

Notice of Meeting

Audit & Governance Committee



SURREY
COUNTY COUNCIL

Date & time
Monday, 25
September 2017
at **10.30 am**

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

Contact
Emma O'Donnell
Room 122, County Hall
Tel 0208 541 8987

Chief Executive
David McNulty

emma.odonnell@surreycc.
gov.uk



We're on Twitter:
@SCCdemocracy

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This meeting will be held in public. If you would like to attend and you have any special requirements, please contact Emma O'Donnell on 0208 541 8987.

Members

Mr David Harmer (Chairman), Mr Keith Witham (Vice-Chairman), Mr Edward Hawkins, Mr Ernest Mallett MBE, Dr Peter Szanto and Mrs Fiona White

Ex Officio:

Mr David Hodge CBE (Leader of the Council), Mr John Furey (Deputy Leader, Cabinet Member for Economic Prosperity), Mr Peter Martin (Chairman of the Council) and Mr Tony Samuels (Vice-Chairman of the Council)

AGENDA

1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

2 MINUTES OF THE PREVIOUS MEETING 27 JULY 2017

(Pages 1
- 12)

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 (Tuesday 19 September 2017).
2. The deadline for public questions is seven days before the meeting (Monday 18 September 2017).
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

5 RECOMMENDATIONS TRACKER AND BULLETIN

(Pages
13 - 24)

The Committee is asked to review its Recommendations tracker and note progress towards actions listed.

The Committee is also asked to review the Bulletin and where necessary, request a formal report to the Committee if more information is required.

6 EXTERNAL AUDIT: ANNUAL AUDIT LETTER

(Pages
25 - 42)

The Council's external auditors present their Annual Audit Letter for 2016/17.

7 EXTERNAL AUDIT PERFORMANCE

(Pages
43 - 56)

To report back on performance against KPIs agreed in December 2016.

- 8 LEADERSHIP RISK REGISTER** (Pages 57 - 68)
The purpose of this report is to present the latest Leadership risk register and update the committee on any changes made since the last meeting.
- 9 COMPLETED INTERNAL AUDIT REPORTS** (Pages 69 - 78)
The purpose of this report is to inform Members of the Internal Audit reports that have been completed since the last meeting.
- 10 ANNUAL COMPLAINTS PERFORMANCE** (Pages 79 - 94)
To receive a report on the operation of the Council's complaints procedures.
- 11 COMMITTEE WORKPLAN** (Pages 95 - 102)
The Committee is asked to note its future workplan.
- 12 DATE OF NEXT MEETING**
The next meeting of Audit & Governance Committee will be at 10:30am on 4 December 2017.

David McNulty
Chief Executive

Published: Friday 15 September 2017

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MINUTES of the meeting of the **AUDIT & GOVERNANCE COMMITTEE** held at 10.00 am on 27 July 2017 at Members Conference Room, County Hall, Kingston upon Thames, Surrey KT1 2DN.

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

Elected Members:

Mr David Harmer (Chairman)
Mr Keith Witham (Vice-Chairman)
Mr Edward Hawkins
Mr Ernest Mallett MBE
Dr Peter Szanto
Mrs Fiona White

Members in Attendance

Mr David Hodge

40/17 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

There were none.

41/17 MINUTES OF THE PREVIOUS MEETING [13 JUNE 2017] [Item 2]

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

42/17 DECLARATIONS OF INTEREST [Item 3]

There were none.

43/17 QUESTIONS AND PETITIONS [Item 4]

There were none.

44/17 RECOMMENDATIONS TRACKER [Item 5]

Declarations of interest:

None

Witnesses:

None

Key points raised during the discussion:

The Committee reviewed each item of the tracker and noted its contents with the exception of tracker item A1/17 being reworded as below.

Action/Further information to note:

To re-word tracker item A1/17- Surrey Choices - to read: *That the Committee will see how the new Overview and Budget Scrutiny Committee will be dealing with this matter going forward.*

RESOLVED:

The report was noted.

45/17 ANNUAL REPORT OF SURREY COUNTY COUNCIL [Item 6]**Declarations of interest:**

None

Witnesses:

David Hodge, Leader of the Council

David McNulty, Chief Executive

Verity Royle, Senior Principal Accountant

Key points raised during the discussion:

1. The Senior Principal Accountant introduced the Council's Annual Report explaining that the same format of the report had been maintained and there was less jargon making it more accessible. It was also reported that whilst the Council was not required to produce an annual report, it continued to do so, as it was good practice for transparency.
2. The late Environmental Sustainability Review section from page 44 of the Annual Report was tabled and is attached to these minutes as Appendix A.
3. There was some discussion around the format of the printed copies and where they were distributed. Several ideas were mooted regarding what information should be contained in the 'mini' version and who should receive the full version and the mini version. The Chief Executive explained that this document should be primarily viewed as a reference document, and not primarily as a communication tool, which would also be available online. The online version would be in sections which would make it easier to read and printing costs would be kept to a minimum.
4. A member compared the length of this document with that of a multi billion pound corporation that had a much more succinct document. The Leader reminded the committee that the council dealt with people who held the council to account.
5. The Committee questioned the Chief Executive and Leader about the contents of the report and made suggestions for inclusion. Some would not be relevant or information would be available in next year's report as this was a backward looking document.
6. The Chief Executive highlighted that the council receive three times more compliments than complaints across the board and not in just one area and that members should be pleased with this good news.
7. In response to a member statement about devolution the Chief Executive explained that there was no longer Government interest in devolution, apart from those already started, and that plans were on hold. However, progress had been made with talks on health devolution.
8. Several amendments and suggestions for inclusion were made and agreed as given below.

Actions/ further information to be provided:

Suggested amendments and inclusions for the Annual Report:

- It was thought that the cogs used on page 10 of the report didn't provide the impact needed for the message. (Tracker A8/17)

- Page 13 - £ missing from schools expenditure. Three paragraphs of text beneath this table to be re-worded in order to make better sense.
- To include a table on page 54 of the report to show property investment details. (Tracker A8/17)
- That the summary of accounts as used on page 210 of the agenda pack could be included in the mini version of the annual report. It was suggested that the outturn position may be simpler to read.

Resolved:

To endorse the Annual Report (Annex A to the submitted report) for the authority.

Reason for decision:

To produce an Annual Report is good for transparency.

46/17 SURREY COUNTY COUNCIL ACCOUNTS 2016/17 AND EXTERNAL AUDIT'S AUDIT FINDINGS REPORT [Item 7]

Declarations of interest:

None

Witnesses:

Nikki O'Connor, Finance Manager
Jonathan Evans, Principal Accountant
Ciaran McLaughlin, Grant Thornton

Key points raised during the discussion:

1. The Principal Accountant introduced the report and highlighted changes to CIPFA reporting requirements, the unqualified opinion on the financial statements and qualified opinion on an except for basis on VfM (Value for Money), as well as the action plan based on the audit findings.
2. In response to Member queries it was reported that:
 - a) Capital underspends occurred due to both delays in projects and in some cases projects not occurring. Carry forwards were only approved for projects that were delayed and not for those that were no longer required. This was reviewed throughout the year and it was unusual not to have a carry forward as slippage in capital schemes was common.
 - b) There was some discussion about social care debt. It was agreed that this was a sensitive area and one which was constantly being reviewed. The Finance Manager confirmed that the bad debt provision was calculated based on the age of the debt.
 - c) The Finance Manager confirmed that the accounts of the council's trading companies are on the agenda to be presented to the December meeting of this committee.
 - d) It was recognised that the primary statements could be very difficult for the layman to read and understand but that the

Director's narrative report would help the reader to understand what the figures mean in simple terms and highlight the key messages.

3. Grant Thornton introduced the audit findings report and explained that the audit was substantially complete. The support from officers was good. A couple of adjustments had been identified as set out in the submitted report and these were regarding an academy conversation and the recognition of a deferred capital receipt. In response to a question, the Finance Manager explained that academies were written out of the council's balance sheet when they convert and were treated as expenditure in the comprehensive income & expenditure account.
4. In response to a member question as to why materiality included the Dedicated Schools Grant (DSG), over which the council had no control, Grant Thornton explained that there was a need for the council to measure, monitor and maintain records of DSG received. Grant Thornton included this when considering appropriate levels for materiality.
5. Grant Thornton also confirmed that it was not their role to look at things like cyber security.
6. Grant Thornton confirmed that they expected to issue an unqualified opinion on the financial statements and that in relation to value to money, they were satisfied that in all significant respects the council had put in place proper arrangements to secure economy, efficiency and effectiveness in the use of its resources for the year ended 31 March, with the exception of the arrangements for management of children's services due to the findings of Ofsted, published in their June 2015 report. This 'except for' opinion is the same as issued in previous years and would remain the case until Ofsted issue a revised opinion.

Actions/ further information to be provided:

- 1) To request that the Finance Manager email a copy of the narrative report by the Director of Finance to the Chairman to circulate to all Members of the Council with a covering letter highlighting where a full version of the accounts could be found. (Tracker A9/17)
- 2) That graphs used in future reports do not rely on colour for their understanding.
- 3) That the Financial Health risk identified in the VfM section of the auditor's report be written in past tense and highlight that this was identified as part of the Audit Plan in February and that the then planned Council Tax referendum did not occur. (Tracker A9/17)

Resolved:

1. That the 2016/17 Statement of Accounts, as in Annex A to the submitted report, be approved for publication on the council's website and in a limited number of hard copies.
2. That the 2016/17 Audit Findings Report in Annex B to the submitted report be noted.
3. That the officer response to recommendations of the external auditor be noted.
4. That the Director of Finance's letter of representation, in Annex C to the submitted report be noted.
5. That there were no issues in the Audit Findings Report that should be referred to the Cabinet.

Reason for decision:

To fulfil the committee's role in providing an independent and high level focus on financial accounts matters.

The Committee adjourned for a comfort break at 12.10pm and reconvened at 12.15pm.

47/17 SURREY PENSION FUND LOCAL GOVERNMENT PENSION SCHEME AND EXTERNAL AUDIT FINDINGS REPORT [Item 8]**Declarations of interest:**

None

Witnesses:

Phil Triggs, Strategic Manager Pensions and Treasury
Ciaran McLaughlin, Grant Thornton

Key points raised during the discussion:

1. The Strategic Manager Pensions and Treasury and Grant Thornton introduced their respective part of the report.
2. There was some discussion around the increase in numbers of deferred pensioners. It was explained that there was a revised method of counting and the numbers given included the backlog in administration.

Actions/ further information to be provided:

None.

Resolved:

1. That the 2016/17 Pension Fund financial statements in Annex A, to the report, was approved.
2. That the content of the Audit Findings for Surrey Pension Fund Report in Annex B, to the report, was noted.
3. That there were no issues to be referred to Cabinet.
4. That the Director of Finance be authorised to sign the representation letter, as set out in Annex C to the report, on behalf of the Council.

Reason for decision:

To fulfil the County Council's obligations as the administering authority under the Local Government Pension Scheme (LGPS) Regulations.

48/17 TREASURY MANAGEMENT OUTTURN REPORT 2016-17 [Item 9]**Declarations of interest:**

None

Witnesses:

Phil Triggs, Strategic Manager Pensions and Treasury

Key points raised during the discussion:

1. The Strategic Manager Pensions and Treasury introduced the report.
2. An updated risk register was tabled and is attached as Appendix B to these minutes.
3. The Committee discussed the low interest rate environment that continued and how it was expected to continue for the next few years.
4. There was a discussion regarding item one on the risk register and the fact that it was not Brexit alone that was the risk and that the risk was one of volatility caused by geo-political events.

Actions/ further information to be provided:

That item one of the risk register be amended as below and that item eight of the risk register be amended to be consistent on the use of lower case and capital letters.

Resolved:

1. That the Treasury Management Annual Report for 2016/17 was noted.
2. That the revised Treasury Management Risk Register shown in Annex 3, and with the following amendment/addition be adopted:
 - that Risk 1 should read 'geo-political issues' rather than UK leaving Europe and the risk rating made higher.

Reason for decision:

To ensure compliance with CIPFA's Code of Practice for Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

49/17 WORKPLAN AND BULLETIN TIMETABLE 2017/18 [Item 10]

The workplan and bulletin timetable were noted.

50/17 DATE OF NEXT MEETING [Item 11]

The date of the meeting was noted.

It was also agreed that the start time of meetings would be 10.30am going forward.

Meeting ended at: 12.50 pm

Chairman

Environmental Sustainability Review -

Trevor Pugh

Trevor Pugh is the Strategic Director for Environment and Infrastructure and responsible for the council's annual environmental sustainability statement.

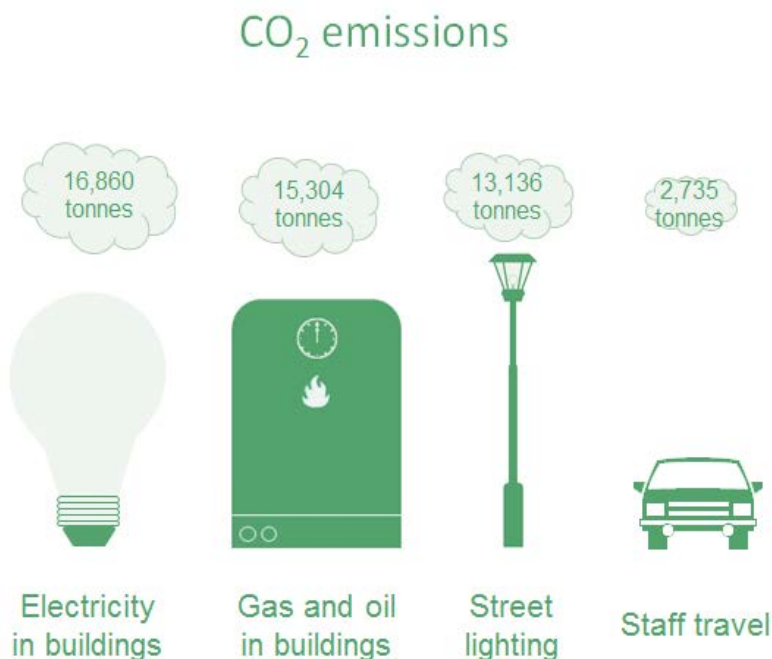
A healthy and well-functioning natural environment is the foundation for prospering communities, economic development and personal wellbeing; therefore environmental sustainability is an important goal for the council.

Surrey County Council manages public services in the environmental sector, in the areas of waste, transport, conservation and planning. Furthermore, the council has influence over environmental impacts through its own operations such as estate management, business travel and its procurement decisions. This report focuses on these 'corporate' aspects of environmental sustainability.

Scope of reporting:

- Greenhouse Gas emissions from our own estate and operations,
- Waste management on our own estate,
- Water consumption on our own estate,
- Business travel mileage by staff and county councillors, and
- Sustainable Procurement

Greenhouse Gas emissions from our own estate (including maintained schools) and operations



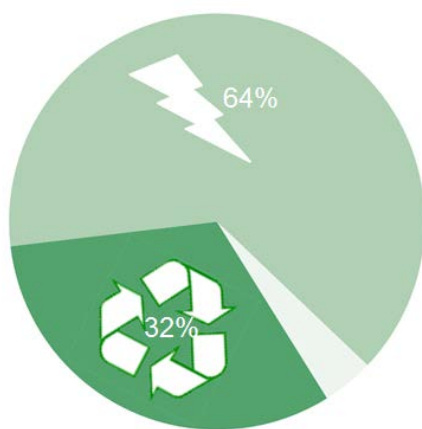
Our target for increasing energy efficiency and reducing our carbon emissions is a 10% reduction in emissions over a five year period. Three years into this programme, our carbon emissions from our own estate and operations have reduced by 8% compared to the baseline year.

This is a 'like for like' comparison, taking account of the impact of weather on variations in heating demand and also the impact of schools leaving our estate to become Academies.

Improvements in 'low carbon' electricity generation nationally have made the biggest difference in this reduction. Capital investment in energy efficiency in the council's buildings and the street lighting replacement programme have also contributed to emissions reductions. Further investment in energy efficiency measures in council buildings has been suspended due to financial pressures and so zero capital expenditure options are being investigated. The recently introduced part night lighting policy for street lights is projected to make cost and carbon savings in 2017/18 and the council will continue to look for affordable ways to increase energy efficiency.

Waste management on our own estate (excluding all schools)

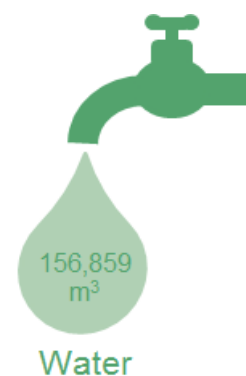
We are recycling 32% of our waste and a further 64% is being sent for Energy from Waste



The amount of waste diverted from landfill slightly increased (96% in 2016/17 vs 95% in 2015/16) and the total amount of waste produced from council buildings reduced; both positive trends. However a lower proportion of the non-landfilled waste was sent for recycling (32% vs 37%) and a higher proportion was sent to 'energy from waste' compared to previous year.

Water consumption on our own estate (excluding all schools)

Water consumption decreased in 2016/17 compared to the previous year. This includes water used in care homes, some of which were vacated during 2016-17. The council has water meters installed at its largest sites and is examining further opportunities via reforms to the water market.



Business travel



Business travel is mileage driven by staff and councillors, including out of county visits such as visiting children in care.

Business mileage reduced in 2016/17 compared to the previous year, which

counters the previous trend of year on year increases. The council encourages smart and remote working and provides a range of measures to support sustainable travel for business purposes and commuting.

Sustainable Procurement

We have revised our process for suppliers to address environmental sustainability, which now includes a method to quantify environmental commitments in monetary equivalent values and to include these within the tender evaluation

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Risk Group	Risk Ref.	Risk Description	Impact			Likelihood	Total risk score	Mitigation actions
			Financial	Reputation	Total			
Financial	1	UK's withdrawal from the European Union causes volatility The UK's withdrawal from the EU, results in the further downgrading of the UK Government as an international creditor, with resultant volatility in gilt yields, and pressure on Sterling, resulting in possible inflationary pressure and changes in interest rates.	2	3	5	3	15	Since the Referendum, the UK has been downgraded to AA. However, this has not had any adverse impact on gilt prices, the reverse being true as gilt yields have sunk to historical low points. Sterling has lost ground against all currencies but, given the already low level of interest rates, the expectation is that monetary policy will be kept loose in response to the reduced trading position, weaker economic outlook, and to support consumer and business sentiment. There is little anticipation of any interest rate rises in the short/medium term.
Financial	2	Interest Rate Risk (Borrowing) The risk that fluctuations in the levels of interest rates (gilt yield) create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.	4	1	5	3	15	As part of the Treasury Management Strategy, the TM function will continually monitor interest rates available to ensure any borrowing is prudent, and at an affordable level.
Operational	3	HSBC System Failure The partial or complete failure of HSBC's online banking system disallowing access or usage of online payment and bank account information.	2	3	5	2	10	In the event of an online systems failure officers are able to request information or payments to be made through the Council's relationship manager and HSBC corporate team.
Operational	4	Financial failure of SCC's main bankers The collapse of the council's main bankers, leading to a total shutdown of services.	4	4	8	1	8	The UK Government has implied by its takeover of both Lloyds TSB and RBS that it will not allow a UK financial institution to fail. The suitability of the council's banker (HSBC) in terms of its security and stability is assessed on a regular basis.
Financial	5	Credit and counterparty risk The risk of failure by a counterparty to meet its contractual obligations to the organisation under an investment, borrowing, capital, project or partnership financing, particularly as a result of the counterparty's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or revenue resources.	3	4	7	1	7	As part of the Treasury Management Strategy, counterparty criteria has been set at a level to allow only the most financially secure banks and other counterparties within the lending list. Such lists are regularly monitored against updates and advice provided by our Treasury consultant.
Operational	6	Fraud, Error and Corruption This is defined as the risk that an organisation fails to identify the circumstances in which it may be exposed to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings and fails to employ suitable systems and procedures and maintain effective contingency management arrangements to these ends.	3	4	7	1	7	Ongoing internal audit advice will ensure that the Council identifies the circumstances which may expose it to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Advice is also supplied with regard to the use of internal controls and compliance testing as to their effectiveness. Managers will maintain a constant watch over the suitability of its systems and procedures.
Financial	7	Interest Rate Risk (Investments) The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.	2	1	3	2	6	As part of the Treasury Strategy, all investments will be kept with counterparties with a high rating, on a short term basis of one year or less, minimising any interest rate risks.
Financial	8	Too Conservative Strategy The overall treasury management strategy is judged as too prudent and unnecessarily stringent, resulting in investment returns being lower than might have been with a more risky, but ultimately safe, approach.	3	2	5	1	5	Treasury strategies, outturn reports and monitoring reports and scrutinised on a regular basis by the Audit and Governance Committee with recommendations and opinions minuted and actioned. The current treasury management strategy focuses on internal borrowing as a means of funding the Council's capital budget and therefore the current investment strategy is one of providing liquidity to the Council's cashflow.
Operational	9	Legal and Regulatory Risk Defined as the risk that the organisation itself, or a third party with which it is dealing, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.	1	4	5	1	5	The Treasury Management function will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements, by receiving relevant updates from CIPFA and from the treasury advisors.
Operational	10	Theft of intellectual property and confidential information	1	4	5	1	5	Ensure all sensitive data is locked away. Challenge any unknown visitors. Use of secure passwords to protect against unauthorised access.
Operational	11	Liquidity Risk The risk that cash will not be available when it is needed, that ineffective management of liquidity creates additional unbudgeted costs, and that the organisation's business/service objectives will be thereby compromised.	2	3	5	1	5	As part of the Treasury Management Strategy, a minimum cash balance of £15m will be maintained. In the event of unforeseen circumstances leading to a negative balance, short term borrowing is widely available from both the money markets and from other local authorities.
Financial	12	Market Risk The risk that, through adverse market fluctuations in the value of the principal sums an organisation borrows and invests, its stated treasury management policies and objectives are compromised, against which effects it has failed to protect itself adequately.	1	1	2	2	4	The Treasury Management Strategy prevents exposure to instruments which can be subject to significant adverse market fluctuations in the capital sum invested.
Financial	13	Refinancing Risk The risk that maturing borrowings, capital, project or partnership financings cannot be refinanced on terms that reflect the provisions made by the organisation for those refinancings, both capital and current (revenue), and/or that the terms are inconsistent with prevailing market conditions at the time.	2	2	4	1	4	As part of the Treasury Management Strategy, restrictions have been set on the proportion of borrowing that is due for refinancing in the short term..



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**Audit & Governance Committee
25 September 2017**

Recommendations Tracker

PURPOSE OF REPORT:

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

INTRODUCTION:

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

RECOMMENDATION:

The Committee is asked to monitor progress on the implementation of recommendations from previous meetings 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
A10/17	27/07/17	Annual Report of the Council	To rethink cogs used on page 10 of the report to provide the impact needed for the message. Pg 13 – ‘£’missing from schools expenditure. Three paragraphs of text beneath this table to be re-worded. Include a table on page 54 to show property investment details. To include the outturn position.	CEx, Leader	
A9/17	27/07/17	SCC Accounts 2016/17	To email a copy of the narrative report by the Dir of Finance, with the primary statements to all Members of the Council with a covering letter from the Chairman. That the Financial Health risk identified in the VfM section of the auditor’s report be written in past tense and to include details of what didn’t happen regarding the Council Tax referendum.	Finance Manager Chairman	

Audit & Governance Committee Recommendations Tracking

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
A7/17	13/6/2017	Completed Internal Audit Reports	That Audit provide copies of audit reports to local committee chairmen.	Audit Performance Manager	Audit have provided copies of completed reports to Local Committee Chairmen. Democratic Services Officers will circulate a reminder to all Members reminding them how to access Audit reports via s:net once the documents library has been updated.
A6/17	13/6/2017	Annual Internal Audit Report	That the Civil Parking Enforcement Audit Report be circulated to all members of Audit & Governance Committee.	Audit Performance Manager	The Civil Parking Enforcement Audit Report was circulated to all members of the Audit & Governance Committee by e-mail on 4 September 2017.
A5/17	13/6/2017	IA Irregularity & Special Investigations	<ol style="list-style-type: none"> 1. That the Lead Auditor speak with the Communication Team regarding publicity. 2. That in future reports the Lead Auditor includes a pie-chart breakdown of the 'proven' cases. 3. That the Lead Auditor arrange for a Fraud Seminar for members. 	Lead Auditor	<ol style="list-style-type: none"> 1. A meeting with the Communications team has been scheduled for late September and outcomes will be shared with the committee as appropriate. 2. This will be introduced in the "Half-Year summary of Internal Audit irregularity investigations and counter fraud measures" which will be presented to the committee in December. 3. This will be arranged through the committee manager.
A1/17	20/02/17	Audit for Surrey Choices	Committee to invite Penelope Fell, MD of Surrey Choices/Shareholder Board to next meeting of A&G	Chairman	27 July 2017 – That the Committee will see how the new Overview and Budget Scrutiny Committee will be dealing with this matter going forward.

Audit & Governance Committee Recommendations Tracking

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
A8/16 Merged A20/15 A43/15 -Dec 2016	28/05/1507/ 12/15	Completed Internal Audit Reports Internal Audit Half Year Report 2915/16	<ul style="list-style-type: none"> record keeping for accounts relating to individuals' care charges outstanding financial assessments. 	Chairman	<p>Members from Audit & Governance Committee were invited to attend the Social Care Services Board on 26 October to take part in discussions on this item. Denis Fuller and Tim Hall attended as did Saj Hussain who is a member of SCSB.</p> <p>Jan 2017 – Committee agreed to keep on the tracker for the new committee.</p> <p>May 2017 – An audit is currently taking place so depending on outcome committee may wish to delete this item from the tracker.</p> <p>13 June 2017 – Committee requested this be kept on tracker until the audit report had been seen.</p>
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>SEND Strategy 2020 and development plan agreed and published.</p> <p>A formal multi-board group set up to monitor the four workstreams of the plan. The Boards involved will be SCS, ESB and REB. The Education & Skills Board and the Social Care Services Board and the Wellbeing & health Scrutiny Board have submitted a task group scoping document to COB for approval at its September meeting.</p> <p>At the July meeting of A&G it was agreed to keep this on the tracker and to monitor the four workstreams of the multi board.</p> <p>A copy of the notes from the first SEND Multi Board meeting were sent to members of the committee 1/3/2017</p> <p>March 2017 – A&G agreed to keep this on the tracker in order to inform the post-election members.</p> <p>May 2017 – An audit is currently taking place so depending on outcome committee may wish to delete this item from the tracker.</p> <p>13 June 2017 – Committee requested this be kept on tracker until the audit report had been seen.</p>

Audit & Governance Committee Recommendations Tracking

COMPLETED RECOMMENDATIONS/REFERRALS/ACTIONS – TO BE DELETED

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
A8/17	13/6/17	Annual Governance Statement	<ol style="list-style-type: none"> 1. To request information regarding the effectiveness of registering/declaring significant personal interests and whether these were ever declared in meetings. 2. To request information regarding webcasting usage and whether the number of meetings webcast was up or down. 3. That the Chief Executive include a sentence, in the AGS, regarding the MASH Board, consisting of leaders from the partner organisations, which oversees the operation of the MASH. 	<ol style="list-style-type: none"> 1. Committee Manager 2. Committee Manager 3. Chief Executive 	<ol style="list-style-type: none"> 1. There had been no declarations of significant personal interests made in the six months up to end of July 2017. 2. Webcasting statistics emailed to Chairman 12/7/17 3. An additional sentence was added to the AGS which went to Cabinet on 27 June.

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.

Contents

1. Internal Audit update
2. Statutory Responsibilities Network Update
3. Gifts and Hospitality Update
4. Whistleblowing Update
5. Petitions
6. Updates from other committees
7. Upcoming
8. Committee Contact Details

Internal Audit update

Current Audits	<p>The following audits are currently in progress or in the planning stage:</p> <ul style="list-style-type: none"> • Appraisals • Purchasing Cards (with ESCC) • Surrey Choices • Public Consultation • Blue Badges • Non Maintained Independent Schools • Children's Improvement Plan • Community Transport • Corporate Savings • Pensions Admin (on behalf of ESCC) • National Fraud Initiative data matches • Vendor Data Management • Pension Fund • Contract Management (in ASC and CSF) • General Data Protection Regulation • IT Usage Policy <p>Members are encouraged to contact either Simon White (simon.white@surreycc.gov.uk) or David John (david.john@surreycc.gov.uk) if they have insight they wish to contribute to the above audit reviews.</p>
Counter Fraud Work	<p>The team has been involved in a number of ad hoc irregularity reviews that have arisen in Q1 and Q2. These will be summarised for Committee in the half year irregularity report in December 2017.</p>
Orbis Partnership	<p>We continue to have successful joint working relations with our partners at East Sussex and Brighton, working collaboratively on audits wherever possible. Currently we are working closely with East Sussex colleagues on reviewing Purchasing Card transactional data, and are undertaking the audit of their Pension Administration arrangements using the experience gained from the Lead Auditor who undertook the same audit for Surrey County Council. We have also commenced joint working relationships with Horsham District Council under the Orbis-IA arrangements.</p>

SRN Update

What is SRN?

The Statutory Responsibilities Network (SRN) has been established since May 2014 and is scheduled fortnightly on a Monday afternoon. It exists to bring key officers together with a focus on the Council's core legal duties.

The network provides a regular forum for statutory officers to raise key issues, share knowledge and offer challenge. In response to risks, the network may choose to request further information, propose ideas or commission specific work. Where organisational inconsistencies are identified, a strategic solution is agreed, implemented and overseen.

Membership

SRN membership is as follows:

- David McNulty, Chief Executive Officer
- Julie Fisher, Deputy Chief Executive and Strategic Director, Children, Schools and Families
- Russell Pearson, Chief Fire Officer
- Helen Atkinson, Director of Adult Social Care and Public Health
- Sheila Little, Director of Finance
- Ann Charlton, Director of Legal, Democratic and Cultural Services
- Ken Akers, Strategic Human Resources Relationship Manager
- Russell Banks, Chief Internal Auditor

Terms of Reference

The purpose of SRN is to facilitate clear senior officer oversight of our major statutory and other responsibilities, which have been defined as:

- Ensuring adults and children are safe
- Ensuring fiduciary duty, i.e. finances are safe
- Ensuring compliance, including with equalities duties
- Ensuring health & safety responsibilities are met
- Ensuring highways responsibilities are met
- Ensuring the provision of sufficient school places
- Ensuring public health & wellbeing
- Ensuring organisational resilience and continuity
- Ensuring risks are identified and managed

Summary of key items over the past 6 months

Improvement of Children's Services

Children's Improvement Update is a standing item for SRN meetings. Over the past 6 months, the network has prepared for the upcoming Ofsted monitoring and inspection visits by keeping an oversight and providing constructive challenge.

Governance of risk

The leadership risk register is a standing item for SRN meetings. This allows for the regular review of existing risks and the identification of new risks. The financial outlook features as the number one risk for the organisation and the Director of Finance keeps the SRN updated on the strategic financial position of the council. The Strategic Risk Forum also continues to operate as usual.

Other items covered by SRN over the past six months:

- Approval of the Internal Audit charter.
- Health and safety, including learning from historical cases and planning future training.
- Building review following the Grenfell disaster.
- Information governance review including use of equipment and recording
- Oversight of Prevent agenda.

Further information

Contact Name: Ellie Giffard

Service: Democratic Services

Telephone number: 0208 213 2502

Gifts and Hospitality Update

The Human Resources Leadership Team (HRLT) and the Statutory Responsibilities Network have reviewed a full summary of activity on the gifts and hospitality register for the last financial year, and the report has also been shared with the Governance Panel. The total amounts of gifts and hospitality that were accepted, declined or offered to charity are shown below:

FY2016-2017 Q1 to Q4 SUMMARY	No of records	No of recorders	G&H accepted	Value of G&H accepted	G&H declined	Value of G&H declined	G&H donated	Value of G&H donated
ASC & PH	14	11	11	£486.00	2	£1,250.00	1	£65.00
CSF	12	11	10	£174.00	2	£235.00	0	£0.00
Communities	4	3	4	£103.00	0	£0.00	0	£0.00
DCEO	9	9	7	£670.00	2	£960.00	0	£0.00
E&I	7	6	7	£1,196.00	0	£0.00	0	£0.00
Finance	2	2	2	£40.00	0	£0.00	0	£0.00
L&D Services	3	3	3	£75.00	0	£0.00	0	£0.00
TOTAL	51	45	44	£2,744.00	6	£2,445.00	1	£65.00

Entries to the register are made online via Surrey Says, and are downloaded into a master copy on a monthly basis. Any entry that may be a potential anomaly is escalated and explored in greater detail by a senior manager within HR.

No concerns about the logging, or scrutiny of the cases have been expressed.

To view the entire activity report, please contact Hannah Dwight (hannah.dwight@surreycc.gov.uk / 0208 541 8956) or Tess Corlett (tess.corlett@surreycc.gov.uk / 01483 518870).

Whistleblowing Update

The Human Resources Leadership Team (HRLT) and the Statutory Responsibilities Network (SRN) have reviewed summarised activity of whistle blowing for the last financial year. This report has also been shared with the Governance Panel. There has been consistent promotion of the policy and the ways to report a concern; however the number of cases has declined through the latter part of the year.

The total numbers of whistle blowing cases that were reported during 2016-17 are shown in the following table, together with comparison numbers for 2015-16.

Source	Service	FY 2016-17 No of reports	FY2015-16 No of reports
Expolink	HR	10	14
Direct	HR	3	0
Expolink	Internal Audit	3	5
Direct	Internal Audit	5	8
Expolink	Legal & Democratic Services	1	0
Direct	Legal & Democratic Services	0	0
Total		22	27

A summary of activity is provided to nominated members of the HR and OD team for review and any areas of concern are explored appropriately.

To view the full report, please contact Hannah Dwight (hannah.dwight@surreycc.gov.uk / 0208 541 8956) or Tess Corlett (tess.corlett@surreycc.gov.uk / 01483 518870).

Petitions

The Committee will receive information on petitions reaching 1,000 or more signatories. This is for information only to inform you of the big concerns of residents.

End date	24 May 2017
Petition Prayer	Abolish plans to switch of street lighting overnight
Where/when decision will be made	Cabinet Member for Highways - 15 June 2017
Outcome	TBC

End date	7 August 2017
Petition Prayer	Stop their plans to cut fire and rescue cover in Spelthorne by 50%
Where/when decision will be made	Cabinet – 26 September 2017
Outcome	https://mycouncil.surreycc.gov.uk/ieListDocuments.aspx?CId=637&MIId=5640&Ver=4 - petition response

End date	11 September 2017
Petition Prayer	Save Surrey's Tips (3245 signatures)
Where/when decision will be made	Cabinet – 26 September 2017
Outcome	TBC

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 27 June 2017, the Cabinet considered the following report(s):</p> <ul style="list-style-type: none"> • Annual Governance Statement 2016/17 • Finance & Budget Monitoring report • Awards of contracts <p>At its meeting on 18 July 2017, the Cabinet considered the following report(s):</p> <ul style="list-style-type: none"> • Annual Report of the Shareholder Board • Investment Board Annual Report • Award of contract for Property Investment Advisory Service • Leadership Risk Register
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Surrey Pension Fund Committee	At its meeting on 2 June 2017, the Surrey Pension Fund Committee will considered the following reports: <ul style="list-style-type: none">• Investment Strategy Statement• Actuarial Valuation 2016: Outcome• Pension Fund Business Plan 2016/17: Outturn Report• Pension Fund Risk Registered Organisation
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Upcoming

The next meeting of the Audit & Governance Committee is on 4 December 2017.

Committee Contacts

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**Audit & Governance Committee
25 September 2017**

Annual Audit Letter 2016/17

Purpose of the report:

The Council's external auditors, Grant Thornton, are presenting their Annual Audit Letter in respect of the audit year 2016/17 (Annex 1). This report summarises the key messages and findings arising from the work carried out at the Council for the year ended 31 March 2017, including the findings detailed in the Grant Thornton Audit Findings report presented to the Audit & Governance Committee on 27 July 2017.

Recommendations:

The committee is asked to note the contents of the Annual Audit Letter (Annex 1)

Introduction:

1. The Annual Audit Letter summarises the key findings arising from the work carried out by Grant Thornton for the year ended 31 March 2017. It details:
 - the key messages arising from the external audit of the Council's 2016/17 financial statements
 - the key findings from Grant Thornton's work undertaken to reach a conclusion on the economy, efficiency and effectiveness in the Council's use of resources (the value for money conclusion).
2. The Annual Audit Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public.
3. A more detailed report outlining the detailed findings from the audit work to those charged with governance was included in the Audit Findings Report which was shared with this Committee on 27 July 2017 along with the report on Value for Money.

Conclusions

4. The Annual Audit Letter of the external auditors is attached at Annex 1 for consideration by this Committee.
5. The report confirms that in respect of the audit of the Surrey County Council 2016/17 financial statements:

- Grant Thornton issued an unqualified opinion on the Council's accounts, the group accounts and the pension fund accounts on 7 August 2017, well in advance of the 30 September 2017 national deadline.
 - The Council made the accounts available for audit in line with the agreed timetable, and provided a good set of working papers to support them.
6. The report confirms that in respect of the 2016/17 value for money conclusion:
- Grant Thornton issued a VfM conclusion for 2016/17 which was qualified on an 'except for' basis in respect of one matter. This a consequence of the Ofsted inspection judgement from June 2015 which concluded that children's services were inadequate. Ofsted has yet to publish a subsequent full inspection report and as such the judgement from June 2015 remains in place.
 - Grant Thornton concluded that they were satisfied that in all significant respects, except for the matter in respect of Ofsted, the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.
7. The report also confirms that Grant Thornton have:
- issued their audit findings report to the Audit and Governance Committee in relation to the Pension Fund Accounts,
 - reviewed the Council's Annual Governance Statement and Narrative Report.

Financial and value for money implications

8. There are no direct financial and value for money implications of this report.

Equalities and Diversity Implications

9. There are no direct equalities implications of this report.

Risk Management Implications

10. There are no direct risk management implications of this report.

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

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The Annual Audit Letter for Surrey County Council

Year ended 31 March 2017

September 2017
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Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at Surrey County Council (“the Council”) for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Council and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit & Governance Committee (as those charged with governance) in our Audit Findings Report on 27 July 2017.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 7 August 2017.

Value for money conclusion

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017 except for the requirement for continued improvements to children's services. We therefore qualified our value for money conclusion in our audit opinion on 7 August 2017.

Use of additional powers and duties

We are required under the Act to give electors the opportunity to raise questions about the Council's accounts and we consider and decide upon objections received in relation to the accounts.

We received one formal objection to the accounts during the official accounts inspection period, which was reviewed and responded to accordingly.

Whole of government accounts

We plan to complete work on the Council's consolidation return in line with the guidance issued by the NAO. We will complete this work by 29 September 2017.

Certificate

We are currently unable to formally certify that we have completed the audit of the accounts of the Council as we have not yet completed the work required under the Code on the Council's Whole of Government Accounts or given an audit opinion on the pension fund annual report.

Certification of grants

We also carry out work to certify the Council's Teacher's Pension return. Our work on this claim will be finalised by the 30 November 2017 deadline. We will report the results of this work to the Audit & Governance Committee in our Annual Certification Letter.

Working with the Council/Authority

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

Grant Thornton UK LLP
September 2017

Audit of the accounts

Our audit approach

Materiality

In our audit of the Council's accounts, we applied the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality to be £26.8 million for our audit of the Council's accounts, which is 1.5% of the Council's gross revenue expenditure. We used this benchmark as in our view, users of the Council's accounts are most interested in how you have spent the income you have raised from taxation and grants during the year.

We set a lower threshold of £1.3 million, above which we reported errors to the Audit & Governance Committee in our Audit Findings Report.

Pension Fund –

For the audit of the Surrey Pension Fund accounts, we determined materiality to be £38.6 million, which is 1% of the Fund's net assets. We used this benchmark, as in our view, users of the Pension Fund accounts are most interested in the value of assets available to fund pension benefits.

We set a threshold of £2 million above which we reported errors to the Audit & Governance Committee.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by the Director of Finance & Officer are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts – Surrey County Council

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Management over-ride of controls ISA (UK&I) 240 requires us to presume that the risk of management over-ride of controls is present in all entities.</p>	<ul style="list-style-type: none"> We reviewed your entity controls We reviewed your journal entry process We used risk based analysis to test a selection of journals posted in the year back to supporting documentation We reviewed management's accounting estimates, judgements and decisions made by management We reviewed any transactions we deemed to be unusual and significant to the users' understanding of the financial statements. 	<p>Our audit work did not identify any material issues in respect of the risk identified.</p>
<p>The revenue cycle includes fraudulent transactions Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. 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 ISA240 and the nature of the revenue streams at Surrey County Council, we determined that the risk of fraud arising from revenue recognition could 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; and the culture and ethical frameworks of local authorities, including Surrey County Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore we did not consider this to be a significant risk for Surrey County Council.</p>	<p>Our audit work did not identify any material issues in respect of the rebutted fraudulent revenue recognition risk.</p> <p>Through our work we identified one issue whereby the Council had not accounted for the deferred capital receipt element in respect of an asset disposed of in the year. Thereby, understating Short term debtors and deferred capital receipts reserve as well as understating the gain on disposal of non-current assets. This misstatement was not due to fraud.</p> <p>Our audit work has not identified any further material issues in respect of revenue recognition.</p>

Audit of the accounts (continued) – Surrey County Council

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>The expenditure cycle includes fraudulent transactions</p> <p>Practice Note 10 requires us to consider the risk of material misstatement due to fraudulent financial reporting that may arise from manipulation of expenditure recognition, especially where the body is required to meet targets. Although we did not report on our assessment to you as part of our planning we have included it here in the interests of completeness and transparency.</p>	<p>Having considered the risk factors and the nature of the expenditure at Surrey County Council, we determined that the risk of fraud arising from the expenditure transactions could be rebutted, because:</p> <ul style="list-style-type: none"> • incentive and opportunities to manipulate expenditure are very limited. • the culture and ethical frameworks of local authorities, including Surrey County Council, mean that all forms of fraud are seen as unacceptable. • we are already reviewing unusual significant transactions, accounting estimates and journal entries in addressing the risk of management override of control above. 	<p>Our audit work did not identify any material issues in respect of the risk identified.</p>
<p>Valuation of property plant and equipment</p> <p>The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p>	<ul style="list-style-type: none"> • Reviewed management's processes and assumptions for the calculation of the estimate. • Reviewed the competence, expertise and objectivity of any management experts used. • Reviewed the instructions issued to valuation experts and the scope of their work • Held discussions with the Council's valuer about the basis on which the valuation was carried out, challenging the key assumptions. • Reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding. • Tested revaluations made during the year to ensure they were input correctly into the Council's asset register • Evaluated the assumptions made by management for those assets not revalued during the year to assess how management satisfied themselves that these were not materially different to current value. 	<p>Our audit work did not identify any material issues in respect of the risk identified.</p>

Audit of the accounts (continued) – Surrey County Council

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability</p> <p>The Council's pension fund net liability, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> Identified the controls put in place by management to ensure that the pension fund net liability was not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement. Reviewed the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation. Gained an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made. Reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from the Council's actuary. 	<p>Our audit work did not identify any material issues in respect of the risk identified.</p>

Audit of the accounts – Pension Fund

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work on the audit of the pension fund.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>The revenue cycle includes fraudulent transactions</p> <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 ISA240 and the nature of the revenue streams at Surrey Pension Fund, we determined that the risk of fraud arising from revenue recognition could 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; and • the culture and ethical frameworks of local authorities, including Surrey County Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore we did not consider this to be a significant risk for Surrey Pension Fund.</p>	<p>Our audit work did not identify any material issues in respect of the risk identified.</p>
<p>The expenditure cycle includes fraudulent transactions</p> <p>Practice Note 10 requires us to consider the risk of material misstatement due to fraudulent financial reporting that may arise from manipulation of expenditure recognition, especially where the body is required to meet targets. Although we did not report on our assessment to you as part of our planning we have included it here in the interests of completeness and transparency.</p>	<p>Having considered the risk factors and the nature of the expenditure at Surrey Pension Fund, we determined that the risk of fraud arising from the expenditure transactions could be rebutted, because:</p> <ul style="list-style-type: none"> • incentive and opportunities to manipulate expenditure are very limited. • the culture and ethical frameworks of local authorities, including Surrey County Council, mean that all forms of fraud are seen as unacceptable. • we are already reviewing unusual significant transactions, accounting estimates and journal entries in addressing the risk of management override of control above. 	<p>Our audit work did not identify any material issues in respect of the risk identified.</p>

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Audit of the accounts (continued) – Pension Fund

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work on the audit of the pension fund.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Level 3 investments – Valuation is incorrect</p> <p>Under ISA (UK&I) significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • Updated our understanding of your process for valuing Level 3 investments through discussions with relevant personnel • For a sample of private equity investments we tested 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. We reconciled these values to the values as at year end 31 March 2017 with reference to known movements in the intervening period. • Reviewed the nature and basis of estimated values and considered what assurance management had over the year end valuations provided for these type of investments. 	<p>Our audit work did not identify any material issues in respect of the risk identified.</p>

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Council's accounts and on the Pension Fund on 7 August 2017, in advance of the 30 September 2017 national deadline.

The Council made the accounts available for audit in line with the agreed timetable, and provided a good set of supporting working papers. The finance team responded promptly and efficiently to our queries during the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts of the Council to the Council's Audit & Governance Committee on 27 July 2017.

In addition to the key audit risks reported above, we identified the following recommendations during our audit that we have asked the Council's management to address for the next financial year:

- Ensure processes are in place to capture all schools which have converted to academies during the year and moved off Balance Sheet, onto the Fixed Asset Register.
- Ensure processes and the communication channels between different Council departments are aligned such that any contractual information that may affect revenue recognition are known to all relevant parties.

Pension fund accounts

We also reported the key issues from our audit of accounts of the Pension Fund hosted by the Council to the Council's Audit & Governance Committee on 27 July 2017.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We plan to carry out work on the Council's consolidation schedule in line with instructions provided by the NAO by 29 September 2017.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out in table 2 overleaf.

Overall Vfm conclusion

In June 2015, a report on the inspection of services for children in need of help and protection, looked after children and care leavers, concluded that, overall, children's services in Surrey County Council were judged to be inadequate. You have been responsive to the issues identified by the inspection and undertaken a series of actions, as part of a three year strategy, to improve children's services. However recent Ofsted letters highlight areas where improvement is still required.

Based on our review, with the exception of the matter set out above in relation to arrangements for management of children's services, we are satisfied that in all significant respects you have put in place proper arrangements to secure economy, efficiency and effectiveness in your use of resources for the year ended 31 March 2017.

Value for Money

Table 2: Value for money risks

Risk identified	Work carried out	Findings and conclusions
<p>Financial Health The Council had historically managed its finances well and had consistently achieved savings targets. It was on course to achieve a balanced budget for 2016/17. However, following the most recent settlement, the scale of efficiencies and savings required was sizeable and the Council had decided to hold a referendum in May 2017 where it would ask electors to agree a proposed increase of 15% in the level of Council Tax. There was a risk that if the Council did not receive the mandate which it had asked for from tax payers, it would need to draw back significantly on its proposed spending programme.</p> <p>However, it should be noted that a decision was made by the Council not to go ahead with the planned referendum.</p>	<ul style="list-style-type: none"> reviewed the Council's progress in updating its medium term financial strategy and the reports to Members reviewed the outturn position for 2016/17 and the budget plans for 2017/18 and 2018/19 met with key officers to discuss key strategic challenges and the Council's proposed response. 	<p>You have a history of good financial management and delivered a surplus out turn for 2016/17, enabling you to increase reserve levels. You face a significant challenge to balance the budget going forward, with a savings target of £104m in 2017/18. The gap between income and expenditure over the next few years is being driven by escalating social care costs and a continued reduction in central government grant income. You have costed plans in place to reduce the gap by making efficiencies to services, reducing selected non-statutory services and using your reserves. You are pursuing innovative schemes and working with other councils to save money. You are also looking at methods of income generation via investment in property. Even with all these schemes in place, early budget monitoring indicates potential for an overspend (approx. 2% of expenditure) in 2017/18. You recognise the need for management action to ensure the Council spends within its available resources. You are aware of the financial environment and have robust arrangements in place to monitor budgets against actuals, identify areas of focus and take action. Even with your strong track record of making efficiency savings the scale of the task going forward will require a strategic approach.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the Council has adequate arrangements</p>
<p>Ofsted inspection of children's services Ofsted issued a critical report on children's services in 2014/15 and the council is currently subject to follow up review. We issued a qualified except for conclusion in 2014/15 and 2015/16. Until such time as Ofsted confirmed adequate arrangements are in place this remains a significant risk.</p>	<ul style="list-style-type: none"> reviewed update reports from Ofsted and the Department for Education as they become available and took these into account in forming our conclusion. 	<p>We reviewed the Ofsted letters dated 10 February 2017 and 13 June 2017.</p> <p>It is clear from these letters that you have made good progress against your improvement plan since the Ofsted inspection in June 2015 and should be commended for the outcome of this work. However Ofsted point out some areas where more work is required to improve the service, some areas where good practice has been inconsistent and some areas where improvement has been too slow.</p> <p>Whilst recognising the progress you have made in response to the Ofsted report, your work in these areas is on-going and, accordingly, we propose to qualify our value for money conclusion in this respect.</p>

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Fees

	Proposed fee £	Actual fees £
Statutory audit of the Council	142,098	142,098
Statutory audit of Pension Fund	27,105	27,105
Audit of South East Business Services Ltd	12,000	TBC
Audit of Surrey Choices Ltd	17,000	TBC
Audit of Halsey Garton Property Ltd	12,500	TBC
Total fees (excluding VAT)	210,703	TBC

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The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Reports issued

Report	Date issued
Audit Plan	March 2017
Audit Findings Report	July 2017
Annual Audit Letter	September 2017

Fees for other services

Service	Fees £
Audit related services:	
• Certification of Teachers' Pension return for Surrey County Council (2016-17)	4,000
• Certification of Teachers' Pension return for Surrey Choices Ltd (2016-17)	3,500
Non-audit services	Nil
None	

Other services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all other services which were identified.
- We have considered whether other services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place, as reported in our Audit Findings Report.
- There were no non-audit services provided to the Council by Grant Thornton in 2016-17.

Reports issued and fees continued

We have considered whether other services might be perceived as a threat to our independence as the Council’s auditor and have ensured that appropriate safeguards have been applied to mitigate these risks.

	Service provided to	Fees	Threat identified	Safeguards
Page 41	Audit related services			
	Certification of Teachers’ Pension return for Surrey County Council (2016-17)	4,000	<ul style="list-style-type: none"> Self- Interest 	<p>This is a recurring fee and therefore a self-interest threat exists. However, the level of this recurring fee taken on its own is not considered to be a significant threat to independence as the fee for this work in comparison to the total fee for the audit (£142,098k) for the Council and in particular to Grant Thornton UK LLP overall turnover. Furthermore, the work relates to audit related services for which there is a fixed fee and no contingent element to the fee. These factors are deemed to adequately mitigate the perceived self-interest threat to an acceptable level.</p> <p>As Marcus Ward’s wife works as a teacher in Surrey he will not be part of the team who carries out the audit work or quality review.</p>
	Certification of Teachers’ Pension return for Surrey Choices Ltd (2016-17)	3,500	<ul style="list-style-type: none"> Self-Interest 	<p>This is a recurring fee and therefore a self-interest threat exists. However, the level of this recurring fee taken on its own is not considered to be a significant threat to independence as the fee for this work in comparison to the total fee for the audit for the parent authority and in particular to Grant Thornton UK LLP overall turnover. Furthermore, the work relates to audit related services for which there is a fixed fee and no contingent element to the fee. These factors are deemed to adequately mitigate the perceived self-interest threat to an acceptable level.</p>
	Non-audit services	None	Nil	N/a
	TOTAL	£7,500		



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**Audit & Governance Committee
25 September 2017**

**External Audit Performance Report 2016/17 and Key
Performance Indicators 2017/18**

Purpose of the report:

This report provides the Audit & Governance Committee with details of Grant Thornton's performance during the last 12 months against the Key Performance Indicators (KPIs) previously agreed and approved by this Committee on 20 February 2016 and to agree KPIs for the 2017/18 audit.

Recommendations:

It is recommended that the Committee considers the contents of the report in Annex 1 and approves the proposed KPIs for the 2017/18 audit in Annex 2.

Introduction:

1. As part of the performance management framework between the Council and Grant Thornton, a set of key performance indicators were developed from December 2014. This was as the result of a previous request by the Audit and Governance Committee. These indicators are approved by this Committee in advance, monitored throughout the year and formally reported in the September meeting of the Audit & Governance Committee each year.
2. The report in Annex 1 details Grant Thornton's performance against the ten agreed indicators covering the following areas:
 - response time
 - achievement of planned input
 - reporting arrangements
 - quality assurance.

Performance against key performance indicators:

3. The report in Annex 1 confirms that Grant Thornton has met all KPI targets as agreed with the Council in early 2017.

Key performance indicators for the 2017/18 audit

4. The proposed indicators for the 2017/18 are included in Annex 2.
5. There are two new indicators. One to ensure that requests for large downloads of IT datasets are made early on in the audit process and another around Grant Thornton performing informal training on the audit process when requested.
6. Other minor changes have been made to update the indicators to reflect current working practices or to provide clarity.

Conclusions:

7. The 2016/17 KPIs and performance review are presented in Annex 1 for discussion.
8. The proposed 2017/18 KPIs are presented in Annex 2. The Committee should consider if it agrees with the proposed KPIs for the Audit of the 2017/18 financial statements and whether it has any suggestions for changes.

Financial and value for money implications

9. There are no direct value for money implications of this report.

Equalities and Diversity Implications

10. There are no direct equalities implications of this report.

Risk Management Implications

11. There are no direct risk management implications of this report.

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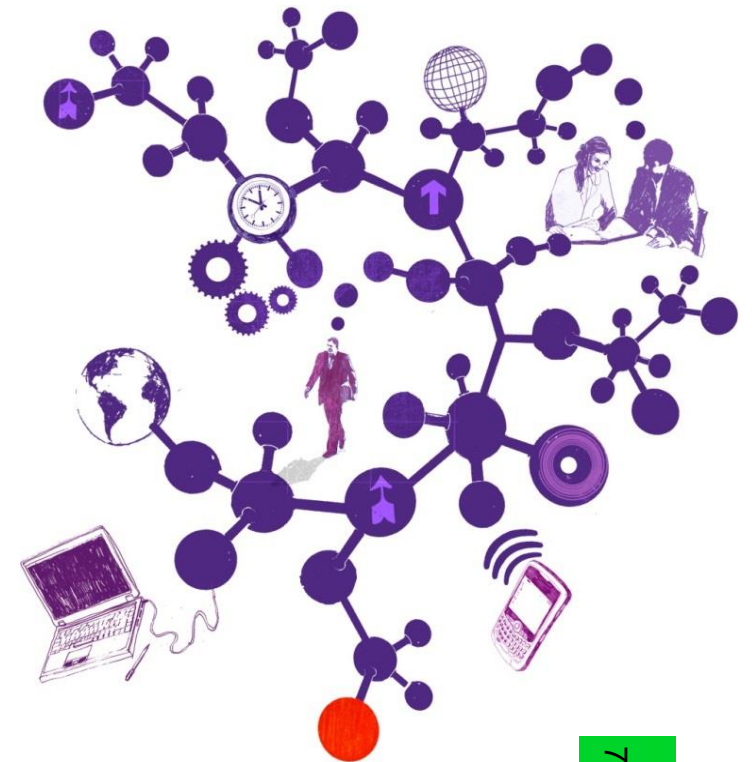
2016/17 Performance Management Framework - Surrey County Council

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Performance management framework

Performance against Key Performance Indicators (KPIs)

We set out below performance against our KPIs. The indicators below were agreed with the Audit and Governance Committee in February 2017. We welcome any comments on the assessment below as well as on potential changes to indicators for 2017/18.

Area	Agreed service level and indicator	Target	Actual Performance – Assessment at September 2017
Response time	<ul style="list-style-type: none"> We will provide an initial response to all major enquires or requests for assistance within 5 working days, with full responses within 15 working days 	100%	100%
	<ul style="list-style-type: none"> We will ensure all requests for information from third parties are made as early in the audit process as possible 	100%	100%. Improvement point for 2017/18 – Grant Thornton to provide more notice for the need to chase up the Money Market Funds and Call Accounts after requests have been made. Also, whilst not requiring third party involvement, Grant Thornton to make the request to download SAP tables earlier in the audit process.
Achievement of planned input	<ul style="list-style-type: none"> The total approved audit fee will not be exceeded, except by prior approval by the Director of Finance 	100%	100%
	<ul style="list-style-type: none"> In light of the National Audit Office's approach to Value for Money, we will agree in advance the areas of focus in 2016/17 with the Director of Finance 	100%	100%

Performance management framework (continued)

Area	Agreed service level and indicator	Target	Actual Performance – Assessment at September 2017
Achievement of planned input	<ul style="list-style-type: none"> We will provide monthly updates on audit progress to the Deputy Chief Finance Officer and principal accountant and, during the final accounts process, meet weekly to discuss emerging issues and agree our approach to tackling them 	100%	100% Communication was good. The Finance Manager (Assets & Accounting) had regular contact with the Audit Manager and the Principal Accountant had regular meetings and discussions with the Auditor in Charge. A wider meeting including the Director of Finance and the Engagement Lead took place at the start and the end of the audit.
Reporting arrangements	<ul style="list-style-type: none"> We will ensure that reports are made available to Audit & Governance Committee members 7 working days before the Audit and Governance Committee meeting We will provide a final list of any proposed amendments to the financial statements before the relevant Audit & Governance Committee reports deadline We will report progress against recommendations previously raised to each Audit & Governance Committee, and by exception, the effectiveness of any remedial action taken 	100%	100%
		100%	100%
		100%	100% The recommendations around the IT controls raised in the 2015/16 audit were covered at Audit & Governance Committee. The reason for raising these recommendations was that improved IT controls would mean a more controls based audit approach in the future. Grant Thornton to ensure this is incorporated in future planning.

Performance management framework (continued)

Area	Agreed service level and indicator	Target	Actual Performance – Assessment at September 2017
Quality assurance	<ul style="list-style-type: none"> We will report to the Audit and Governance Committee the results of any internal or external quality reviews of Grant Thornton Client satisfaction score (people indicating how satisfied they are with their audit service on a scale of 0 – 10 where 10 is very satisfied) 	<p>100%</p> <p>9 or above</p>	<p>100%</p> <p>Improvement point – Ensure diary management of ad hoc meetings is improved – we did not attend the Audit & Governance Committee training session due to diary confusion despite being reminded prior to session.</p>



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Performance management framework

Performance against Key Performance Indicators (KPIs)

We set out below proposed KPIs for 2017/18. These have agreed with management and due to be discussed at the Audit and Governance Committee in September 2017. We welcome any comments on potential changes to indicators for 2017/18. Actual performance assessment due at September 2018.

Area	Proposed service level and indicator	Target	Change from 2016/17 KPIs (if applicable)
Response time	<ul style="list-style-type: none"> We will provide an initial response to all major enquires or requests for assistance within 5 working days, with full responses within 15 working days 	100%	No change
	<ul style="list-style-type: none"> We will ensure all requests for information from third parties are made by the end of the first week the audit and we will notify the Finance team if third parties do not respond within 3 weeks 	100%	We will ensure all requests for information from third parties are made as early in the audit process as possible
	<ul style="list-style-type: none"> We will ensure requests for downloads of large datasets from SAP are made by the end of the first week of the final audit 	100%	New KPI for 2017/18
Achievement of planned input	<ul style="list-style-type: none"> The total approved audit fee will not be exceeded, except by prior approval by the Director of Finance 	100%	No change
	<ul style="list-style-type: none"> In light of the National Audit Office's approach to Value for Money, we will agree in advance the areas of focus in 2017/18 with the Director of Finance 	100%	No change apart from updating the year

Performance management framework (continued)

Area	Proposed service level and indicator	Target	Change from 2016/17 KPIs (if applicable)
Achievement of planned input	<ul style="list-style-type: none"> We will provide monthly updates on audit progress to the Finance Manager (Assets and Accounting) and principal accountant and, during the final accounts process, meet weekly to discuss emerging issues and agree our approach to tackling them 	100%	Changed Deputy Chief Finance Officer to Finance Manager (Assets and Accounting)
Reporting arrangements	<ul style="list-style-type: none"> We will ensure that reports are made available to Audit and Governance Committee members 7 working days before the Audit and Governance Committee meeting 	100%	No change
	<ul style="list-style-type: none"> We will provide a final list of any proposed amendments to the financial statements before the relevant Audit & Governance Committee reports deadline 	100%	No change
	<ul style="list-style-type: none"> We will report progress against recommendations previously raised to each Audit & Governance Committee, and by exception, the effectiveness of any remedial action taken 	100%	No change

Performance management framework (continued)

Area	Proposed service level and indicator	Target	Change from 2016/17 KPIs (if applicable)
Quality assurance	<ul style="list-style-type: none"> <li data-bbox="360 304 1205 411">• We will report to the Audit and Governance Committee the results of any internal or external quality reviews of Grant Thornton <li data-bbox="360 459 1205 566">• Client satisfaction score (people indicating how satisfied they are with their audit service on a scale of 0 – 10 where 10 is very satisfied) <li data-bbox="360 614 1205 721">• When requested, we will perform an informal training session to the Audit & Governance Committee or Finance staff on our audit approach and responsibilities 	<p data-bbox="1249 304 1397 336">100%</p> <p data-bbox="1249 459 1397 491">9 or above</p> <p data-bbox="1249 614 1397 646">100%</p>	<p data-bbox="1442 304 1576 336">No change</p> <p data-bbox="1442 459 1576 491">No change</p> <p data-bbox="1442 614 1720 646">New KPI for 2017/18</p>



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**Audit & Governance Committee
25 September 2017**

Leadership Risk Register

Purpose of the report:

The purpose of this report is to present the Leadership risk register as at 31 August 2017 and update the committee on any changes made since the last meeting to enable the committee to keep the council's strategic risks under review.

Recommendations:

It is recommended that the committee:

1. Review the Leadership risk register; and
2. Determine whether there are any matters that they wish to draw to the attention of the Chief Executive, Cabinet, specific Cabinet Member or relevant Select Committee.

Leadership risk register:

3. The Leadership risk register (Annex 1) is owned by the Chief Executive and shows the council's key strategic risks. The register is regularly reviewed by strategic risk leads from across the council, senior management and members.
4. Since it was last presented to the committee in June 2017, the risk register has been reviewed by the Strategic Risk Forum¹ (chaired by the Director of Finance) and the Statutory Responsibilities Network².

Changes to the Leadership risk register

5. The key changes to the risks are:

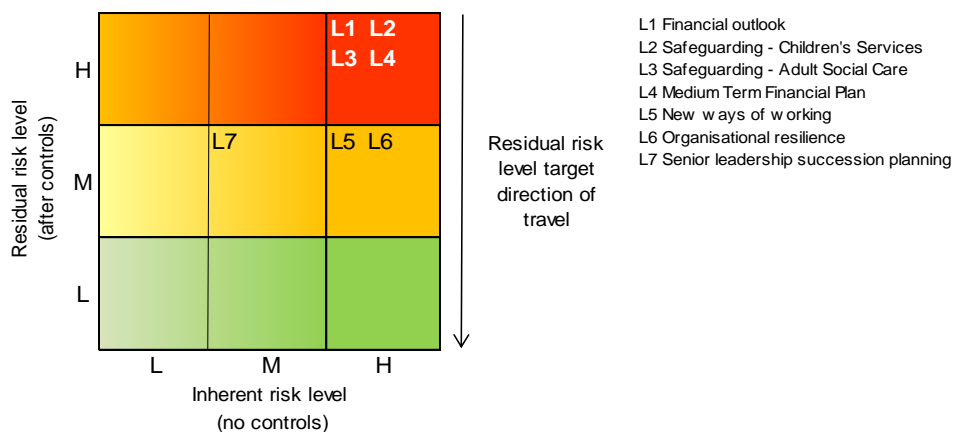
¹ Strategic Risk Forum membership – Director of Finance (Chair), strategic risk leads, Chief Internal Auditor, Head of Emergency Management, Risk and Governance Manager.

² Statutory Responsibilities Network membership – Chief Executive (Chair), statutory officers for Social Care and Public Health, Education, Fire, Director of Finance, Director of Legal, Democratic and Cultural Services, Chief Internal Auditor.

- The risk relating to 'Strategic Infrastructure' (formerly risk L4) has been removed and this area of risk is now recorded on the Environment & Infrastructure Departmental risk register. Remaining risks have been renumbered accordingly.
- **Risk L1 (Financial Outlook)** : removal of specific reference to the 100% Business rate retention scheme.
- **Risk L4 (Medium Term Financial Plan)** : reference to income generation through enlarged property investment programme.
- **Risk L6 (Organisational Resilience)** : reference to the delivery of the Member induction programme and linkages between the Annual Assurance Statement and Business continuity activities.

Residual risk level

6. The Leadership risk register includes both the inherent and residual risk levels for each risk. Inherent risk is the level of risk before any control activities are applied. The residual risk level takes into account the controls that are already in place, detailed on the risk register as both 'processes in place' and 'controls.'
7. There are currently seven risks on the Leadership risk register, six of which have a high inherent risk level, as illustrated in the table below. Despite mitigating actions, four risks continue to have a high residual risk level (L1,L2,L3,L4), three have a medium residual risk level (L5,L6,L7), showing the significant level of risk that the council is facing despite the processes and controls being put in place to manage the risks.



Implications:

Financial and value for money implications

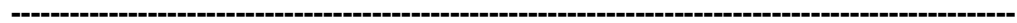
8. There are no direct financial implications relating to the Leadership risk register.

Equalities and Diversity Implications

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

Risk Management Implications

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



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Annex 1: Leadership risk register as at 31 August 2017 (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	CSF7 EAI1 FN1 ORB10	Financial outlook Further reductions in funding, due to constraints in the ability to raise local funding and/or distribution of funding, results in significant adverse long term consequences for sustainability and service reductions leading to significant implications for residents.	High	<ul style="list-style-type: none"> • Structured approach to ensuring Government understands the council's Council Tax strategy and unsustainable impact of current funding mechanism. • 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 core Government policy direction (specific areas to be developed as Government priorities become clear). • 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). • Cabinet Members induction programme to ensure continuity of informed decision making and service delivery. • New Members induction programme in place (May to July) to introduce them to the council and thereby facilitate informed decision making. <p>Notwithstanding actions above, there is a significant risk of Central Government policy changes /austerity measures due to changes in ministerial responsibilities impacting on the council's long term financial sustainability.</p>	<ul style="list-style-type: none"> - Members make decisions to stop new spending, 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. - Officers continue to analyse events and create budget scenarios. - The council uses external expertise to confirm the facts relating to its sustainability. - The council pro-actively seek to participate in consultations and other opportunities to engage with Government as it develop future funding policies. 	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
ORB = Orbis risk

Annex 1: Leadership risk register as at 31 August 2017 (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)
L2	CSF3,4,9	<p>Safeguarding – Children’s Services</p> <p>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 being.</p>	High	<ul style="list-style-type: none"> • Working within the frameworks established by the Children's Safeguarding Board and the Social Care Services Board ensures the council's policies and procedures are up to date and based on good practice. • The Adult Social Care and Children, Schools and Families Multi-Agency Safeguarding Hub went live on 5 October 2016 facilitating the sharing of good practice. • The Children's Services Improvement Plan was refreshed in October 2016 and 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 quarterly basis to monitor progress. • Assistant Director roles and responsibilities have been reshaped to strengthen leadership and governance. Appointees are now all in place. 	<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 wellbeing of children in Surrey. - Actively respond to feedback from regulators. - Robust quality assurance and management systems in place to identify and implement any key areas of learning so safeguarding practice can be improved. - The Children's Safeguarding board (chaired by an independent person) comprises senior managers from the County Council and other agencies facilitating prompt decision making and ensuring best practice. - An Improvement Board (chaired by the Deputy Leader) oversees progress on the Improvement Plan and agrees areas of action as required. 	Deputy Chief Executive and Strategic Director of Children's Schools and Families	High
L3	ASC6,7,13,14	<p>Safeguarding – Adult Social Care</p> <p>Avoidable failure in Adult Social Care, through action or inaction, leads to serious</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. 	<ul style="list-style-type: none"> - Continue to work with the Independent Chair of the Surrey Safeguarding Adults Board to ensure feedback and 	Strategic Director of Adult Social Care & Public Health	High

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Annex 1: Leadership risk register as at 31 August 2017 (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)
		harm, death or a major impact on wellbeing.		<ul style="list-style-type: none"> The Adult Social Care and Children, Schools and Families Multi Agency Safeguarding Hub went live on 5 October 2016 facilitating the sharing of good practice. Established a locality safeguarding advisor to assure quality control. Strong leadership, including close involvement by Associate Cabinet Member for Adult Social Care in safeguarding functions. 	recommendations from case reviews are used to inform learning and social work practice. <ul style="list-style-type: none"> Actively respond to feedback from regulators. One year on from the implementation of the Care Act, a new strategic plan for safeguarding within ASC will be implemented. 		

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

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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)
L4	ASC1,2,12,16,17 C&C4 CSF1,2,7 EAI1,3 FN2 ORB01,10	<p>Medium Term Financial Plan (MTFP) 2017-20 Failure to achieve the MTFP, which could be a result of:</p> <ul style="list-style-type: none"> Not achieving savings 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</p>	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). Weekly review of the in year financial position at Chief Executives Direct Reports meeting and strong focus on development of plans for delivery of the 2017/18 service efficiencies and reductions – to enable early management action as relevant. Budget planning discussions held with Cabinet and Select Committees. Early conversations are undertaken with all 	<ul style="list-style-type: none"> Prompt management action taken by Directors / Leadership Teams to identify correcting actions for any in year overspends or failure to deliver service reductions (evidenced by robust action plans). Members (Council, Cabinet, Select Committees) make the necessary decisions to implement action plans in a timely manner. Members have all the relevant information to make necessary decisions. 	Director of Finance	High

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Annex 1: Leadership risk register as at 31 August 2017 (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)
		consequences for services if Members fail to take necessary decisions.		<p>relevant stakeholders to ensure consultations about service changes are effective and completed in a timely manner (savings tracker developed for use during 2017/18 to identify necessary consultations, milestones, Equality Impact Assessments).</p> <ul style="list-style-type: none"> • Cross service networking and timely escalation of issues to ensure lawfulness and good governance. • Increased challenge and rigour on cost control. • Chief Executive's Direct Reports meeting agreement to focus capacity on three key priorities – information management in CSF, health and social care integration and assets. • Cabinet Members induction programme to ensure continuity of informed decision making and service delivery. • New Members induction programme in place (May to July) to introduce them to the council and thereby facilitate informed decision making. • Significant focus on income generating activities through an enlarged property investment programme and the optimisation of the existing property assets. 			
L5	ASC2, 16 CSF1,2, 5,6,8 ORB01, 02,07, EMT3, 12, EA13	New ways of working Failure to work effectively as part of a multi-agency system leads to severe service disruption and reputational damage.	High	<ul style="list-style-type: none"> • Shared and aligned strategies to ensure no unintended consequences. • Robust governance arrangements (eg. Inter Authority Agreements, Health and Social Care Integration Board, Health and Wellbeing Board, financial governance framework) in place with early warning mechanisms. • Regular monitoring of progress and risks against transformation programmes within 	<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. - Work with Clinical Commissioning Groups on models of integrated care. 	Chief Executive	Medium

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ORB = Orbis risk

Annex 1: Leadership risk register as at 31 August 2017 (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)
				each transformation board. <ul style="list-style-type: none"> • Effective transition arrangements with continuous stakeholder engagement. • Continuous focus on building and maintaining strong relationships with partners through regular formal and informal dialogue. • Close liaison and communication with customers. 	- Members continue to endorse approaches to integration across the council.		
L6	ASC4, 5,8 CSF5 EAI2, 3,4 ORB 02,03, 08 LD6 EMT1, 10,11	Organisational resilience Failure for the organisation as a whole to plan for and/or respond effectively to a significant event and or strains on workforce capacity or resilience, 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. • Robust governance framework (including codes of conduct, IT cyber resilience and information assurance policies, health and safety policies, complaints tracking). • Information Governance Board monitors information governance requirements and changes and reviews information governance risks. • Review of third party information governance risks. • 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. • High Performance Development Programme in place to increase skills, resilience and effectiveness of leaders. 	- Statutory Responsibilities Network review business continuity plans at least twice annually. - Regular monitoring of effectiveness of processes is in place and improvements continually made and communicated as a result of learning. - Robust change management processes. - Member induction programme delivered between May and July 2017 to ensure new Members learn quickly about the challenges facing the county and be in a position to make key decisions. - Senior management annual assurance statement provides assurance that business continuity is well planned and staff are all aware.	Chief Executive	Medium

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
 ORB = Orbis risk



Annex 1: Leadership risk register as at 31 August 2017 (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"> • Career conversations built into appraisal process looking forward five years • Shaping leaders programme in place. 			
L7		<p>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.</p>	Medium	<ul style="list-style-type: none"> • Enhance distributed leadership by focus on organisational goals and scorecard for organisational performance. • Workforce planning linked to business continuity plans. • Senior leadership appraisal process incorporates feedback (shaping leaders) and succession planning into appraisal process. 	- Transparent and effective succession plans.	Chief Executive	Medium

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
ORB = Orbis risk

Movement of risks

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

Risks recently removed from the register

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>
<i>Strategic Infrastructure</i>	<i>Jan 16</i>	<i>Aug 17</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

AUDIT & GOVERNANCE COMMITTEE
25 September 2017

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 June 2017 - 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 agreed actions that it would like to review further and whether there are any matters they wish to refer to the relevant Select Committee.

BACKGROUND:

- 1 At the conclusion of each audit review a report is issued to the responsible manager who is asked to complete an action plan responding to the findings.
- 2 The agreement of both the findings and appropriate actions to address them, which in the auditor's opinion adequately addresses the risks and/or control weaknesses, allows for the final report to be issued. Agreed actions are tracked for progress and implementation, and any follow-up work required forms part of future audit plans at the appropriate time.
- 3 There have been 7 audit reports issued since the last report to this Committee in June 2017. The table below lists those audits and shows the audit opinion and number of high priority findings included in the report.

	Audit	Opinion	Number of findings rated as High Priority
1	Member Expenses	Reasonable	0
2	Social Media	Reasonable	2
3	Revenue Budgetary Control	Reasonable	0
4	Public Consultations	Reasonable	1
5	Blue Badges	Reasonable	1
6	SEND 2020	Partial	3
7	Order To Cash	Reasonable	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 Select Committee does so.

IMPLICATIONS:

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

WHAT HAPPENS NEXT:

- 9 See Recommendations above.

REPORT AUTHOR: David John, Audit Performance Manager

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Sources/background papers: Final audit reports with agreed actions

Audit	Background to review	Key findings	Audit opinion (1)	Agreed Actions (Priority) (2)
<p>Members' Allowances and Expenses</p>	<p>All members receive a standard basic allowance and some are entitled to additional allowances in virtue of extra responsibilities.</p> <p>Members are allowed to claim for travel expenses they incur on council business.</p> <p>This planned audit was to establish the level of compliance with the formal procedures through which expenses and allowances are reimbursed to members through Payroll after claims are made.</p>	<p>The overall system for expenses and allowances is adequately documented, though the manual claim process is due to be replaced by an automated process later in 2017.</p> <p>The correctness of claims was largely reliant on the honesty of members as there is no formal mechanism or capacity to validate information within claims.</p> <p>Testing of 61 paid claims gave assurance they were largely correctly paid within the existing Guidance.</p> <p>Fuel receipts are often not submitted though, contrary to HMRC guidance, and the submission of receipts generally was poor (50% of claims reviewed were missing receipts)</p> <p>3 of the 61 claims examined (5%) had not been signed by the member submitting it.</p> <p>14 of the 61 claims (23%) paid in the period sampled were over the recommended 2 month time limit for submitting claims.</p>	<p>Reasonable Assurance</p>	<p>All members will be written to in order to remind them of the requirement to submit fuel receipts in accordance with the Guidance (Medium)</p> <p>All expense claims are now being checked by Democratic Services before being processed by the Payroll Team, and any unsigned forms will be returned to the member for completion (Low)</p> <p>Members will continue to be encouraged to submit their claims on a monthly basis in line with the guidance, though the timescale is seen as advisory not mandatory (Low)</p>

Completed Audit Reports (June - September 2017)

Annex A

Audit	Background to review	Key findings	Audit opinion (1)	Agreed Actions (Priority) (2)
Social Media	<p>Surrey County Council operates a range of official social media accounts (Facebook/Twitter et al) to communicate with residents and stakeholders.</p> <p>These are governed through a Social Media Policy, which operationally falls within the remit of the Web & Digital Services Team in Customer Services.</p> <p>The council operates 140 approved social media accounts on a variety of platforms.</p> <p>This area had not previously been subject to audit review.</p>	<p>A number of accounts do not appear to be active and a small number linked via the website are dead links.</p> <p>There are notable differences in the frequency of posting content, and also in the levels of public engagement.</p> <p>Minor issues were raised with the appropriateness of some content online, and officers should be mindful of obligation not to show bias or favour.</p> <p>The Social Media Policy has not been reviewed corporately since 2013 and may now not meet current business needs.</p> <p>The council does not have the dedicated resource to manage or monitor social media activity, or to horizon scan upcoming risks.</p> <p>A number of accounts (notably in Youth) are not on the approved central list and thus the council may not be aware of all of them.</p>	Reasonable Assurance	<p>The Social Media Policy will be revised, clarifying that any social media account must be compliant with the host organisation's policy, giving a named contact for each account and referencing the IT Security Policy.</p> <p>Customer Services will undertake an annual check to ensure all accounts have a business justification and are utilised. Inactive or inaccessible accounts are currently being reviewed and actioned as appropriate.</p> <p>Specific issues of content being potentially inappropriate or not being impartial will be investigated by Customer Services based on the audit findings.</p> <p>Issues around apparently dormant or non-compliant Youth social media accounts will also be investigated.</p>

Audit	Background to review	Key findings	Audit opinion (1)	Agreed Actions (Priority) (2)
Revenue Budget Monitoring	Revenue budgetary control is a Key Financial System and is therefore reviewed regularly by Internal Audit to inform our overall assessment of the governance arrangements within the council.	<p>“Principles and Assumptions” guidance used by the Business Funding & Reporting Team was out of date.</p> <p>Inconsistent assumptions around pay inflation rates existed across different directorates, ranging from 1% to 1.68% per annum.</p> <p>26 of 40 cost centres tested for budget monitoring purposes had not been reviewed as frequently as their risk profile dictated.</p> <p>Some SAP master data was found to be inaccurate and required updating (in one case for a member of staff listed as the responsible officer who left SCC in January 2016).</p> <p>Completion of training courses for officers using the SAP BPC tool to monitor budgets was inconsistent, with 13 cases identified where no training had taken place despite the officer having an active role within the budget monitoring process.</p>	Reasonable Assurance	<p>Guidance will be reviewed to make sure it is clear and consistent.</p> <p>New guidance for general inflationary rates for pay and non-pay costs will be drafted: services will need to account for any deviation within their budget submissions.</p> <p>The General Ledger team will review SAP master data for process owners and reviewers to ensure it is complete and correct.</p> <p>Corporate finance will continue to promote the finance training pathway to relevant staff to further encourage the uptake of courses.</p>

Completed Audit Reports (June - September 2017)

Annex A

Audit	Background to review	Key findings	Audit opinion (1)	Agreed Actions (Priority) (2)
Public Consultations	<p>Consultations are an opportunity for residents to influence and shape council services.</p> <p>The audit considered concerns with the consultation process expressed by some members, based on feedback to them from residents.</p>	<p>Consultations are appropriately designed to enable residents to contribute their views, and these views were considered as part of the subsequent decision making process.</p> <p>Guidance and support is available to services but is not well co-ordinated. There is no clear policy on which issues should be consulted on.</p> <p>The Surrey Says website provides a sound platform to host consultations in one place, but at present the consultations are also located across the Surrey County Council website creating duplication and confusion.</p> <p>A number of closed consultations do not have a clearly recorded outcome.</p> <p>The SCC website home page lacks a section inviting residents to contribute to current consultations, surveys and other feedback mechanisms.</p>	Reasonable Assurance	<p>Guidance to be updated and expanded. (Medium)</p> <p>Links have been updated and Surrey Says site refreshed. Ongoing monitoring of the Surrey Says site. (High)</p> <p>Requirement to be included in updated guidance. Consultation and Engagement group to monitor. (Medium)</p> <p>Communications to discuss with Web and Digital Services. (Medium)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Agreed Actions (Priority) (2)
Blue Badges	<p>The aim of the Blue Badge scheme is to help disabled people with severe mobility problems to access goods and services, by allowing them to park close to their destination.</p> <p>The Department for Transport is responsible for the scheme's legislation and guidance. Applications for Surrey residents are processed by the council.</p> <p>The audit was undertaken in response to questions raised by members, in particular on how applications are considered and how operation in Surrey compares to other authorities.</p>	<p>Decisions on whether to approve applications are made in line with the national scheme criteria set by the DfT.</p> <p>Reported instances of suspected fraud or misuse are properly considered and warnings issued or badges cancelled. The Surrey County Council website could be clearer on how residents can report suspected misuse of badges.</p> <p>Each member of the team can approve the issuing of a blue badge, with no formal management control to ensure consistency of processing and to deter potential misuse by a team member.</p> <p>Some minor changes to the handling and reconciliation of fee receipts would enhance control.</p>	Reasonable Assurance	<p>Website section to be reviewed to make information on reporting clearer and more visible. (Medium)</p> <p>A formal Quality Assurance process to be introduced to review a sample of applications. (High)</p> <p>New cash handling procedures to be introduced. (Low)</p> <p>Expand reconciliation to include SAP receipts against paying-in book record. (Medium)</p>

Completed Audit Reports (June - September 2017)

Annex A

Audit	Background to review	Key findings	Audit opinion (1)	Agreed Actions (Priority) (2)
SEND 2020	<p>SCC is responsible for delivering services to support children with special educational needs and disability (SEND). A new programme to work with partners has been developed by the council, called SEND2020.</p> <p>Internal Audit had been invited to provide early assurance about data quality underpinning some of the services within this programme, as well as to review aspects of governance.</p> <p>The current audit was undertaken in stages between May 2016 and early 2017, with a period to allow findings to be addressed before a formal audit report was issued.</p>	<p>The service has been slow in addressing the findings of the audit work undertaken across the year, with some aspects being unaddressed over one year after being reported to service management. Of particular concern to audit:</p> <p>A Quality Assurance Framework for SEND2020 has not been formally agreed, signed-off and embedded within the service.</p> <p>Around 600 children's cases had not been allocated to a current member of staff.</p> <p>Efforts to rectify discrepancies in data between key systems had petered out in many cases, which limits the assurance that audit is able to place on the processes or data quality.</p> <p>There were no procedure notes in place for staff working within SEND 2020, leading to considerable time being spent training and supporting new staff</p> <p>South East area team had a 15% error rate in its data for the date that care plans were being shown in EMS as finalised, which affects performance reporting</p>	Partial Assurance	<p>Senior managers acknowledge the audit findings and recognise the urgency in ensuring the quality of SEND practice, and that data quality is a foundation for robust performance management.</p> <p>The new Strategic Lead for Continuous Improvement & Change, working with the Head of SEND Operations, will ensure that by April 2018 a QA Framework is embedded.</p> <p>Current practices have been reviewed and senior managers are satisfied that a current case worker is now allocated to all cases when required.</p> <p>The new Strategic Lead for Continuous Improvement & Change, working with the Head of SEND Operations, will have responsibility for taking remedial action at a team level for data quality throughout 2017 in advance of full IMT system implementation.</p> <p>Team managers and caseworkers now have access to Tableau, which enables them to see and use casework data in a 'live' manner and spot inaccuracies and incorrect practice.</p> <p>This will continue to be an area of review and improvement through the remainder of 2017.</p>

Audit	Background to review	Key findings	Audit opinion (1)	Agreed Actions (Priority) (2)
Order to Cash	<p>Order to Cash is a Key Financial System and is therefore reviewed regularly by Internal Audit to inform our overall assessment of the governance arrangements within the council.</p>	<p>A review of a sample of invoices highlighted inconsistencies in supporting information provided to raise invoices, In addition it was found that invoices had been raised retrospectively once services had been delivered.</p> <p>A review of the banking of income highlighted weaknesses in the identification of delays for income banked outside of the central income team.</p> <p>A review of Non Care Debt revealed that most debt is current (less than 30 days old), with larger debts being managed by services directly rather than credit control team. Delays in payments were often due to disputes over billed costs.</p> <p>A review of unsecured long term care debt highlighted that operational debt balances held within the team at the time of the audit were not current.</p>	Reasonable Assurance	<p>Guidance for raising of invoices to be refreshed and communicated to staff involved in the raising of invoices.</p> <p>The Order to Cash process owner will review systems and processes in place in Orbis partners (Brighton and East Sussex) to identify cash in transit,</p> <p>The income team should ensure that purchase orders are obtained prior to services being delivered and charges raised, This will reduce the number of disputed invoices.</p> <p>Social Care Debt should be managed more effectively by staff in both Adult Social Care and Business operations</p>

Completed Audit Reports (June - September 2017)

Annex A

¹ Audit Opinions

Substantial Assurance	Controls are in place and operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls evaluated are not adequate, appropriate, or effective to provide reasonable assurance that risks are being managed and objectives should be met.

² Agreed Actions

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

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

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



**Audit & Governance Committee
25 September 2017**

Annual Complaints Performance Report

Purpose of the report:

The purpose of this report is to give the Audit & Governance Committee an overview of the council's performance in relation to complaint handling in 2016/17 and to demonstrate how feedback from customers has been used to improve services.

Recommendations:

It is recommended that:

1. The Audit & Governance Committee note the council's complaint handling performance in 2016/17 and how feedback from customers has been used to improve services.
2. The Audit & Governance Committee agree arrangements for reporting on Local Government & Social Care Ombudsman (LGO) decisions and recommendations.

Introduction:

3. The council has three formal complaints procedures, one for Children Schools and Families, one for Adult Social Care and one for all other council services. The procedures for dealing with complaints about children's and adult's social work services are set out in statute. The corporate complaints procedure (covering all other council services) is based on best practice. This report gives an overview of complaint management for all three procedures.
4. Adult Social Care and Children Schools and Families produce separate annual reports where more detailed information and analysis about the types of complaints received about these services, outcomes and

improvement actions can be found.

5. The Local Government and Social Care Ombudsman (LGO) is the final point for complaints about councils and some other organisations providing local public services. Customers can refer their complaint to the LGO for external independent investigation if they remain unhappy; normally once they have completed the council's complaints procedure.
6. This report also sets out LGO findings on complaints about Surrey County Council. The LGO figures included in this report are based on those given in the LGO's Annual Review letter issued on 20 July 2017 and so differ from those in the Surrey County Council Annual Report which predates this and is based on council held data.

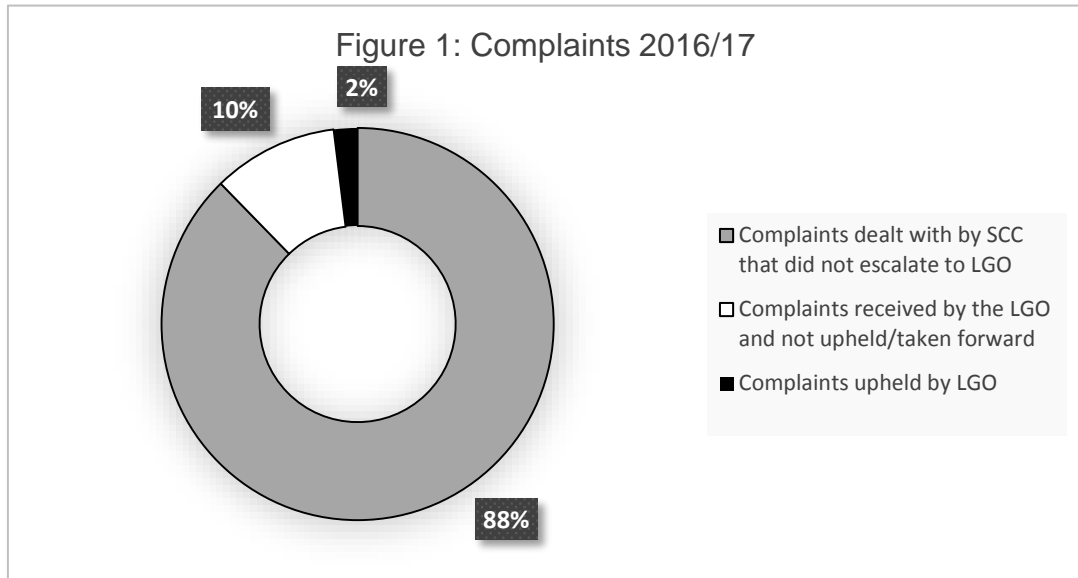
Background to complaints handling in Surrey County Council:

7. The council recognises that effective complaint handling is critical to delivering good customer service and in keeping the council's Customer Promise. As well as putting things right for the customer, every complaint presents a potential opportunity to learn and improve.
8. Where fault is found Corrective Action Plans (CAPs) / improvement actions are put in place to resolve the complaint for the customer and improve service. Specific examples are highlighted later in this report.
9. Even if a complaint is not upheld, there is always the opportunity to learn about why the customer has made a complaint, and a need to understand their motives and feelings.
10. Where there is an alternative route for resolution e.g. legal recourse or formal appeal, such matters are not handled under the complaints procedure. For example, Schools and Learning have other routes that parents are expected to take for resolution of certain types of dispute; such as Special Educational Needs (SEN) tribunals and school transport appeals panels.
11. It is important to capture a balanced view of services and to recognise and learn from good service, which is why compliments and comments received by customers are also recorded and are also referenced in this report.

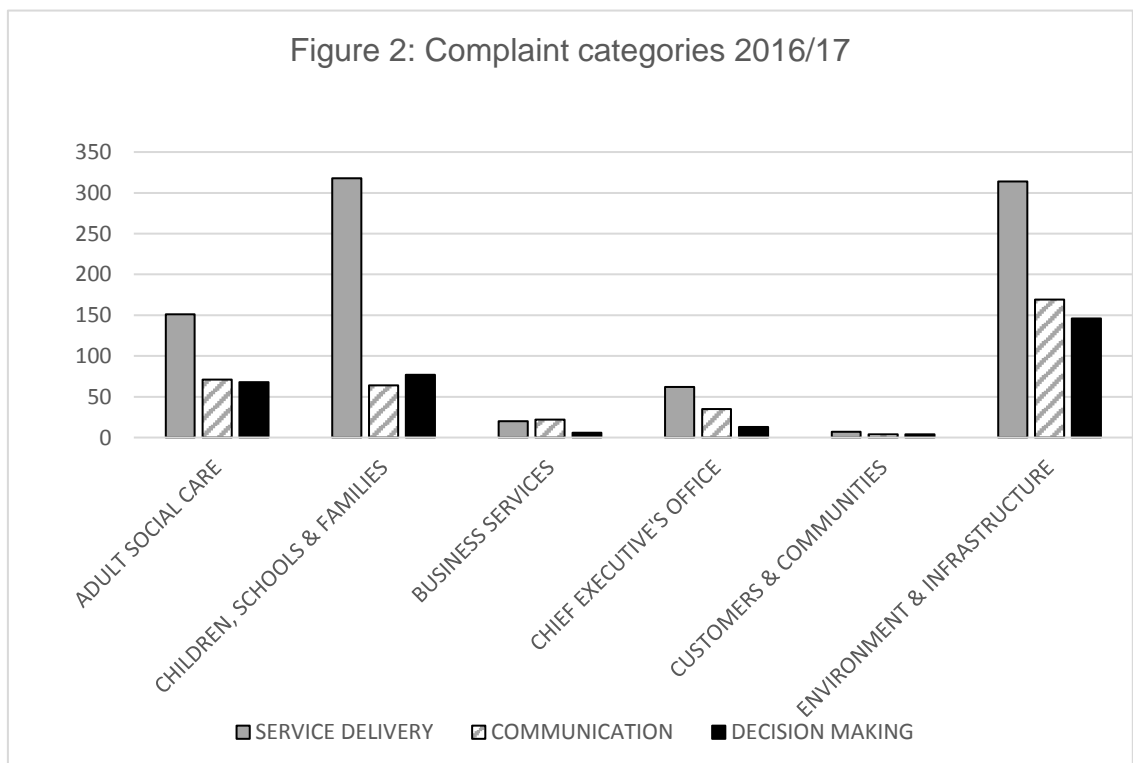
Complaint categories and performance in 2016/17:

12. During the year 2016/17, Surrey County Council received 1,569 complaints, a 9% increase from the previous year (1,434).
13. 35 complaints were upheld by the LGO following investigation. This represents only 2% of the total number of complaints received by the council. This suggests that, in the main, complaints are being handled well and that services are correctly following policies and procedures and providing explanations to customers where preferred outcomes cannot

be delivered. See figure 1.



- 14. Given the significant budget pressures facing the public sector and the need to meet this challenge by changing how services are delivered, it is perhaps not surprising that the number of complaints has increased.
- 15. Every complaint is assigned one or more categories which describe the nature of the complaint. Complaints by Directorate and the assigned categories are shown in Figure 2 below. Service delivery followed by communication are the most popular complaint categories.



Complaint Trends & Performance:
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16. A breakdown of complaints received and response times per service for 2016/17 compared to 2015/16 can be found in annex 1 to this report. The following was noted:
- 9% increase in total number of complaints
 - Fewer complaints received about Environment & Infrastructure, and Business Services
 - Increase in complaints for all other areas compared to 2015/16, including significant increases in Customer & Communities (48%), Schools & Learning (40%), Adult Social Care complaints (27%) and Children's Social Care (22%).
17. Not unsurprisingly given the high demand on Surrey's roads, Environment & Infrastructure continued to receive the highest number of complaints. It should though be highlighted that there has been a 9% decrease in the number of complaints received from 2015/16, reflecting the improvement work Surrey Highways has been undertaking including the increased proactive messaging around highway works by the Works Communication Team. Complaints about Highways in fact only account for 0.5% of the total number of enquiries that they received over this reporting period.
18. Looking at the three complaints procedures, the main subjects of complaints for each in 2016/17 were as follows:

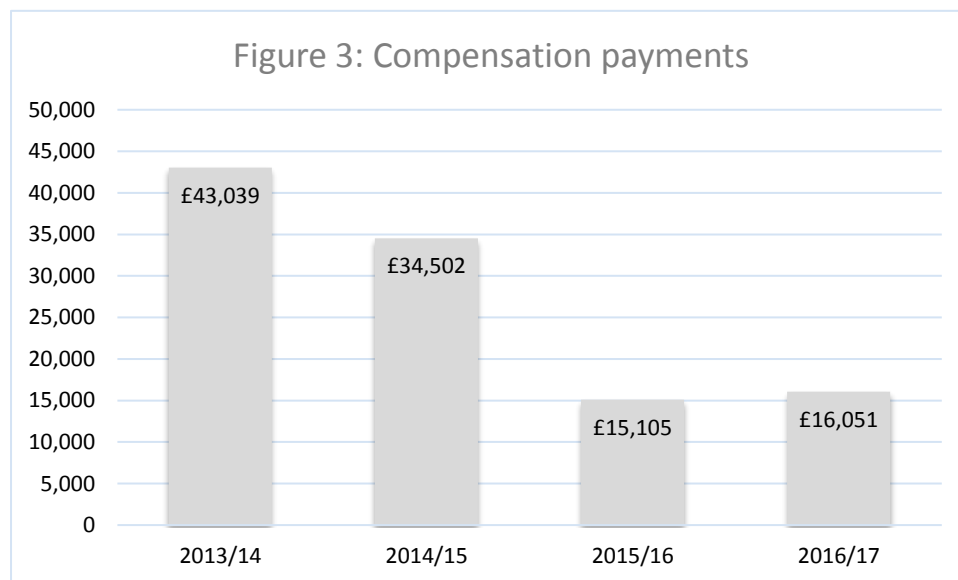
CORPORATE	CHILDREN, SCHOOLS & FAMILIES	ADULT SOCIAL CARE
Lack of contact	Lack of contact	Service quality
Roadworks	Social worker – behaviour / decisions	Financial / funding
Customer Care	Inaccurate information in social care records	Assessment process
Vegetation	Delay in issuing Education, Health and Care (EHC) Plan	Poor communication
Resurfacing	Delivery of Education, Health and Care (EHC) Plan	Appropriateness of service offered

19. Despite the overall increase in the total number of complaints, response times improved across all services with the exception of Business Services, Customer & Communities and Children's Social Care. This led to an average of 86% of complaints responded to within timescale, compared to 83% for 2015/16. Adult Social Care achieved a response rate of 98% of complaints responded to within their target (normally 20 working days but extendable for longer with agreement by the

complainant), an improvement of 12% on the previous year.

20. The complexities of complaints in Children's Social Care continue to impact on their ability to respond within the statutory timescales.
21. Where the council is found at fault, financial redress can be paid if deemed appropriate. All financial awards are approved by the relevant Head of Service and, if greater than £1,000, in consultation with the portfolio holder. There was a slight increase (6%) in the amount of compensation paid in 2016/17 compared to 2015/16. However this was still significantly less than previous years, as shown in Figure 3.

COMPENSATION 2016/17	
Adult Social Care	£6,353
Children, Schools & Families	£9,653
Corporate	£45
SCC Total	£16,051



22. The three highest financial redress payments were:
- £2,503 to compensate for the lack of respite and sitting services because of a six month delay in assessing needs as a carer
 - £2,365 reimbursement of the costs of school fees and any school transport costs that would have been met if a final Education, Health and Care Plan had been in place in time
 - £2,150 to compensate for failure to provide full-time suitable education for a child of compulsory school age

Complaint Escalation:

23. We aim to resolve complaints satisfactorily at the earliest opportunity; however customers who remain dissatisfied can escalate their complaint, both to the next stage of the council's complaints process (where this option applies) and to the LGO for external investigation. Escalation rates are a good indicator of how successfully complaints are being handled at point of service.
24. 19% of complaints escalated to Stage 2 of the council's corporate complaints procedure in 2016/17, an increase from the previous year (14%). Given the current financial situation and that this year has seen resulting changes in how some services are delivered, an increase in complaint escalation was not unexpected as this meant it has not always been possible to deliver the customer's preferred outcome at stage 1.
25. Escalation to stage 2 within Children, Schools and Families has remained static at 4%.
26. Adult Social Care is required by statute to have a one stage complaint procedure. This unfortunately means that there is not the opportunity to measure escalation rates in Adult Social Care compared to Children, Schools and Families and corporate complaints.
27. The LGO issues an annual letter to local authorities providing statistics on complaints made to them about the respective local authority. This year, the LGO asked councils to consider how Ombudsman findings and recommendations are reported. Currently, this information is included in the annual report to the Audit and Governance Committee. Individual upheld cases are shared with the Head of Service and relevant managers. The Committee may wish to ensure that they are also shared with the relevant portfolio holder. A summary of upheld decisions will also in future be sent quarterly to the Monitoring Officer.
28. In their annual report the LGO reported that they received 185 complaints and enquiries about Surrey County Council, which was slightly more than the previous year in terms of actual numbers. However, the percentage of complaints escalating to the LGO remained static around 12%. For 2016/17 this represents 2% of the total number of complaints received. The three most common LGO enquiry areas were Adult Social Care, Children's Services and Highways & Transport. The summary figures provided by the LGO are given in annex 4.
29. It is not unusual to see a higher number of complaints relating to Adult Social Care escalating to the LGO as they are required by statute to have a one stage complaint procedure, giving less opportunity for internal resolution than the two stage procedure for corporate complaints and the three stage statutory procedure used by Children's Social Care.
30. The LGO can choose to close complaints as invalid or incomplete, or after initial enquiries if there is no evidence of maladministration or

service failure, or can decide to carry out detailed investigations. Surrey County Council had a higher percentage of complaints going to detailed investigation (an increase from 22% to 30%) than in the previous year, and a higher percentage of complaints being upheld (an increase from 56% to 63%). The LGO also proposed a remedy (where injustice was found) in a higher percentage of cases this year, increasing from 11% to 15%. Of those complaints upheld, 21 were related to Adult Care Services, 10 were Education and Children's Services, and 4 were Highways & Transport.

- a) Adult Social Care – 73 complaints, of which 21 were upheld. Upheld complaints relate to Assessment and Care Plans (11), and safeguarding (3). Single complaints were upheld relating to following subjects: charging, direct payments, disabled facilities grants, use of a care agency, supported living placement. 2 cases are under further investigation.
 - b) Education and Children's Services – 58 complaints, of which 10 were upheld. Upheld complaints relate to Special Education Needs (7), Looked After Children (2) and handling of an complaint (1).
 - c) Highways & Transport – 35 complaints, of which 4 were upheld. Upheld complaints relate to Rights of Way (2) and highway repair and maintenance (2).
31. Surrey County Council had a 100% compliance rate in remedying LGO complaints. There was also a decrease in premature complaints (i.e. those that had not completed our complaints procedure escalating to the LGO). The percentage of complaints closed after initial enquiries (where the LGO took no action) also increased. Case studies of LGO decisions can be found at Annex 5.

Learning from complaints:

32. Every complaint presents an opportunity to put things right for the complainant and also learn and improve. An individual complaint may result in corrective action being identified that is specific to that complaint, or a number of complaints about the same service may identify a need to review a process or the information provided to customers. Specific examples are given in annex 2.

Compliments:

33. It is important to present a balanced view of services and recognise and learn from good service. Throughout the year Surrey residents and customers have taken the time to contact the council to compliment the standard of service they have received. In 2016/17 Children, Schools and Families recorded 167 compliments, Adult Social Care recorded 1006 compliments. The remainder of the council recorded 3009 compliments about its services. This meant that for 2016/17 more compliments than complaints were recorded.

34. We are working to ensure more consistency in recording of compliments going forward e.g. through a standard definition. Children, Schools and Families in particular are looking at ways to ensure compliments are routinely logged on the database when received. Extracts from compliments received are given in annex 3.

Conclusions:

35. What are we doing well?
- a) Customer Services now provides training on the council's Customer Promise at the 'Welcome to Surrey' induction event for new staff, underlining the importance of providing excellent customer service and the standards the council expects of its employees when dealing with customers.
 - b) Customer Services is redeveloping a course on successful communication with customers to provide practical advice and support in managing customer expectations.
 - c) Adult Social Care staff are committed to valuing customer complaints and staff are clear on their duties when discussing complaints with customers. This includes receiving complaints, advising customers of their right to complain or, crucially, resolving the complaint as soon as possible.
 - d) Adult Social Care has set high expectations for staff around promptly responding to, and accurately recording, complaints as well as understanding the crucial importance of learning and improving services based on complaint outcomes. Staff are supported by guidance, an online toolkit and regular training.
 - e) The Children's Rights Service maintains a regular slot at service wide meetings to enable discussion around the nature of complaints received and the learning arising from complaints with a view to informing service delivery at a countywide level, in line with the Safer Surrey Signs of Safety approach; working with families to support them.
 - f) Children's Rights Service has developed closer working links with Healthwatch; identifying common themes and trends to inform service delivery.
 - g) The Corporate Customer Relations Team continues to provide high quality advice and support on how best to manage unreasonable customer behaviour and on general complaint handling matters.
 - h) The Corporate Customer Relations Team has been continuing to work with Surrey Highways to improve the monitoring and management of corrective actions arising from complaints to ensure actions are implemented within agreed timescales.

- i) The Corporate Customer Relations Team produces monthly customer feedback reports and quarterly improvement reports to help inform service improvement.

36. What do we need to continue to work on?

- a) Adult Social Care is committed to continuous improvement and is always seeking ways to improve both the delivery of frontline social work and also the support functions, including our complaints process. Adult Social Care is developing a new training tool for managers and staff involved in complex responses to complaints. This will address forensic responses to complaints, managing unreasonable expectations and building learning from complaints into practice.
- b) Due to the nature of the Adult Social Care service, a large number of customers are vulnerable and are also with the Department for many years. This can create anxiety for customers and staff about the nature of our dealings with them and in handling complaints. This is an ongoing issue that the Customer Relations Team supports staff with.
- c) The Children's Rights Service is continuing to work with Children's Services to promote:
 - o Clear messages for parents when explaining reasons for not sharing information with them
 - o Improved maintenance of records to avoid errors leading to potential breaches of confidentiality
 - o Improved day to day application of policies and procedures for Care Leavers
- d) The Corporate Customer Relations Team is continuing to work with Surrey Highways to build on learning from complaints to identify opportunities for service improvements.
- e) The Corporate Customer Relations Team is reviewing the corporate complaints procedure to ensure that it is fit for purpose and proportionate to the resources available.
- f) The Corporate Customer Relations Team is reviewing the guidance on the management of challenging behaviours to help with the delivery of unwelcome messages and to prevent relationships with customers deteriorating.

Financial and value for money implications

- 37. Payment of compensation, as outlined in paragraphs 21 and 22 of this report, is a financial implication of complaint handling. This has reduced considerably from previous years. Responding to complaints quickly and getting issues resolved early ensures complaints do not escalate unnecessarily through the process and minimises the requirement to pay financial redress.

Equalities and Diversity Implications

38. Ensuring we maintain good complaint handling processes enables our service to remain accessible to all. We continually review ease of access to all three complaints procedures to ensure particular groups are not disadvantaged. Should an Equality and Diversity issue be identified through a complaint investigation, this will be addressed with the service concerned.

Risk Management Implications

39. The complaints process does not have any direct risk management implications; however complaints do carry a risk to the council's reputation if not handled appropriately. We routinely review and report on complaints data to ensure our processes are effective and to minimise any risk.

Next steps:

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

Report contact: Sarah E.M Bogunovic, Customer Relations Manager and Service Improvement Manager, Customer Services

Contact details: 01372 833871, sarah.bogunovic@surreycc.gov.uk

Annexes:

1. Complaint handling performance comparing 2015/16 and 2016/17
2. Examples of learning identified through complaints
3. Extracts of compliments received
4. Figures from the Local Government and Social Care Ombudsman's (LGO) Annual letter for 2016/17
5. Example case studies of LGO decisions (upheld vs not upheld)

Sources/background papers:

- Surrey County Council complaints database, Adult Social Care Customer Relations Team, Children's Rights and Advocacy Team.
- Local Government & Social Care Ombudsman Annual Review Letter 2016/17 for Surrey County Council - available on their [website](#)
- Decision Notices available on LGO [website](#)

Annex 1: Complaint handling performance comparing 2015/16 and 2016/17

Area	Response target	2015/16		2016/17	
		Complaints received	Performance against response target	Complaints received	Performance against response target
Business Services	90% in 10 working days	57	98%	43	95%
Chief Executive's		117	76%	141	86%
Customer & Communities		21	84%	31	81%
Environment & Infrastructure		614	88%	561	91%
Adult's Social Care	90% in 20 working days (or longer by agreement)	201	86%	255	98%
Schools & Learning and Services to Young People	80% in 10 working days (extendable to 20 if necessary)	116	70% (within 10 working days) 82% (within 20 working days)	162	59% (within 10 working days) 85% (within 20 working days)
Children's Social Care	80% in 10 working days (extendable to 20 if necessary)	309	41% (within 10 working days) 69% (within 20 working days)	376	42% (within 10 working days) 64% (within 20 working days)
Total/weighted average		1,434	83%	1,569	86%

Annex 2: Examples of learning identified through complaints

1. **Customers said:** Adult Social Care did not give sufficient notice before withdrawing Direct Payments

We did: staff now provide notice before altering Direct Payment arrangements and discuss alternative ways for individuals to fund their care when payments are stopped

2. **Customers said:** a care agency had not provided consistent care, and that a suitable nursing care home had not been identified quickly enough

We did: Adult Social Care staff now review their deadlines for completing assessments and ensure that key people in assessments (service users, their family members and carers etc) are actively consulted to support good communication. Supervisors use a check list tool to undertake random file audits to ensure good practice is being followed

3. **Customers said:** care leavers did not regularly meet with their Personal Advisor (PA) or receive support regarding finance and accommodation

We did: PAs now have a standing agenda item for meetings with care leavers to include discussions around accommodation and finance

4. **Customers said:** their confidentiality had been breached

We did: delivered a programme of workshops about good records management within Children's Services

5. **Customers said:** information was not being shared with parents as a consequence of young people in care actively refusing consent to share

We did: explained that Children's Services routinely assess the best interest element of these decisions in terms of the longer term impact on the young person balanced against the ongoing professional and trusting relationship between the young person and the key worker

6. **Customers said:** they were unhappy with the way in which a blue badge application had been handled

We did: improved information on the council's website to clarify that further medical information could be provided

7. **Customers said:** they were unhappy with delays in fixing noisy manhole covers

We did: ensured that customer complaints were fed in to ongoing work in Surrey Highways to review and improve the process for handling these types of reports

8. **Customers said:** there was a delay in replacing road signs

We did: improved the information on the council's website to explain the timescales for replacing road signs to manage customer expectations

Annex 3: Extracts of compliments received

I must thank all the carers who came to help me after I left Kingston Hospital. They have not only provided professional help when I really needed it, but also were very friendly and concerned with my position as a ninety two year old widower living on my own. Elmbridge is fortunate in having such a good service for aftercare for those leaving hospital and I am sure it must be one of the best in the country.

The help I was given by the Epsom and Ewell Locality Team was excellent with visits by two care workers twice a day and frequent visits by the District Nurse. All the staff who took part were helpful and kind and my treatment could not be faulted.

The Waverley Reablement carers were all superb and so good with my father (who is 90 years of age). After his stroke, he is not good on his legs and has limited speech. He was able to communicate well with all of them and they took the time to listen, and due to their patience and care I cannot praise them high enough, fantastic team.

We were all very impressed with how you run the children's home, and your insights and comments were extremely insightful and useful.

It has far exceeded any expectations we had. X is very happy at RH and is always happy to return after his visits home. X is very well cared for at RH and the accommodation is fantastic. The staff have worked hard to get to know X and is kept occupied doing things he enjoys. The structured environment has reduced his anxiety over the summer holidays which is usually a difficult time.

Up until the summer Y (one of our young people) was attending your service. My belief is that the attitude, interest and care shown to her coupled with your Services drive to put Y's individual needs at the heart of a resulting 'imaginative' and flexible plan significantly contributed to her achieving the academic qualifications necessary for her chosen Apprenticeship.

I just wanted to pass on my hugest thanks for the fabulous Trumpet workshop yesterday - my son had a wonderful day and came away exhausted but very inspired! The concert at the end was fabulous ...

We would like to send our thanks to the staff at the Mansion House Registry Office ... We held our daughter's wedding there ... It was truly a lovely experience and this was greatly due to the kindness and caring of your staff...

Last year I reported root damage to the road, kerb and pavement outside my house. Last week this was all repaired. I would like to take this opportunity to say thank you and congratulate all of the staff for how polite, courteous and helpful they were when assessing the damage...

Resurfacing: we wish to pass on our compliments to the works team who carried out the work in our road over the last few weeks. They have been professional, polite, and have done a great job, with as little disruption to us as could be helped. If you can call roadworks a pleasure, then it has been.

Annex 4: Figures from the Local Government and Social Care Ombudsman's Annual Review letter

Local Authority Report: Surrey County Council

For the Period Ending: 31/03/2017. Statistics for the period ending 31/3/2016 given in brackets.

For further information on how to interpret our statistics, please visit our website:

<http://www.lgo.org.uk/information-centre/reports/annual-review-reports/interpreting-local-authority-statistics>

Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
73 (69)	0 (0)	9 (5)	58 (57)	7 (4)	35 (29)	1 (0)	1 (3)	1 (0)	185 (167)

Decisions made

Incomplete or Invalid	Advice Given	Referred back for local Resolution	Closed After Initial Enquiries	Not Upheld	Detailed Investigations		Uphold Rate	Total
					Upheld			
8 (10)	1 (0)	60 (71)	63 (46)	21 (16)	35 (20)		63% (56%)	188 (163)
Notes Our uphold rate is calculated in relation to the total number of detailed investigations. The number of remedied complaints may not equal the number of upheld complaints. This is because, while we may uphold a complaint because we find fault, we may not always find grounds to say that fault caused injustice that ought to be remedied.					Complaints Remedied			
					By LGO	Satisfactorily by Authority before LGO involvement		
					28 (18)	2 (0)		

Annex 5: Example case studies of Local Government and Social Care Ombudsman decisions (upheld vs not upheld)

Adult care services – Assessment and care plan: Upheld

Mr X complained that the Council had failed to ensure he receives the advocacy support specified in his support plan. Mr X received an advocacy service for some time due to his difficulty communicating and relied on the advocate to read his post to him and deal with any resultant correspondence or tasks. Much of this does not require an advocate. The Council arranged a letter reading service to deal with the correspondence and leave anything that required an advocate. The Ombudsman found that the council was at fault as Mr X's support plan only listed an advocacy service to deal with his correspondence. It did not mention the letter reading service and therefore Mr X was justified in expecting an advocate. The Ombudsman recommended that the Council; i) complete an assessment of Mr X's needs under the Care Act 2014; ii) ensure the care and support plan sets out clearly how Mr X can achieve the outcomes agreed; iii) make a payment to Mr X recognising his time and trouble in pursuing the complaint.

Adult care services – Assessment and care plan: Not upheld

Mr X complained that the council wrongly decided that he and his father reduced his father's assets in order to lower the amount his father could be charged for his care. The Ombudsman did not find fault with the process followed by the council in reaching its decision and was satisfied that there was reasoned justification for the council's decision.

Education - Special educational needs: Upheld

Mrs X complained that the council was at fault in the way it dealt with transferring her son (Y) from a statement of special educational needs to an Education, Health and Care (EHC) Plan. She said the council did not meet statutory timescales, failed to assess his needs properly and also did not deal with her complaint about this matter properly. The Ombudsman found that there was delay in transferring Y to an EHC Plan. This meant the final plan was not produced until after the start of the school year and Mrs X started Y at an independent school in the meantime. It also delayed Mrs X's chance to appeal. As a result, Mrs X incurred unnecessary costs and experienced uncertainty and distress.

The council apologised to Mrs X and introduced a new procedure to ensure parents and young people are consulted about the need to carry out new assessments as part of the transfer process and their views are recorded. The Ombudsman also recommended that the council; i) reimburse Mrs X the cost of the school fees and any school transport costs it would have met if the EHC Plan had been in place in time; ii) make a payment to Mrs X to recognise the anxiety and uncertainty she experienced due to the delay in issuing a final EHC Plan; iii) make a payment to Mrs X recognising her time and trouble in pursuing her complaint.

Education – School transport: Not upheld

Mrs X complained about the council's decision to refuse her request for free transport to school for her son, on the basis that he was not attending his nearest school. Mrs X argued that the school the council referred to is an out of county school and therefore she did not apply. She also feels the council did not consider Y's medical conditions. The Ombudsman found no evidence of fault in the council's decision as Y is not attending his nearest qualifying school, or his nearest Surrey school, and the decision was in line with council policy. The council followed its process when reviewing its decision.

Highways & Transport – Highway repair and maintenance: Upheld

Mr A complained that the council reneged on its agreement to reconstruct the vehicle crossover outside his home. Mr A said the council agreed to this work along with repairs to the adjoining pavement in March 2015. Mr A further stated the council failed to look at all the evidence when considering his complaint. The Ombudsman found that, overall, the council acted in line with its procedures but it did misinform Mr A on one occasion. As a result, the complaint was upheld but the Ombudsman did not identify any outstanding injustice so no remedy was identified.

Highways & Transport – Highway repair and maintenance: Not upheld.

Mr K complained that the council failed to properly action and prioritise his report of a nearby manhole cover that regularly floods; as a result, it continues to present a hazard to pedestrians. The Ombudsman found no fault. The council responded appropriately to his report and assessed the location under its prioritisation scoring system. However, the council agreed to update its website and insert links to information about the prioritisation process, how priority figures are calculated, and the relevance of the threshold above which incidents are investigated



Audit & Governance Committee
25 September 2017

Draft Workplan for Audit & Governance Committee 2017/18

PURPOSE OF REPORT:

For Members to consider and be notified of the draft work programme for 2017/18

INTRODUCTION:

A draft workplan is attached as Annex A. It contains the regular reports that the Committee will receive over the year of 2017. Whilst this workplan is for information, suggestions and comments are welcome.

RECOMMENDATION:

The Committee is asked to:

1. To note the draft work programme and make any comments/suggestions on it.

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: WORK PLAN 2017/18

4 December 2017		
EXTERNAL AUDIT UPDATE REPORT		Grant Thornton
2016/17 AUDIT FINDINGS REPORT FOR ALL SCC TRADING COMPANIES – TO INCLUDE ANNUAL ACCOUNTS	Dec 2016 requested that annual accounts also be presented. To include Surrey Choices as well as Halsey Garton & S E Business Services.	Grant Thornton
TREASURY MANAGEMENT HALF YEAR REPORT 2017/18	This report summarises the council’s treasury management activity during the first half of 2017/18.	Strategic Manager (Pensions & Treasury)
INTERNAL AUDIT HALF-YEAR REPORT	This interim report summarises the work of Internal Audit during the first six months of 2017/18.	Chief Internal Auditor
HALF-YEAR IRREGULARITIES REPORT	<p>The purpose of this report is to inform Members about irregularity investigations undertaken by Internal Audit in the first half of this financial year, from 1 April to 30 September 2017.</p> <p>To include information on the council’s counter-fraud strategy and reviewing the strategy against recommended practices eg Managing the Risk of Fraud: Actions to Counter Fraud and Corruption (CIPFA) 2008; and Fighting Fraud Locally: The Local Government Fraud Strategy (National Fraud Authority) 2011.</p>	Lead Auditor
COMPLETED INTERNAL AUDIT REPORTS	The purpose of this report is to inform Members of the Internal Audit reports that have been completed since the last meeting.	Chief Internal Auditor
RISK MANAGEMENT HALF-YEAR REPORT	<p>This half-year risk management report has been produced to enable the committee to consider the risk management activity from April 2017 to date.</p> <p>To include the Leadership Risk Register.</p>	Risk & Governance Manager
GOVERNANCE UPDATE REPORT	The purpose of this report is to provide a half year update on the 2016/17 areas of focus outlined in the 2017/18 Annual Governance Statement.	Risk & Governance Manager

February 2018		
EXTERNAL AUDIT – AUDIT PLAN	The Council's external auditors are presenting their Audit Plan for the year 2017/18 in respect of Surrey County Council and for the Surrey Pension Fund.	Audit Manager/Engagement Lead (Grant Thornton)
NATIONAL FINANCIAL RESILIENCE REPORT		Assistant Manager – Assurance (Grant Thornton)
LEADERSHIP RISK REGISTER	The purpose of this report is to present the latest Leadership risk register and update the committee on any changes made since the last meeting.	Risk & Governance Manager
COMPLETED INTERNAL AUDIT REPORTS	The purpose of this report is to inform Members of the Internal Audit reports that have been completed since the last meeting.	Chief Internal Auditor
STATUTORY RESPONSIBILITIES NETWORK		Chief Executive
ANNUAL REPORT OF THE AUDIT & GOVERNANCE COMMITTEE	For Members to consider and comment on the annual report of the Audit & Governance Committee.	Chairman, Audit & Governance Committee
TREASURY STRATEGY		Strategic Manager Pensions & Treasury

March/April 2018		
INTERNAL AUDIT PLAN	The purpose of this report is to present the Annual Internal Audit Plan for 2018/19 to the Committee.	Audit Performance Manager -Simon White
EFFECTIVENESS REVIEW OF THE SYSTEM OF INTERNAL AUDIT	This report summarises the work undertaken by the Audit and Governance Committee to evaluate the effectiveness of the system of internal audit.	Chief Internal Auditor
LEADERSHIP RISK REGISTER	The purpose of this report is to present the latest Leadership risk register and update the committee on any changes made since the last meeting.	Risk & Governance Manager
COMPLETED INTERNAL AUDIT REPORTS	The purpose of this report is to inform Members of the Internal Audit reports that have been completed since the last meeting.	Audit Performance Manager - Simon White

May 2018		
COMPLETED INTERNAL AUDIT REPORTS	The purpose of this report is to inform Members of the Internal Audit reports that have been completed since the last meeting.	Chief Internal Auditor
ANNUAL INTERNAL AUDIT REPORT	This report summarises the work of Internal Audit for the period 1 April 2017 to 31 March 2018, identifying the main themes arising from the audit reviews and the implications for the County Council.	Chief Internal Auditor
ANNUAL RISK MANAGEMENT REPORT	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.	Risk & Governance Manager
CODE OF CORPORATE GOVERNANCE	The purpose of this report is to provide the Committee with an update on the changes made to the Code of Corporate Governance.	Risk & Governance Manager
ANNUAL GOVERNANCE STATEMENT	This report presents the Annual Governance Statement, which provides an assessment of the council's governance arrangements for the financial year ending 31 March 2018.	Risk & Governance Manager David Hodge/David McNulty to present
FULL YEAR SUMMARY OF INTERNAL AUDIT IRREGULARITY AND SPECIAL INVESTIGATIONS	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 2017 to 31 March 2018.	Lead Auditor- Reem Burton.

July 2018		
2017/18 SURREY COUNTY COUNCIL ACCOUNTS AND EXTERNAL AUDIT'S AUDIT FINDINGS REPORT	The purpose of this report is to receive the Council's Statement of Accounts, as well as to inform the Committee of the result of the external audit of the council's 2017/18 Statement of Accounts, to receive the external auditor's Audit Findings Report and to approve the council's letter of representation from the Chief Finance Officer and Deputy Director for Business Services.	Finance Manager – Assets, Investment and Accounting Audit Manager/Engagement Lead (Grant Thornton)
SURREY PENSION FUND LOCAL GOVERNMENT PENSION SCHEME ACCOUNTS 2017/18 AND EXTERNAL AUDIT'S AUDIT FINDINGS REPORT	Grant Thornton as the Council's external auditors has completed their audit and the Pension Fund financial statements are being presented to this Committee to be approved prior to publication.	Strategic Manager (Pensions & Treasury) Audit Manager/Engagement Lead (Grant Thornton)
ANNUAL REPORT OF SURREY COUNTY COUNCIL	To consider the Annual Report for the authority and endorse it for publication.	Senior Principal Accountant – Management Accounting Invite CEX and Leader to introduce.
TREASURY MANAGEMENT ANNUAL REPORT	This report summarises the council's treasury management activity during 2017/18. The report will include the latest risk register for Treasury Management.	Strategic Manager (Pensions & Treasury)

September 2018		
EXTERNAL AUDIT: ANNUAL AUDIT LETTER	The Council's external auditors present their Annual Audit Letter for 2018/19.	Audit Manager/Engagement Lead (Grant Thornton)
EXTERNAL AUDIT PERFORMANCE	To report back on performance against KPIs agreed in December 2017.	Audit Manager/Engagement Lead (Grant Thornton)
LEADERSHIP RISK REGISTER	The purpose of this report is to present the latest Leadership risk register and update the committee on any changes made since the last meeting.	Risk & Governance Manager
COMPLETED INTERNAL AUDIT REPORTS	The purpose of this report is to inform Members of the Internal Audit reports that have been completed since the last meeting.	Chief Internal Auditor
COUNCIL COMPLAINTS	To receive a report on the operation of the Council's complaints procedures.	Sarah Bogunovic, Dilip Agarwal, Jessica Brooke, Jo Diggins

The items below are included in the Committee Bulletin in the first instance and a report can requested to Committee if required:

- Whistleblowing Update
- Babcock 4s Annual report
- Gift and Hospitality annual update
- Ethical Standards Annual review
- Statutory Responsibilities Network

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