	Director of Legal, Democratic and Cultural Services
Code of Conduct for Staff	Head of HR
Communications and Engagement Strategy	Head of Communications
Customer Promise	Head of Customer Services
Data Governance policy	Corporate Information Governance Manager
Disciplinary	Head of HR
Equality, Fairness and Respect strategy	Policy and Strategic Partnerships Lead Manager
Ending harassment, bullying and discrimination	Senior Equality Inclusion and Wellbeing Manager
Financial Regulations	Director of Finance
Governance Strategy	Governance Panel
Grievance	Head of HR
Health and Safety policy	Senior Health and Safety Manager
IT Security policy	Head of IMT
Member / Officer Protocol	Director of Legal, Democratic and Cultural Services
Partnership Framework and Principles	Deputy Chief Executive
Partnership Governance Framework	Risk and Governance Manager
People Strategy	Head of HR
Premises Security policy	Workplace Delivery Manager
Procurement Standing Orders	Head of Procurement
Regulation of Investigatory Powers Act (RIPA)	Head of Trading Standards
Resilience Policy	Head of Emergency Management
Risk Management Strategy	Risk and Governance Manager
Safer Recruitment	Head of HR
Scheme of Delegation	Director of Legal, Democratic and Cultural Services
Standing Orders	Cabinet Business Manager
Strategy against Fraud and Corruption	Chief Internal Auditor
Surrey Compact	Strategic Partnership Manager
VCFS Framework	Strategic Partnership Manager
Whistle blowing policy	Head of HR

GOVERNANCE DOCUMENT APPROVAL

Annex C

Member approval

Cabinet	Leader of the Council
Communication and Engagement Strategy	Cabinet Forward Plan
Customer Promise	
Equality, fairness and respect strategy	
Financial Regulations	County Council
Partnership principles	Arrangements for dealing with complaints about Members
Procurement Standing Orders	Code of Conduct – Members
Regulation of Investigatory Powers Act (RIPA)	Member / Officer protocol
Surrey Compact	Scheme of Delegation
	Standing Orders

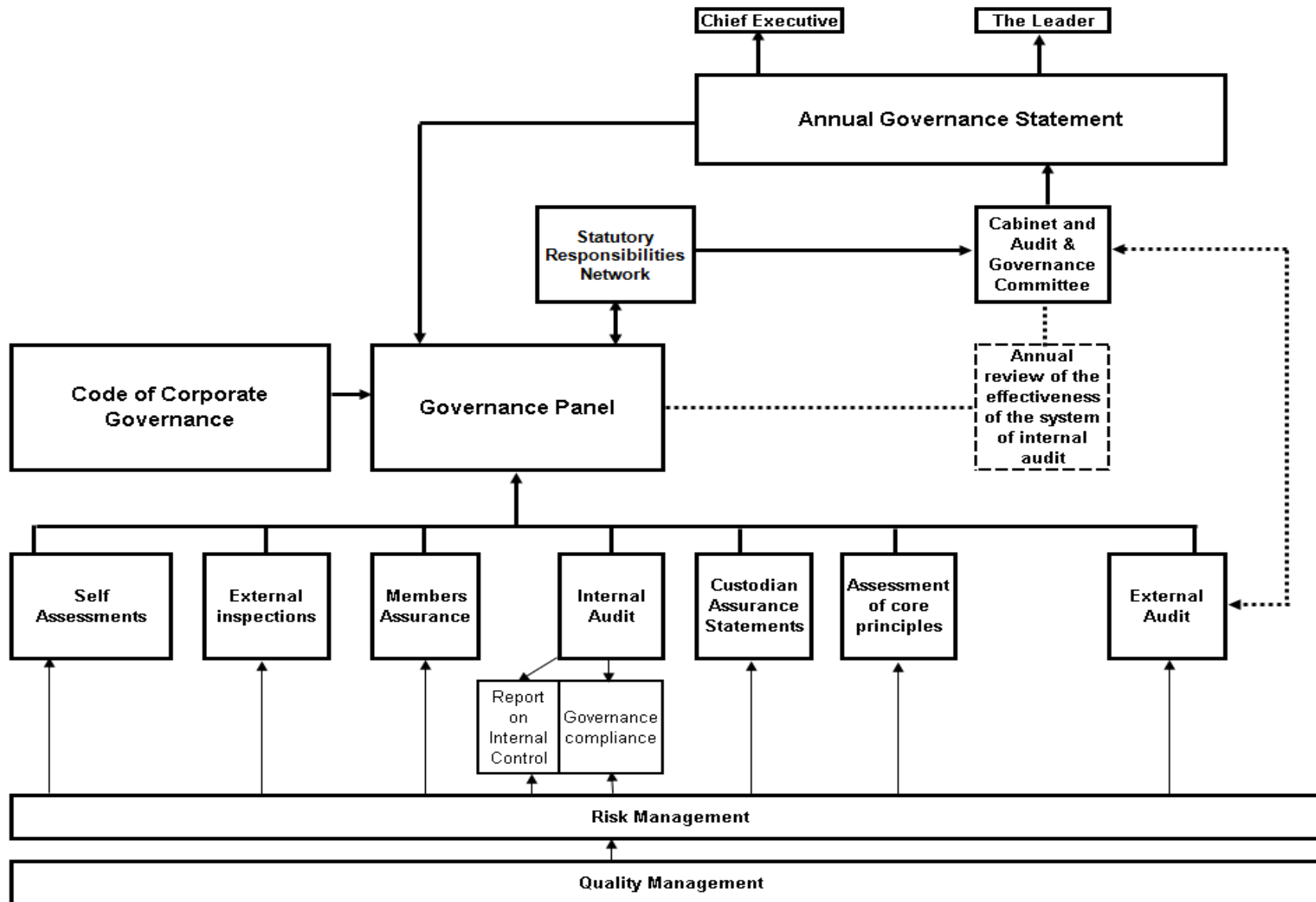
People, Performance and Development Committee	Audit and Governance Committee
Behaviours framework	Risk management strategy
Capability	Strategy against fraud and corruption
Change Management	
Code of Conduct – Staff	
Disciplinary	
Ending harassment, bullying and discrimination	
Grievance	
People Strategy	
Safer recruitment	
Whistle blowing policy	

Officer approval

Data governance policy	Information Governance Risk Board
Governance Strategy	Governance Panel
Health and Safety policy	Central Joint Safety Committee
IT Security policy	Head of IMT
Partnership Governance framework	Governance Panel
Premises Security policy	Chief Property Officer
Resilience policy	Head of Emergency Management
VCFS Framework	Chief Executive

GOVERNANCE REVIEW PROCESS

Annex D



Scope

The Governance Panel (the panel) ensures that the Council has a robust method of scrutiny and appraisal of Governance. The panel advises Statutory Responsibilities Network², Audit & Governance Committee (A&GC) and Cabinet on the adequacy of the arrangements and proposes areas for improvement through the Annual Governance Statement (AGS).

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

The Role of the Governance Panel

The Governance Panel collectively, is responsible for:

- Annually reviewing the Code of Corporate Governance and approving changes prior to presentation at the A&GC
- Reviewing reports from Internal Audit, Risk & Governance, External Audit and other inspectorates as appropriate
- Reviewing significant changes to governance documents within the Code of Corporate Governance
- Reporting significant governance issues, providing updates and presenting the draft AGS to the SRN and A&GC.

Membership

The following officers form the Governance Panel:

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

² Consisting 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, Head of HR.

Individual Roles and responsibilities

Chair

- Proactively chair panel meetings, ensure meetings are effective and actions have been completed
- Present panel reports to SRN, A&GC and Cabinet and feed back to the rest of the panel members
- Report back to the panel on key issues from other governance meetings as appropriate, including partnerships

Panel members

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

Risk and Governance Manager

- Lead on the annual review of governance, including the development of the AGS
- Provide reports to the panel on areas of risk and governance, including strategic and significant service risks, annual governance review reports and progress reporting
- Prepare panel reports for SRN, A&GC and Cabinet
- Report key issues from external audit and inspection reports including the Annual Audit Letter and the Annual Governance Report
- Undertake the annual review of the Code of Corporate Governance and recommend changes to the panel

Chief Internal Auditor

- Provide updates and reports to the panel on internal control and key audit findings

Governance Custodians

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

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**Audit & Governance Committee
26 May 2016**

2015/16 Annual Governance Statement

Purpose of the report:

This report presents the Annual Governance Statement, which summarises the council's governance arrangements for the financial year ending 31 March 2016.

Recommendations

It is recommended that the committee:

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

Introduction

- 1 The council is required to annually review the effectiveness of its governance arrangements and produce an Annual Governance Statement. Surrey County Council's Governance Strategy and Code of Corporate Governance details the six good governance principles adopted by the council and by which the governance arrangements are assessed. The Code of Corporate Governance also details the methodology by which the annual review of governance is undertaken.
- 2 The review of governance is overseen by the Governance Panel (Director of Legal, Democratic and Cultural Services [chair], Director of Finance, Head of HR, senior representative from Strategy & Performance, Chief Internal Auditor and Risk & Governance Manager), which has the responsibility for the development and maintenance of the governance environment and production of the Annual Governance Statement.
- 3 The 2015/16 annual governance review has provided a satisfactory level of assurance on the council's governance arrangements.

Previous year's Annual Governance Statement

- 4 The 2014/15 Annual Governance Statement identified a number of areas that required strengthening in order to enhance the overall governance arrangements. Positive progress has been made in these areas and they are summarised below:
- 5 Children's and Safeguarding Service
 - *There is a need to reduce reliance on long term agency resource particularly in management/supervisory roles;*
 - *As the number of children in receipt of direct payments increases, the council must ensure it has robust systems in place to demonstrate that social care reviews are conducted in a timely manner in line with stated policy;*
 - *The council needs to improve its administration of looked after children's personal finances to ensure it meets its statutory duty as the corporate parent.*
- 6 Action has been taken to address a number of the issues above and these have been reported through management action plan progress updates. More information is provided in the Internal Audit annual report that is included within this agenda.
- Contract Management
- 7 *There is a need to ensure that the council's central contract management system contains key information on significant contracts to enable effective contract monitoring and timely procurement.*
- 8 All significant new contracts awarded by Surrey County Council have embedded the contract management framework and overall progress has continued to be made regarding the use of the contract management system for performance reporting. Where appropriate, the key performance indicator functionality is also being used and further progress is expected throughout 2016.
- 9 Management action plan progress was reported as green in the internal audit half year report to the committee in December 2015.

Annual Governance Statement 2015/16

- 10 The 2015/16 Annual Governance Statement developed by the Governance Panel is attached at Annex A. There are two main sections:

Section	Pages	Detail
The governance environment	3 to 8	Summarises the council's key policies, procedures and arrangements that evidence good governance. Includes the overall opinion of the Chief Internal Auditor on the internal control environment.
Focus for 2016/17	9	Outlines areas that the council will focus on during the year ahead to ensure continued good governance.

Consultation

- 11 The Statutory Responsibilities Network, Chief Executive, Leader of the Council, Deputy Leader and Cabinet Member for Business Services and Resident Experience have been consulted and their comments are incorporated.

Monitoring and review

- 12 The Governance Panel will continually review the governance arrangements throughout the year and governance update reports will be presented to the Audit and Governance Committee throughout the year as appropriate.

Implications

Financial

- 13 There are no direct financial implications arising from this report. Continued improvements in governance will help to deliver value for money for residents.

Equalities

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

Risk management

- 15 Strong governance arrangements support the council in the effective delivery of services and achievement of objectives.

What happens next

The Annual Governance Statement will be presented to Cabinet for approval on 21 June 2016, signed by the Chief Executive and the Leader of the Council and then incorporated into the council's Statement of Accounts for 2015/16.

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

Sources/background papers: Governance panel minutes. Annual review of governance working papers. Code of Corporate Governance. CIPFA/SOLACE framework *Delivering Good Governance in Local Government*. 2014/15 AGS. Audit and Governance Committee papers.

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Annual Governance Statement 2015/16

Version 5



SURREY

OVERVIEW

The 2015/16 review has provided a satisfactory level of assurance on the governance arrangements for the year



Our Corporate Strategy, Confident in Surrey's future



Listen



Responsibility



Trust



Respect

Surrey County Council (the council) has a responsibility for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. We are committed to fulfilling our responsibilities in accordance with the highest standards of good governance to support our Corporate Strategy "Confident in Surrey's future." The council's Governance Strategy sets out our approach to good governance and is supplemented by our Code of Corporate Governance.

The annual review of governance is overseen by the Governance Panel (the panel) which comprises the Director of Legal, Democratic and Cultural Services [chair], the Director of Finance, senior representatives from HR and Organisational Development and Strategy and Performance, the Chief Internal Auditor and the Risk and Governance Manager. The panel meets four times a year and reports to the Statutory Responsibilities Network and the Audit and Governance Committee. The 2015/16 annual review of governance has provided a satisfactory level of assurance on the governance arrangements for the year.

We are pleased to present the Surrey County Council Annual Governance Statement for 2015/16, which outlines the council's governance arrangements and achievements during the year and highlights areas to continue to strengthen governance in 2016/17.

THE GOVERNANCE ENVIRONMENT

Purpose and outcome

Surrey County Council's Corporate Strategy, 'Confident in Surrey's future', provides clear direction for staff as well as a signpost for residents, businesses and partner organisations and incorporates council's four values of Listen, Responsibility, Trust and Respect at its heart. It is underpinned by a suite of supporting documents such as the Medium Term Financial Plan, Investment Strategy and service plans. Performance against the Corporate Strategy is measured through a variety of key indicators relating to wellbeing, economic prosperity and resident experience and progress monitoring is published on the external website. The Chief

Executive also reports progress to full County Council twice a year.

The Statutory Responsibilities Network, chaired by the Chief Executive, continues to meet on a fortnightly basis and provides a forum for statutory officers to discuss key issues, share knowledge and offer challenge.

We continue to fulfil a wide range of critical responsibilities as well as developing new and innovative projects. The New Models of Delivery Network is enabling and assisting services in identifying and assessing opportunities in a structured way to respond to changing expectations and to manage the impact of reduced funding.

To provide the basis for longer term sustainability, the council has established an extensive transformation programme. A Public Value Transformation Board comprising the Leader of the Council (Chair), the Chief Executive and the Director of Finance to provide strategic oversight and challenge to ensure the transformation programme is driven by public value and contributes significantly to the council's financial sustainability.

The Continuous Improvement and Productivity Network identifies areas for improvement to bring about greater productivity and ensure that we deliver services of the highest standard to our residents. The Customer Promise provides a framework for customer service standards, which is bringing improvements to the resident experience.

Our Children's Services Improvement Board oversees the systematic approach to improving services for children. Partner agencies are key members of the board and make a significant contribution to its work.

Governance arrangements continue to be strengthened through the implementation of management action plans in the areas highlighted in the 2014/15 AGS including children's direct payments, looked after children's personal finances, long term agency resource and contract management.

THE GOVERNANCE ENVIRONMENT

Leadership and behaviour

Changes to the senior officer leadership team were implemented during 2015, including the consolidation of roles. The new arrangements are providing focused strategic leadership through the current challenging and financially constrained environment and will ensure ongoing continuity and effective arrangements at the top of the organisation.

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

The council's financial management arrangements fully comply with the Chartered Institute of Public Finance and Accountancy's Statement on the Role of the Chief Financial Officer (CIPFA, 2010). The Director of Finance meets her financial responsibilities and ensures fully effective financial management arrangements are in place. She reports directly to the Chief Executive and is a member of Chief Executive's Direct Reports, the Statutory Responsibilities Network and the Public Value Transformation Board. She has regular meetings with and has direct access to the Chief Executive, the Leader, Monitoring Officer, Chief Internal Auditor, External Auditor and other key Members and strategic directors. The Director of Finance and the Chief Executive have regular support meetings with the key strategic directors. Strategic budget workshops led by the Director of Finance are held with Cabinet and the Leadership Team on a regular basis and finance briefings for all members have been held throughout the year. Additional meetings have also been held as deemed necessary in light of the financial challenges emerging from the Local Government financial settlement in 2015.

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

The Cabinet comprises the Leader, Deputy Leader and eight additional Cabinet Members, with each Member holding the brief for a particular portfolio of services. Four Associate Cabinet Members support Cabinet portfolio holders in the most complex areas but do not have voting rights. Decisions can be taken by individual members of the Cabinet or collectively by the full Cabinet (excluding Associates).

THE GOVERNANCE ENVIRONMENT

Leadership and behaviour

The Staff and Member Codes of Conduct set out the expected high standards of conduct and include the 7 Standards of Public Life. The Codes of Conduct are supplemented by the Member/Officer Protocol, which provides principles and guidance for good working relations, and the Strategy Against Fraud and Corruption. The Monitoring Officer and the Member Conduct Panel deal with allegations of breaches of the Member Code of Conduct. The register of pecuniary interests for all members can be viewed online.

The Chief Executive continues to engage with and support staff by providing regular updates and key messages through emails, the intranet via a blog and a programme of staff visits.

The council's Whistle-blowing policy encourages staff to raise concerns, such as bullying or harassment or fraud, through an anonymous, confidential and independent hotline. A range of communication channels are used to publicise the policy and the supporting arrangements.

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

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

Transparency and stewardship

The council produces an Annual Report that highlights key data on performance and notable achievements; and includes summaries of the AGS and audited accounts. The 2014/15 Statement of Accounts was audited and approved for publication by the end of July 2015.

The council's external auditors' 2014/15 report on value for money published in July 2015 concluded that 'the council has good arrangements in place across a number of key areas with the exception of the arrangements for promoting and demonstrating the principles and values of good governance within the council's Children's Services directorate.' A Children's improvement plan is being delivered to address the January 2016 improvement notice issued by the Department for Education following the Ofsted inspection report published in June 2015. The plan aims to strengthen service and whole system capability and capacity.

THE GOVERNANCE ENVIRONMENT

Transparency and stewardship

The Investment Panel continues to ensure all proposed service capital investments have robust business cases before formal decision by Cabinet or Cabinet Member as appropriate. It is chaired by the Director of Finance and comprises senior leaders including the Chief Property Officer and Chief Internal Auditor, as well as other senior leaders from key services to ensure a broad perspective for challenge.

The risk management strategy outlines the council's approach to risk and is supplemented by the risk management plan. The Strategic Risk Forum, chaired by the Director of Finance, brings together lead officers from across the council to review and challenge risk and ensure a consistent risk approach is adopted.

The Leadership risk register is regularly reviewed by the Statutory Responsibilities Network, Audit and Governance Committee and Cabinet.

The council has six member Boards who provide challenge to the Cabinet. The Council Overview Board, comprising the Board chairmen, takes a council-wide view and leads on collaborative scrutiny issues. Every County Council, Cabinet and Planning and Regulatory Committee meeting is webcast to enable people to watch meetings online.

The Audit and Governance Committee comprises six councillors (the Chairman is a Residents' Association/Independent Councillor) who have been specifically chosen to enable robust challenge and assurance from a position of knowledge and experience. The committee provides independent assurance on the council's control environment, the adequacy of the risk and governance arrangements, financial reporting and ethical standards. During the year the committee have received training on risk culture, treasury management and fraud.

The Surrey Pension Fund Committee takes decisions on behalf of the council as the administering body for the Local Government Pension Scheme and meets four times a year. The Surrey Local Pension Board, established in 2015, assists the Surrey Pension Fund Committee in the exercise of its functions but has no decision making powers. A Local Fire Pension Board was also established in 2015 to assist the Surrey Fire and Rescue Authority in the administration of its Firefighters' Pension Scheme.

An Effective audit opinion was given following the annual internal audit of Organisational Ethics. The review concluded that the routine actions of members and officers, and the consequent decisions taken by the council, are based on strong ethical principles.

THE GOVERNANCE ENVIRONMENT

Transparency and Stewardship

The annual review of the effectiveness of the system of internal audit concluded that appropriate controls were in place during 2015/16 to ensure an effective internal audit service was provided.

The overall opinion of the Chief Internal Auditor on the internal control environment for 2015/16 is “some improvement needed.” A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate and effective to provide reasonable assurance that risks are being managed and objectives met.

People

The People Strategy sets out the council’s aims and objectives in relation to employees and the wider workforce, including volunteers, charities and members of the public who help the council to help residents.

The council makes a considerable investment in skills and professional development training to ensure safety, compliance, safeguarding and high standards of professionalism and customer care. The training and development programme includes a range of e-learning and classroom based courses, online guidance and websites. A high performance development programme is in place to ensure staff are resilient and are able to perform strongly in challenging and uncertain circumstances.

During October and November 2015 staff participated in a staff survey, which has provided evidence of how colleagues feel about working for our organisation. Positive messages have come out of the survey but also some areas that we need to work on over the next few months.

To create a more networked organisation we are developing Communities of Practice to bring together groups of people with shared interests. Our aim is to utilise this knowledge and experience more effectively to provide the best and most efficient services to residents.



THE GOVERNANCE ENVIRONMENT

Engagement and collaboration

The council continues to build on the strong relationships with key partners such as Surrey's Districts and Boroughs and other public bodies. Our public service transformation projects are progressing, including the Surrey Family Support Programme and health and social care integration.

Surrey County Council and East Sussex County Council's business and support services partnership, known as Orbis, continues to develop and integrate services. In addition, Orbis Public Law, a legal services partnership between Surrey County Council, East Sussex County Council, West Sussex County Council and Brighton & Hove City Council, launched in April 2016 and will provide a sustainable and cost effective legal service.

We have joined up to work with East Sussex County Council, West Sussex County Council and 23 districts and boroughs on devolution to allow us to make collective decisions on matters affecting the whole area, such as building transport links between communities and finding new ways to encourage businesses and jobs to the region.

We have worked closely with the health sector throughout 2015 and have ambitious plans for 2016 regarding transformation and integration.

The council continues to develop Surrey-i, which publishes information about the council's residents and communities. It gives access to essential data, including customer needs, demand and supply side data. Snapshots are regularly used to bring together information in a visual and user friendly way.

The Surrey Residents Survey, jointly commissioned with Surrey Police, regularly gathers customer satisfaction data. Formal customer feedback procedures ensure that feedback is both consistent and appropriate and regularly reported.



FOCUS FOR 2016/17

Strong governance arrangements will support the increasing number and scale of challenges we are facing

The demographic demand pressures we face continue to grow and at the same time our resources are declining. We will be focusing on influencing national decision making over the next year to help sustain services for the residents we serve.

Devolution gives us an opportunity to move more of the decisions and funding from Central Government so that we can do things differently to meet local needs.

We will focus on improving Services for Children, including Early Help and Special Educational Needs and Disability (SEND).

Integration is a huge part of the work that is being done in Health and Social Care and presents us with a great opportunity to provide better outcomes for residents. We are re-thinking our current ways of working and collaborating with health partners to help deliver local integrated community-based health and social care.

The new Public Value Transformation programme will help us focus on the innovation and transformation needed in these areas for the next five years and beyond. It will require continued focus and determination across the council and with key partners to provide outcomes that residents want.

We will continue to develop a strong organisational culture, with a focus on succession planning and workforce development. We will also continue to make important investments and improvements for staff and members to ensure they have the right training, support, equipment and working environments needed to work effectively. This will provide high standards of customer care for all our stakeholders.

Work will be undertaken in ensuring we meet our responsibilities within the new Local Audit and Accountability Act 2014 regarding appointing an external auditor.

Leader of the Council

Chief Executive
June 2016



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