

Notice of Meeting

Audit & Governance Committee



SURREY
COUNTY COUNCIL

Date & time
Thursday, 27
September 2018
at 10.30 am

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

Contact
Joss Butler
Room 122, County Hall
Tel 020 8541 9702

Chief Executive
Joanna Killian

joss.butler@surreycc.gov.uk

We're on Twitter:
[@SCCdemocracy](https://twitter.com/SCCdemocracy)

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

This meeting will be held in public. If you would like to attend and you have any special requirements, please contact Joss Butler on 020 8541 9702.

Members

Mr David Harmer (Chairman), Mr Keith Witham (Vice-Chairman), Mr Edward Hawkins, Dr Peter Szanto, Mr Will Forster and Mr Stephen Spence

Ex Officio:

Mr David Hodge CBE (Leader of the Council), Mr John Furey (Deputy Leader), 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: 26 JULY 2018

(Pages 1
- 12)

To agree the minutes as a true record of the meeting.

3 DECLARATIONS OF INTEREST

All Members present are required to declare, at this point in the meeting or as soon as possible thereafter

(i) Any disclosable pecuniary interests and / or

(ii) Other interests arising under the Code of Conduct in respect of any item(s) of business being considered at this meeting

NOTES:

- Members are reminded that they must not participate in any item where they have a disclosable pecuniary interest
- As well as an interest of the Member, this includes any interest, of which the Member is aware, that relates to the Member's spouse or civil partner (or any person with whom the Member is living as a spouse or civil partner)
- Members with a significant personal interest may participate in the discussion and vote on that matter unless that interest could be reasonably regarded as prejudicial.

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 (*21 September 2018*).
2. The deadline for public questions is seven days before the meeting (*20 September 2018*).
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

5 RECOMMENDATIONS TRACKER

(Pages
13 - 18)

To review the Committee's recommendations tracker.

6 ANNUAL COMPLAINTS PERFORMANCE REPORT

(Pages
19 - 38)

The purpose of this report is to give the Audit & Governance Committee an overview of the Council's complaint handling performance in 2017/18 and to demonstrate how feedback from customers has been used to improve services.

7 INTERNAL AUDIT PROGRESS REPORT - QUARTER 1 (01/04/18 - 30/06/18) (Pages 39 - 60)

The purpose of this progress report is to inform Members of the work completed by Internal Audit between 1 April 2018 and 30 June 2018.

The current annual plan for Internal Audit is contained within the Internal Audit Strategy and Annual Plan 2018-19, which was approved by Audit and Governance Committee on 12 April 2018.

This progress report also includes, at Appendix C, a revised Audit Charter updated following the external assessment of Orbis Internal Audit by the South West Audit Partnership. It contains a revision at paragraph 6 relating to the appointment and removal of the Chief Internal Auditor.

8 EXTERNAL AUDIT PERFORMANCE REPORT 2017/18 AND KEY PERFORMANCE INDICATORS 2018/19 (Pages 61 - 74)

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 in September 2017 and to agree KPIs for the 2018/19 audit.

9 ANNUAL AUDIT LETTER 2017/18 (Pages 75 - 88)

The Council's external auditors, Grant Thornton, are presenting their Annual Audit Letter in respect of the audit year 2017/18 (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 2018.

10 DATE OF NEXT MEETING

The next meeting of Audit & Governance Committee will be on 13 December 2018.

Joanna Killian
Chief Executive
Published: 19 September 2018

MOBILE TECHNOLOGY AND FILMING – ACCEPTABLE USE

Those attending for the purpose of reporting on the meeting may use social media or mobile devices in silent mode to send electronic messages about the progress of the public parts of the meeting. To support this, County Hall has wifi available for visitors – please ask at reception for details.

Anyone is permitted to film, record or take photographs at council meetings. Please liaise with the council officer listed in the agenda prior to the start of the meeting so that those attending the meeting can be made aware of any filming taking place.

Use of mobile devices, including for the purpose of recording or filming a meeting, is subject to no interruptions, distractions or interference being caused to the PA or Induction Loop systems, or any general disturbance to proceedings. The Chairman may ask for mobile devices to be switched off in these circumstances.

It is requested that if you are not using your mobile device for any of the activities outlined above, it be switched off or placed in silent mode during the meeting to prevent interruptions and interference with PA and Induction Loop systems.

Thank you for your co-operation

MINUTES of the meeting of the **AUDIT & GOVERNANCE COMMITTEE** held at 10.30 am on 26 July 2018 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 Edward Hawkins*
Dr Peter Szanto*
Mr Will Forster*
Mr Stephen Spence

*= Present

Substitute Members:

Mr Nick Harrison

36/18 MINUTES OF THE PREVIOUS MEETING - 24 MAY 2018 [Item 2]

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

37/18 DECLARATIONS OF INTEREST [Item 3]

Edward Hawkins declared a non-pecuniary interest as he was the Surrey County Council (SCC) appointed Director of Halsey Garton Property Investment Ltd.

38/18 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Stephen Spence. Nick Harrison acted as a substitute for Stephen Spence.

39/18 QUESTIONS AND PETITIONS [Item 4]

There were none.

40/18 RECOMMENDATIONS TRACKER & BULLETIN [Item 5]

Witnesses:

David John, Audit Manager

Key points raised during the discussion:

1. Action A2/18 - the Chairman highlighted that he intended to request a report on business continuity and emergency management towards the end of the Council's transformation. A Member highlighted that times of change could lead to higher potential risks. In response to this, it was suggested that business continuity plans should be considered by the Corporate Overview Select Committee when scrutinising the transformation plans.

2. Action A8/18 - the Audit Manager highlighted that he had previously circulated information outside of the meeting which noted that the service did not specifically consider schools non-adherence to Schools Travel Plans to be a risk. Members felt that this did have a place on the risk register and discussed the possibility of further referring concerns on to the Chairman of the Planning and Regulatory Committee or the relevant Select Committee. Members also considered requesting an internal service audit on the implementation of the plans.
3. Further to discussion, the Chairman stated that he would write to the Member of Parliament for South West Surrey to highlight his concerns around the Council's lack of power to enforce terms of school planning applications.

Action/Further information to note:

Members requested that the response from the Chief Executive on her position on the Audit & Governance Committee's role when considering the Governance Strategy and Code of Corporate Governance be circulated.

RESOLVED:

That the Committee noted the report.

41/18 STATEMENT OF ACCOUNTS 2017/18 [Item 6]

Will Forster left the meeting at 11:28am

Witnesses:

Nicola O'Connor, Finance Manager
 David John, Audit Manager
 Russell Banks, Chief Internal Auditor
 Marcus Ward, Grant Thornton
 Ciaran McLaughlin, Grant Thornton

Key points raised during the discussion:

1. The Finance Manager introduced the report and highlighted that Members had previously attended a briefing session on the Surrey County Council (SCC) Accounts. Members noted that there had been changes to Annex A following the publication of the agenda. These were as follows:
 - Page 44 onwards – 'Notes to the Accounts' was replaced with 'Notes to the Financial Statement'
 - Page 125 – 'Firefighters' Pension Scheme' was replaced with 'Firefighters' Pension Scheme Financial Statement'.
 - Page 69 – Note 7 – highlighted that the Section 151 Officer had been replaced with an Interim Section 151 Officer.
2. Annex B was published in a supplementary agenda on 23 July 2018. An amended Annex C was tabled at the meeting and is attached to these minutes as Appendix A.
3. Members sought clarification on why the Value for Money (VFM) Conclusion had not yet been submitted. Representatives from Grant Thornton explained that work was delayed as SCC had separately

requested the Chartered Institute of Public Finance and Accountancy (CIPFA) to carry out a review of the Council's financial resilience that would have had considerable overlap with Grant Thornton's work. It was then understood that the review was unlikely to overlap and that work would have to continue as previously planned. Due to this Grant Thornton was not in a position to issue the VFM conclusion on time. It was confirmed that the VFM conclusion would be issued in the coming weeks.

4. Members requested that the recent CIPFA review be circulated to Committee Members once available.
5. Members discussed the various figures in the Comprehensive Income & Expenditure Statement where it was requested that officers circulate an analytical review for more information.
6. Members requested clarification on why income in relation to Place, Development & Waste had decreased, particularly as Community Recycling Centres (CRCs) had started charging some fees. Officers agreed to provide a response outside the meeting.
7. In the narrative report to the statement of accounts it was noted that it was estimated that over 23,000 children in Surrey are living in poverty. Some Members felt this could be further clarified to give better understanding around the definition of poverty. Officers noted Members comments and agreed to pass them on to the Communications Team.
8. Officers highlighted that the Council continued to use short-term borrowing to cover short-term cash flow requirements, rather than borrowing long term.
9. Members noted that the service had resolved an outstanding issue o in the firefighters' pensions fund relating to injury awards.
10. Members requested a clear copy of the 2017/18 Council income and expenditure graph on page 33 of the agenda. It was also asked if Members could receive a similar graph for the 2018/19 figures.
11. Representatives from Grant Thornton provided a short summary of audit findings report. It was highlighted that they anticipated issuing an unqualified opinion on the accounts, following outstanding queries being resolved as outlined on page 3 of the supplementary agenda.

Actions/ further information to be provided:

1. A10/18 - Members requested that the recent CIPFA review be circulated to Committee Members once available – Chief Audit Manager
2. A11/18 - For officers to circulate an analytical review of the Comprehensive Income & Expenditure Statement.
3. A12/18 - For officers to provide clarification on why the income in relation to Place, Development & Waste had decreased, given that the recycling centres had started charging fees.
4. A13/18 - Members requested a clear copy of the 2017/18 Council income and expenditure graph and a similar graph for the 2018/19 figures.

Resolved:

Subject to the revisions/corrections agreed at the meeting, the Audit and Governance Committee:

1. Approved the 2017/18 Statement of Accounts, as attached in Annex A, for publication on the Council's website and in a limited number of hard copies;
2. Considered the contents of the 2017/18 Audit Findings Report in Annex B;
3. Agreed the officer response to recommendations of the external auditor;
4. Noted the amended Director of Finance's letter of representation, which was tabled at the meeting as Annex C;
5. Determined that no issues in the Audit Findings Report needed to be referred to the Cabinet.
6. Noted the revised Annual Governance Statement, as approved by Cabinet on 17 July 2018.

42/18 SURREY PENSION FUND - LOCAL GOVERNMENT PENSION SCHEME ACCOUNTS 2017/18 AND GRANT THORNTON EXTERNAL AUDIT FINDINGS REPORT [Item 6a]

Witnesses:

Mamon Zaman, Senior Accountant
 Marcus Ward, Grant Thornton
 Ciaran McLaughlin, Grant Thornton

Key points raised during the discussion:

1. The Senior Accountant introduced the report and provided a brief summary of its details. It was noted that report presented the audited financial statements of the Pension Fund for the year ended 31 March 2018. The report and annexes were published in a supplementary agenda on 23 July 2018.
2. Members requested further information on why the pension administration services spending had raised from £1,250,000 in 2016/17 to £1,626,000 in 2017/18. Officers agreed to provide a response outside the meeting.
3. Members highlighted an error on paragraph XXI of Annex 3 which stated there had been no contact with The Pensions Regulator concerning matters of non-compliance with any legal duty. Officers agreed to amend the document to confirm that there had been contact with The Pensions Regulator.

Actions/ further information to be provided:

1. A14/18 - Members requested further information on why the pension administration services spending had raised from £1,250,000 in 2016/17 to £1,626,000 in 2017/18.
2. A15/18 - Officers to amend paragraph XXI of Annex 3 to confirm that there had been contact with The Pensions Regulator.

Resolved:

Subject to the revisions/corrections agreed at the meeting, the Audit and Governance Committee:

1. Approved the 2017/18 Pension Fund financial statements in Annex 1.

2. Considered the content of the Audit Findings for Surrey Pension Fund Report in Annex 2.
3. Determined that no items needed to be referred to Cabinet in relation to the external auditor's conclusions and recommendations.
4. Considered the content of the draft representation letter as set out in Annex 3 and
5. authorised the Deputy Chief Finance Officer to sign it on the Council's behalf.

43/18 INTERNAL AUDIT & COUNTER FRAUD ANNUAL REPORT AND OPINION 2017-18 [Item 8]

The Chairman considered item 8 before item 7

Witnesses:

David John, Audit Manager

Key points raised during the discussion:

1. Officers introduced the report and explained that report summarised the work of Orbis Internal Audit and Counter Fraud for the period 1 April 2017 to 31 March 2018. It was noted that the report also highlighted irregularities which had not previously been directly reported to the Audit and Governance Committee.
2. Members requested further information on the audit of Pensions Administration. Officers stated that the follow-up actions had not yet been completed and that they would continue to be monitored.
3. Members raised concern over that length of time the Police were taking to investigate the misuse of prepaid credit cards in one service, as detailed in paragraph 5.21 of Annex A. Officers explained that there were various reasons for the prolonged investigation but that officers were keen for its conclusion. Officers agreed to follow up on the Police investigation regarding the misuse of pre-paid credit cards.

Actions/ further information to be provided:

A16/18 - Officers agreed to follow up on the Police investigation regarding the misuse of pre-paid credit cards.

Resolved:

The Audit & Governance Committee:

1. Noted the work undertaken and the performance of Internal Audit in 2017-18 and the resultant annual opinion of the Chief Internal Auditor; and
2. Determined that there were no matters that the Committee wished to draw to the attention of the relevant Select Committee.

44/18 PSIAS EXTERNAL ASSESSMENT OF INTERNAL AUDIT [Item 7]

Witnesses:

Russel Banks, Chief Internal Auditor

Key points raised during the discussion:

1. Officers introduced the report and provided Members with a short summary. It was highlighted that there were two main requirements for assessing compliance with the Public Sector Internal Audit Standards (PSIAS); an annual self-assessment and a five-yearly external assessment to be conducted by a qualified, independent assessor or assessment team, from outside the organisation.
2. Officers highlighted that a recommendation for improvement was made relating to updating the Internal Audit Charter to cover responsibilities for the appointment and removal of the Chief Internal Auditor. An updated Internal Audit Charter would therefore be submitted for consideration at the next Audit and Governance Committee meeting.
3. Members discussed the advantages of obtaining an external assessment where it was determined that there was a commercial advantage.

Resolved:

It was agreed that the Committee note the report and in particular the external assessor's conclusion that Orbis Internal Audit has achieved the highest level of conformance with relevant professional standards.

45/18 DATE OF NEXT MEETING [Item 9]

The date of the meeting was noted as 27 September 2018.

Meeting ended at: 12:25

Chairman

Annex C

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

26 July 2018

Dear Sirs

Surrey County Council
Group Financial Statements for the year ended 31 March 2018

This representation letter is provided in connection with the audit of the financial statements of Surrey County Council and its subsidiary undertakings shown in Appendix 1 of this letter for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the group and parent Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Group Financial Statements

- i We have fulfilled our responsibilities for the preparation of the group and parent Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"); in particular the group and parent Council financial statements are fairly presented in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the group and parent Council and these matters have been appropriately reflected and disclosed in the group and parent Council financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the group and parent Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the group and parent Council financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi Except as disclosed in the group and parent Council financial statements:

- a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the group and parent Council has been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

- vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

- ix All events subsequent to the date of the group and parent Council financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

- x We have considered the misclassification and disclosures changes schedule included in your Audit Findings Report. The group and parent Council financial statements have been amended for these misclassification and disclosure changes and are free of material misstatements, including omissions.

- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

- xii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent Council financial statements.

- xiii We believe that the group and parent Council's financial statements should be prepared on a going concern basis, as required by the Code. This is based on the assumption that a council will continue to operate for the foreseeable future. This assumption is based on the fact that local authorities carry out functions essential to the local community, exist by statute and are themselves revenue-raising bodies. If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. Whilst, like all local authorities, the Council is currently operating in a challenging financial environment, we do not have reason to conclude that the assumption to report on a going concern basis is no longer valid or that there is any evidence to suggest that the going concern assumption should be rebutted. We believe that no further disclosures relating to the group and parent Council's ability to continue as a going concern need to be made in the financial statements.

- xiv We are satisfied that the significant assumptions used when measuring the Council's investment in share capital of Halsey Garton Property Ltd reasonable
- xv We are satisfied that the key judgements made in ensuring the carrying value of non-current assets, not revalued in the current year are not materially different to their current value, had a full revaluation taken place at the reporting date are soundly based, in accordance with the Code and adequately disclosed in the financial statements.

Information Provided

- xvi We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the group and parent Council financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xvii We have communicated to you all deficiencies in internal control of which management is aware.
- xviii All transactions have been recorded in the accounting records and are reflected in the group and parent Council financial statements.
- xix We have disclosed to you the results of our assessment of the risk that the group and parent Council financial statements may be materially misstated as a result of fraud.
- xx We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and parent Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the group and parent Council financial statements.
- xxi We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the group and parent Council's financial statements communicated by employees, former employees, analysts, regulators or others.
- xxii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiii We have disclosed to you the identity of the group and parent Council's related parties and all the related party relationships and transactions of which we are aware.

xxiv We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent Council financial statements.

Annual Governance Statement

xxvi We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

i The disclosures within the Narrative Report fairly reflect our understanding of the group and parent Council's financial and operating performance over the period covered by the group and parent Council financial statements.

Approval

The approval of this letter of representation was minuted by the Audit and Governance Committee at its meeting on 26/07/18

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Appendix 1**List of subsidiaries:**

S E Business Services Ltd
Surrey Choices Ltd
Halsey Garton Ltd
Henrietta Parker Trust

This page is intentionally left blank



Audit & Governance Committee
27 September 2018

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: Joss Butler, Democratic Services Assistant
020 8541 9702 joss.butler@surreycc.gov.uk

Sources/background papers: None

This page is intentionally left blank

Audit & Governance Committee Recommendations Tracking

Recommendations (ACTIONS)

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
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	<p>July 2017 – That the Committee will see how the new Overview and Budget Scrutiny Committee will be dealing with this matter going forward.</p> <p>November 2017 – The Chairman of the Overview and Budget Scrutiny Committee has planned to take an item on the performance of the Shareholder Board (and the LATCs) in July 2018. A&G Committee to be updated following this.</p> <p>December 2017 - The Chairman agreed to speak informally to the Chairman of the Overview and Budget Scrutiny Committee to raise concerns over the debt of Surrey Choices.</p>
A1/18	22/01/2018	Business Continuity	To upload the updated LGA Guidance titled 'A Councillor's guide to Civil emergencies' to the network portal and let all Members know when it's available.	Democratic Services Assistant	Awaiting publication by Local Government Association.
A2/18	22/01/2018	Business Continuity	To discuss timings for future reports once training for Members has taken place on Business Continuity.	Chairman	<p>April 2018 – Member Development session titled 'Introduction to Emergency Planning' took place on 30 April 2018. The session provided Members with an overview of the response structures in place for emergency situations, as well as some of the key risks facing both Surrey County Council and local authorities more widely.</p> <p>July 2018 – The Chairman highlighted that he intended to request a report on business continuity and emergency management towards the end of the Council's transformation.</p>

Audit & Governance Committee Recommendations Tracking

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
A6/18	12/04/2018	Bulletin	To invite the relevant Cabinet Member(s) to a future meeting in order to share concerns and answer questions on Babcock 4S.	Democratic Services Assistant	Cabinet Member for All-Age Learning to attend Committee meeting on 13 December 2018.
A8/18	24/05/18	Annual Risk Management Report	The Audit Manager to highlight the Committee's concerns regarding school travel plans to the relevant service to find out if the risk had been considered and what mitigations are in place.	Audit Manager	July 2018 - the Audit Manager highlighted that he had previously circulated information outside of the meeting which noted that the service did not specifically consider schools non-adherence to Schools Travel Plans to be a risk. Members felt that this did have a place on the risk register and discussed the possibility of further referring concerns on to the Chairman of the Planning and Regulatory Committee or the relevant Select Committee. Members also considered requesting an internal service audit on the implementation of the plans.
A10/18	26/07/18	Statement Of Accounts 2017/18	Members request that the recent CIPFA review be circulated to the Committee once available	Chief Audit Manager	To circulate once available.
A13/18	26/07/18	Statement Of Accounts 2017/18	Members requested a clear copy of the 2017/18 Council income and expenditure graph and a similar graph for the 2018/19 figures.	Finance Manager	To circulate once available.

Audit & Governance Committee Recommendations Tracking

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
A16/18	26/07/18	Internal Audit & Counter Fraud Annual Report And Opinion 2017-18	Officers agreed to follow up on the Police investigation regarding the misuse of pre-paid credit cards.	Audit Manager	

COMPLETED RECOMMENDATIONS/REFERRALS/ACTIONS – TO BE DELETED

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
A9/18	24/05/18	Governance Strategy and Code of Corporate Governance	For the Chief Executive to provide her position on the Audit & Governance Committee's role when looking at the Governance Strategy and Code of Corporate Governance.	Chief Executive	Response received and circulated to Members.
A11/18	26/07/18	Statement Of Accounts 2017/18	For officers to circulate an analytical review of the Comprehensive Income & Expenditure Statement.	Finance Manager	Circulated on 15/08/18

Audit & Governance Committee Recommendations Tracking

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
A12/18	26/07/18	Statement Of Accounts 2017/18	For officers to provide clarification on why the income in relation to Place, Development & Waste had decreased, given that the recycling centres had started charging fees where appropriate.	Finance Manager	Response circulated on 15/08/2018.
A15/18	26/07/18	Surrey Pension Fund - Local Government Pension Scheme Accounts 2017/18 And Grant Thornton External Audit Findings Report	Officers to amend paragraph XXI of Annex 3 to confirm that there had been contact with The Pensions Regulator.	Senior Accountant	Completed.
A14/18	26/07/18	Surrey Pension Fund - Local Government Pension Scheme Accounts 2017/18 And Grant Thornton External Audit Findings Report	Members requested further information on why the pension administration services spending had raised from £1,250,000 in 2016/17 to £1,626,000	Senior Accountant	Response circulated on 15/08/2018.



Audit & Governance Committee
27 September 2018

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 complaint handling performance in 2017/18 and to demonstrate how feedback from customers has been used to improve services.

Recommendations:

It is recommended that the Audit & Governance Committee note the Council's complaint handling performance in 2017/18 and how feedback from customers has been used to improve services.

Introduction:

1. The Council has three complaints procedures, one for Children, Schools and Families (now Children, Families and Learning), 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.
2. Adult Social Care and Children Schools and Families produce separate annual reports where more detailed information and analysis about the types of complaints received and outcomes and improvement actions can be found.
3. 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.
4. This report also sets out LGO findings on complaints about Surrey County Council. The LGO's figures included in this report are based on those given in the LGO's Annual Review letter issued on 18 July 2018.

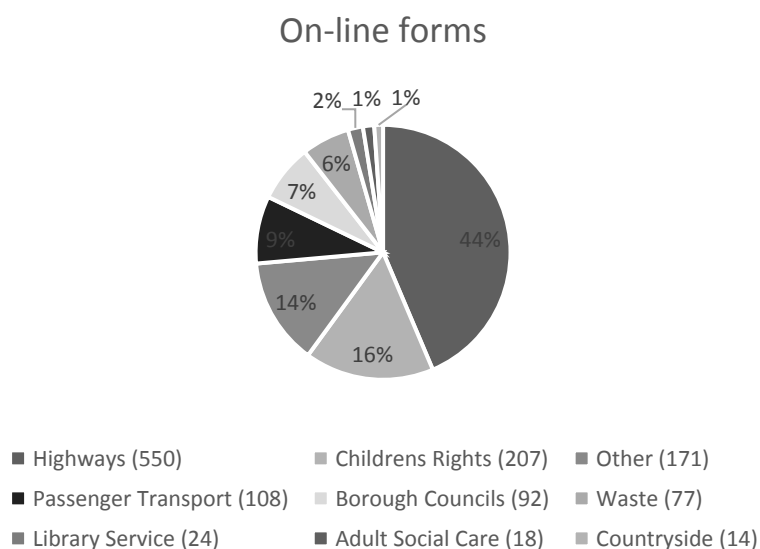
Background to complaints handling in Surrey County Council:

5. 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 residents and customers, every complaint presents a potential opportunity to learn and improve and rebuild trust when things have gone wrong.
6. The volume of complaints does not in itself indicate quality of the Council's complaint handling performance. The Council encourages logging of complaints as it aims to be an open, learning organisation that encourages feedback. Low complaint volumes can be a sign that an organisation is not open to receiving feedback.
7. Escalation rates and uphold rates are a better measure of performance as these indicate where we have been unable to resolve complaints at service level and where fault has been found.
8. Where fault is found 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; data breaches, Special Educational Needs (SEN) tribunals and school transport appeals panel.
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 referenced in this report.

Early intervention approach

12. In May 2017 the Corporate Customer Relations Team introduced a new focus on early intervention with a new on-line complaint form for customers. The Customer Relations Team triages all forms received through this channel and proactively works with services to prevent issues escalating into formal complaints in those cases where the required advice, information or preferred outcome can be provided quickly. **1261** customers have made use of this on-line option since its introduction.
13. Customer used these forms to feedback on a very wide range of subjects. The majority of customers used this option for highways issues (550), with the most frequent topics being potholes, followed by disruption on the highway network, and then parking problems. The next most frequent contact related to Children's Services (207), Passenger Transport (108), mainly concerning bus services and bus passes and Waste (77), mainly relating to community recycling centres. We also received a number of enquiries relating to services provided by district and borough councils, the majority relating to residential waste collection. Where appropriate, customers were signposted to those other authorities.

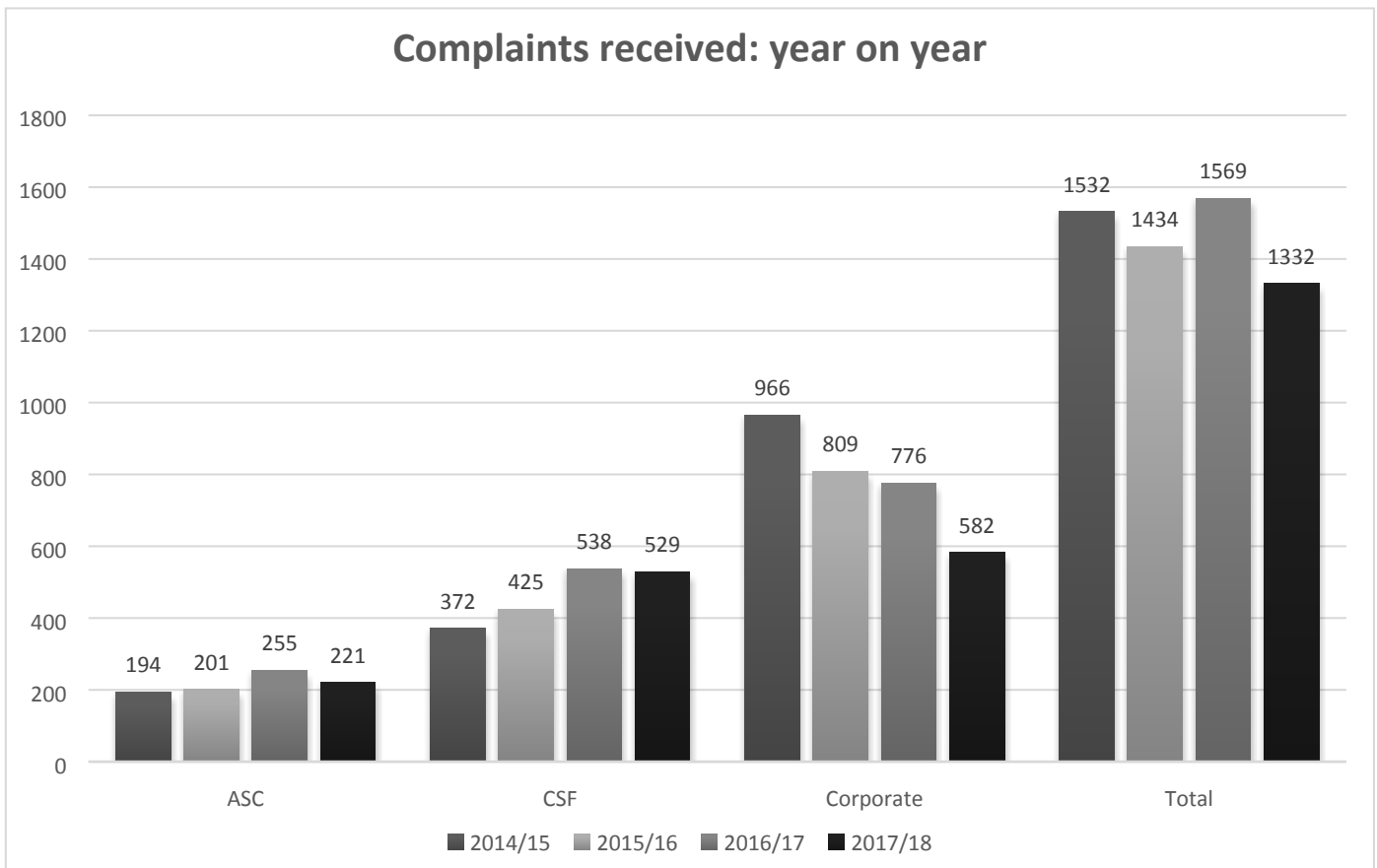
Figure 1: Online complaint forms



14. For services that come under the corporate complaints procedure, only **9%** of these online complaint enquiries were not resolved at first point of contact and then progressed through the complaints procedure.

Complaint handling performance in 2017/18:

15. During the year 2017/18, Surrey County Council received **1,332** complaints, a 15% decrease from the previous year (1,569). The reduction in corporate complaints suggests the early intervention approach has been successful in preventing the unnecessary escalation of complaints.

Figure 2: Total complaints received

16. The most popular subject of complaint for each of the complaints procedures are shown in Figure 3 below. Service specific delivery issues followed by lack of communication were the most frequent complaint categories.

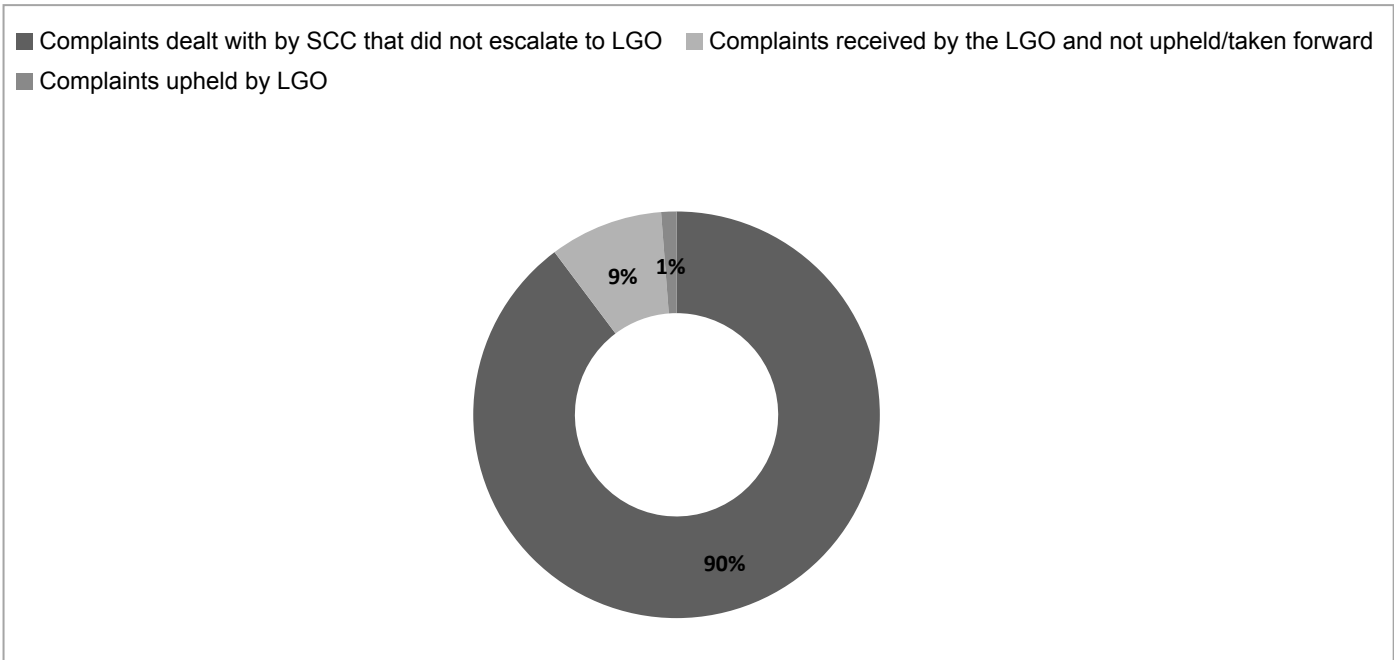
Figure 3: Complaint categories 2017/18

CORPORATE	CHILDREN, SCHOOLS & FAMILIES	ADULT SOCIAL CARE
Lack of contact	Unsatisfactory communication	Service delivery
Roadworks	LAC placed out of county and out of school-lack of education provision.	Decision making
General customer service issues	Disagreement with decisions against applications for decelerated schools admissions	Communication
Vegetation	Transport to and from school for children with Education, Health and Care Plans.	Staff behaviour
Utility Works	Disagreement with outcomes of ICPC	Fair treatment

17. Overall escalation to the LGO: the Ombudsman received 132 complaints and enquiries about Surrey County Council in 2017/18; an escalation rate of **10%**. This was an improvement from the previous year where the escalation rate was 12%. Of the complaints investigated by the Ombudsman, 18 were upheld (1.4%

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.

Figure 4: Escalation to the Ombudsman 2017/18



18. Where the Ombudsman has upheld a complaint, this indicates fault on the part of the council in delivering its services and can negatively impact the Council’s reputation. It is important to learn from complaints upheld by the Ombudsman to identify what went wrong and to put in place measures to make sure a similar situation does not happen again.
19. A breakdown of complaints upheld by the Ombudsman can be found in Annex 1 and Annex 2 to this report; examples of upheld and not upheld complaints at Annex 3 and benchmarking of Ombudsman escalation rates with other similar county councils at Annex 4. The Ombudsman annual statistics are a good benchmarking tool as it is a consistent, independent measure for complaint escalation for all local authorities in England and the Ombudsman is the same final stage for all complaint procedures.

Complaint trends & performance:

20. A breakdown of complaints received by Surrey County Council and response times per service for 2017/18, compared to 2016/17, can be found in Annex 5 to this report. The following was noted:
 - 15% decrease in total number of complaints received
 - fewer complaints received by all services compared to 2016/17
21. Not surprisingly given the high demand on Surrey’s roads, Environment & Infrastructure (now Highways, Transport & Environment) continued to receive the highest number of complaints. It should be highlighted that there has been a further decrease in the number of complaints received by Surrey Highways, reflecting the ongoing improvement work that has been undertaken including increased proactive messaging around highway works by the Works

Communication Team. When put in wider context, complaints about Highways accounted for just 0.4% of the total number of enquiries the service received over this reporting period. It should also be noted that the county suffered extreme weather conditions in the last quarter of the year but this did not appear to impact complaint numbers.

22. Despite the overall decrease in the total number of complaints, response times fell across the majority of services. This led to an average of 83% of complaints responded to within timescale across the three procedures, compared to 86% for 2016/17.
23. The complexities of complaints in Children's Social Care continue to impact on their ability to respond within the statutory timescales.
24. Where the council is found at fault, financial redress can be recommended where appropriate. All financial awards are approved by the relevant Head of Service and, if greater than £1,000, in consultation with the portfolio holder. The Ombudsman can also recommend financial redress if they find fault following an investigation.
25. There was an increase in the amount of financial redress paid in 2017/18 compared to 2016/17. This was due to a single payment in a Children's case of £20,600 recommended by the Ombudsman following investigation. Financial redress payments by year are shown in Figure 5.

Figure 5: Financial Redress year-on-year

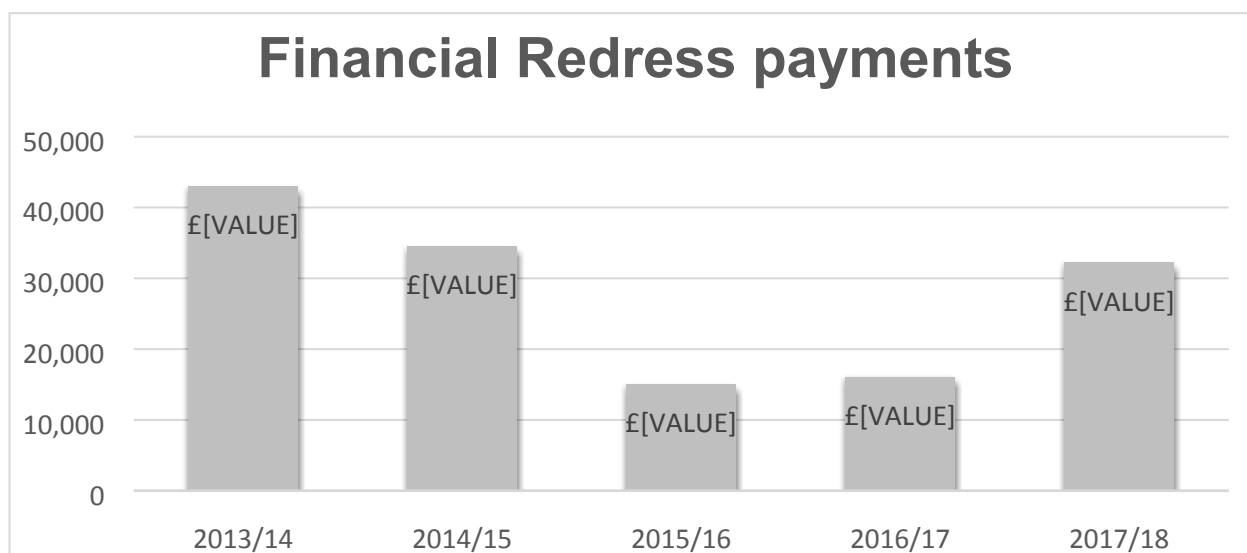


Figure 6: Financial redress breakdown 2017/18

COMPENSATION 2017/18	
Adult Social Care	£7,775
Children, Schools & Families	£24,320
Corporate	£129
Total	£32,224

26. The three highest payments were:

- £20,600.00 to compensate for failure to appropriately assess the impact of a young person's behaviour on other family members including siblings (fees and compensation for time, trouble and delay reimbursed)
- £3,275 Carers Direct Payment back pay to compensate for the failure to set up direct payments and to set out the outcomes of an assessment with the parent or to ensure that the parent received respite care as planned. Also lack of respite and sitting services because of a six month delay in assessing needs as a carer
- £1,750 to compensate for failure to act in a timely manner to support two customers during a safeguarding allegation and failure to pass on information about the customers' updated care plans.

Complaint Escalation:

27. We aim to resolve complaints satisfactorily at the earliest opportunity; however customers 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 independent investigation. Escalation rates are a good indicator of how successfully complaints are being handled at point of service.
28. 17% of complaints (98) escalated to Stage 2 of the council's corporate complaints procedure in 2017/18; a 2% decrease from the previous year.
29. Escalation to Stage 2 within Children, Schools and Families dropped slightly to 3%.
30. Adult Social Care is required by statute to have a one stage complaint procedure. This unfortunately means that there is not the opportunity to compare escalation rates in Adult Social Care with Children, Schools and Families and corporate complaints.
31. As shown in Figure 4, the escalation rate to the Ombudsman was 10% and the uphold rate 1.4%. The three most common areas of complaint to the Ombudsman were Adult Social Care, Education and Children's Services and Highways & Transport.
32. It is not unusual to see a high number of complaints relating to Adult Social Care escalating to the LGO due to the single stage complaints procedure, which gives less opportunity for internal resolution.
33. Financial redress was recommended in 59% of cases upheld by the Ombudsman.

Learning from complaints:

34. Every complaint presents an opportunity to put things right for the complainant and also for the council to learn and improve. An individual complaint may result in a single action to put that situation right, or multiple complaints about the same issue could indicate a need to more widely review a process or how a particular service is delivered. Specific examples are given in Annex 6.

Compliments:

35. 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 2017/18 the council recorded **2664** compliments about its services; 167 for Children, Schools and Families; 847 for Adult Social Care and 1650 for all other council services. This meant that for 2017/18 the council received exactly double the number of compliments than complaints
36. We are working to ensure more consistency in recording of compliments e.g. through a standard definition. Children, Schools and Families in particular are looking at ways to ensure compliments are routinely logged when received. Extracts from compliments received are in Annex 7.
37. The council also recognises and celebrates those employees who deliver outstanding customer service through its Tower Awards scheme. This provides an opportunity for members of the public and colleagues to nominate council staff who have given exceptional customer service. In 2017/18 we issued 22 Tower Awards to staff across a range of services, including Social Care, Fire & Rescue, Libraries and Highways.

Conclusions:

38. What are we doing well?
 - a) Providing 'soft skills' training for staff to manage difficult conversations and customer complaints.
 - b) Taking the initiative within Adult Social Care to lead on joint complaints with our partner agencies. These are predominantly health providers in Surrey but also include other local authorities and charity sector organisations. Adult Social Care services has demonstrated its effectiveness in organising complex responses, setting timescales and ensuring complete and clear responses to customers.
 - c) Regular reporting on customer relations activity across the three areas to respective leadership and management teams. This has increased transparency and informed changes in service delivery.
 - d) Children's Rights Service is working with colleagues in Healthwatch to identify common themes and trends to inform service delivery.
 - e) Providing high quality advice and support on general complaint handling across all three areas.
 - f) Focusing on early intervention – corporate Customer Relations team triaging online complaint enquiries to prevent unnecessary complaint escalation.
 - g) Providing proactive support to services in delivering difficult messages about service changes e.g. part night street lighting.
 - h) Giving guidance on the management of challenging behaviours to help with the delivery of unwelcome messages and to prevent relationships with customers deteriorating.
39. What do we need to continue to work on?
 - a) For Adult Social Care, an ongoing issue is access to information in the context of complaints. The initial position is normally to share information and

provide complete responses to complainants. In a small number of complaints, however, it has been necessary to restrict information to ensure the safeguarding and wellbeing of vulnerable adults. Due to the detail of some case files, the Customer Relations Team is working closely with the Adults Information Governance Team to ensure a proportionate and confidential service.

- b) Adult Social Care's direction of travel continues to include close working with the NHS. Mental health services are jointly delivered in partnership with Surrey and Borders Partnership NHS Trust. Adult Customer Relations also works closely with other health providers, including on joint investigations between the Local Government and Social Care Ombudsman and Parliamentary and Health Service Ombudsman.
- c) The Children's Rights Service is continuing to work with Children's Services to:
 - develop revisions to escalation processes for Child Protection and Looked After Children Reviews
 - assess complaints about breaches of confidentiality to demonstrate improved recording whilst reflecting a reduction in breaches
 - inform the new offer for Care Leavers
- d) The Corporate Customer Relations Team is continuing to work with the training team in Customer Services to develop high quality training on managing customer expectations, delivery of unwelcome messages and how to prevent relationships with customers deteriorating.
- e) A new electronic customer feedback system has been procured with the aim of making complaints management more efficient through increased automation and oversight, as well as to provide more sophisticated reporting and analysis to identify trends and opportunities to learn and improve. Implementation will take place in Q3 2018/19.

Financial and value for money implications

- 40. Payment of financial redress (as outlined in paragraphs 21 and 22 of this report and shown in Figure 5) is the financial implication of complaint handling. 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

- 41. 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

- 42. 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:

43. 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

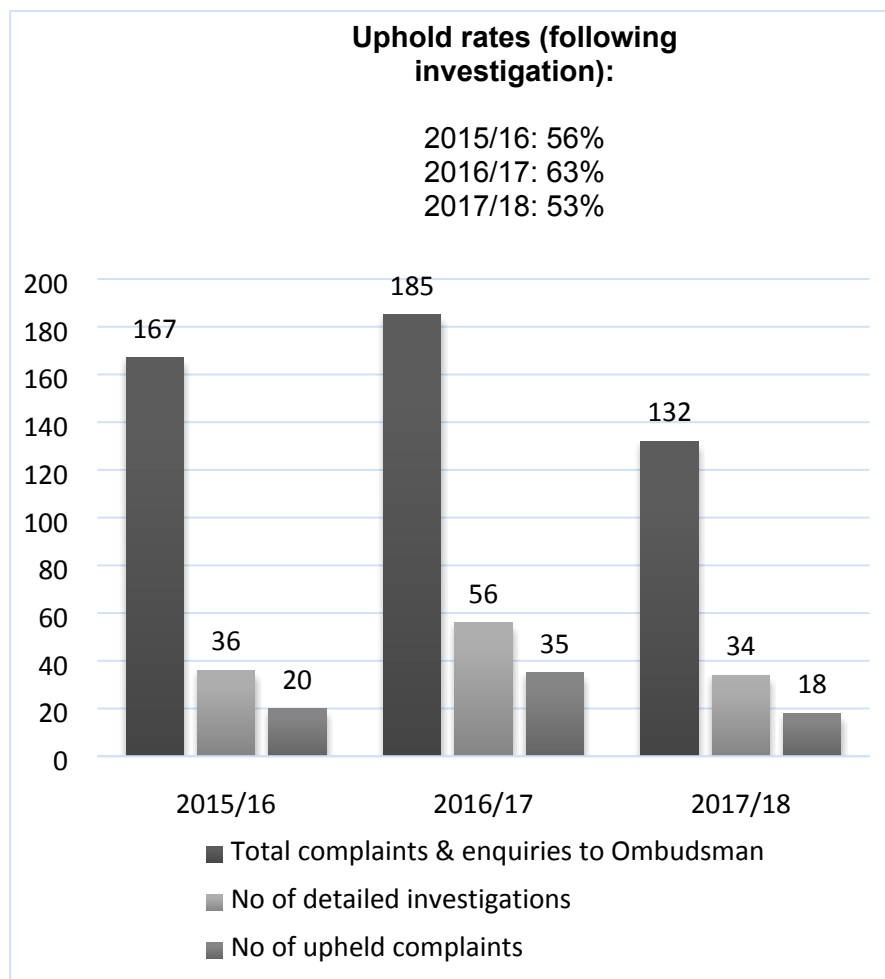
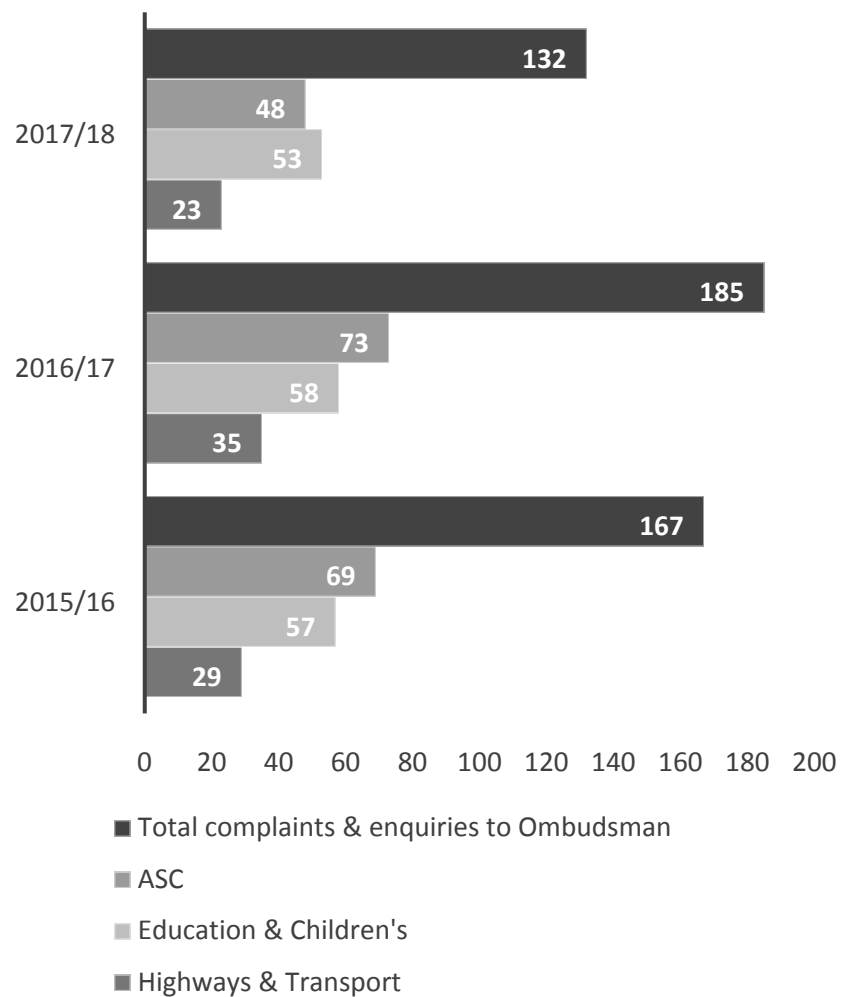
Annexes:

1. SCC Complaints escalated to LGO
2. SCC Complaints upheld by LGO
3. Example case studies of LGO decisions (upheld vs not upheld)
4. Benchmarking of LGO escalation rates
5. SCC complaint handling performance
6. Learning from Customer Feedback
7. Extracts of compliments

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 2017/18 for Surrey County Council - available on their [website](#)
- Decision Notices available on LGO [website](#)

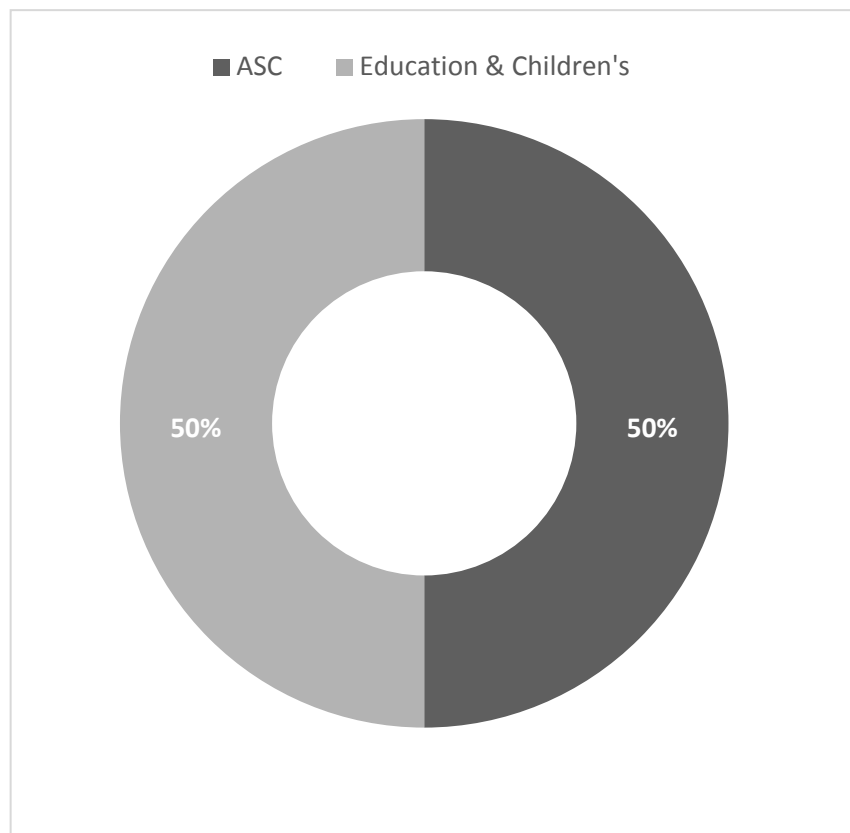
Annex 1: SCC complaints to Ombudsman 2017/18 – Top three complaint areas and number of detailed investigations/upholds



Annex 2: SCC Complaints upheld by the Ombudsman

Upheld: 18

9 for ASC and 9 for Children's



Key areas where the Ombudsman found fault:

ASC:

- Failure to properly deal with request for new residential care placement
- Direct payments
- Delay in assessment and providing social work support
- How Adult Safeguarding investigation was handled
- Lack of timely or accurate care assessment
- Inadequate response to adult safeguarding referral
- Failure to record details of meeting to update support plan
- How financial assessment towards care was carried out (value of property)
- Delay in providing information to home care provider

Education and Children's:

- Way in which changes to home to school travel arrangements were dealt with (x2)
- Fostering – did not follow process to assess children and carers to decide future of placement
- Stopping support in SEN statement / not ensuring support set out in statement / EHCP was delivered (x2)
- EHCP delays (x2)
- Failure to provide appropriate support to looked after child
- Inadequate response to child protection referral

Financial redress recommended in **59%** of upheld cases.

Annex 3: Example case studies of Local Government and Social Care Ombudsman decisions 2017/18 (upheld vs not upheld)

Adult Social Care: Upheld

15014503 - Mrs C entered residential care in May 2015. Mrs B's complaint centred on the Council's assessment that Mrs C should pay the full cost of that care for 13 weeks between August and November 2015. Mrs B argued the Council did not properly assess the value of Mrs C's share in a home they jointly own. The Ombudsman found that the Council was at fault for its valuation of a property held jointly by a mother and daughter, when the former entered residential care. This formed part of a financial assessment calculating what the mother needed to pay towards her care. The Council agreed to seek an independent valuation of the mother's share of the property (from August 2015) and, if necessary, re-calculate the financial assessment on receiving that valuation.

Adult Social Care: Not upheld

16019179 – Mr O complained about the Council for its failure to persuade the management of the care home in which his mother, Mrs P, was residing to readmit her after a stay in hospital. He said that the care home management dishonestly and wrongly refused to have her back when her underlying condition had not deteriorated since her annual assessment. The Ombudsman found that there was no evidence that a care home was at fault for refusing to readmit Mrs P following her discharge from hospital. The Council was not at fault for accepting the home's professional decision not to readmit her.

Education & Children's: Upheld

16018241 – Mr B complained that the Council did not act in line with statutory requirements when administering his son's Special Educational Needs (SEN) statement. Mr B complained to the Council in December 2016 (after complaining to his son's school) and the Council accepted that the school had not been complying with his son's statement, but did not enforce the issue. The Ombudsman found that the Council was at fault for not ensuring that his son was receiving the support set out in his SEN statement. Although the Council asked the school to conduct an emergency review, the Ombudsman stated that he had seen no evidence to suggest the Council took steps in the interim period to ensure that his son was receiving the required support. The Council agreed to investigate whether the school was currently providing the support it is required to under the terms of his SEN statement and to take appropriate actions based on its findings. The Council agreed to consider providing a further remedy to his son in consultation with him and his parents which could involve the provision of some form of activity which his son would enjoy and benefit from.

Education & Children's: Not upheld

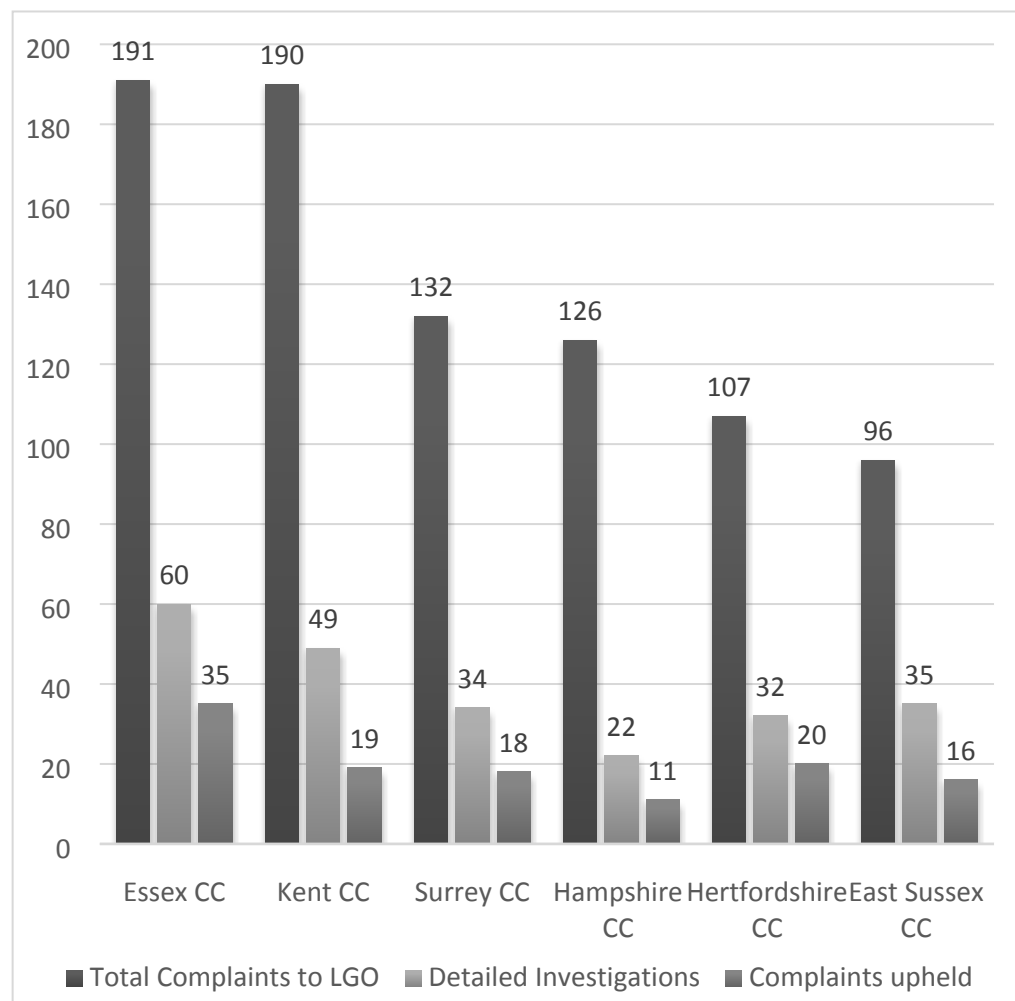
16013274 - Mr W complained that the Council failed to ensure his child X was properly supervised, cared for, and protected while in her mother's care; share information with him about his daughter's life and about their involvement; prevent social workers actively encouraging his alienation from his daughter; reasonably investigate his complaint. The Ombudsman found no fault about the way the Council dealt with X while in her mother's care or in their refusal to share information. There was no evidence social workers tried to alienate X from him. The Ombudsman found that, in these circumstances, it was not fault for the Council to refuse to investigate

his complaint as this was not in X's best interests.

Highways & Transport: not upheld

16 018 244 - The complainant said that the Council failed to properly assess and consult on how the increased traffic problems caused by expanding a nearby school would be managed. He said that the contractor and Council badly managed the construction and that the Council did not properly investigate his concerns. The Ombudsman found that there was no fault in the Council's consideration of, and consultation on, traffic management and highway safety about expanding a school. The Ombudsman found that the Council took appropriate steps to act on the complainant's concerns regarding construction.

Annex 4: Benchmarking of Ombudsman escalation rates



Points to note from Benchmarking:

- Despite second highest number of complaints to Ombudsman, Kent CC had lowest uphold rate (in this sample) at 39%
- Despite lowest population, East Sussex had highest number of Ombudsman complaints per 1,000 population (0.17); however minimal difference between all sample councils on this measure
- Top areas of complaint for county councils are: Adult Social Care, Education & Children’s and Highways and Transport
- Education & Children’s was the top area of complaint for Kent (99 complaints), Essex (73 complaints), Hampshire (61 complaints), Surrey (53 complaints) & Hertfordshire (47 complaints); the top subject of complaint for East Sussex was Adult Social Care (48 complaints)
- SCC had second lowest % of complaints progress to detailed investigation by the Ombudsman (25%)
- SCC’s uphold rate of 53% was just above the average sample rate of 47%
- Where the Ombudsman proposed a remedy for upheld complaints, only two councils (Hertfordshire and East Sussex) resolved any complaints satisfactorily prior to Ombudsman involvement (1 complaint each) – minimal or nil performance on this measure for all sample councils

Annex 5: Complaint handling performance comparing 2016/17 and 2017/18

Area	Response target	2016/17			2017/18		
		Complaints received	Performance against response target	Escalation rate	Complaints received	Performance against response target	Escalation rate
Business Services	90% in 10 working days	43	95	19%	29	87%	17%
Chief Executive's/ Central Support		141	86		109	88%	
Customer & Communities		31	81		18	89%	
Environment & Infrastructure		561	91		426	87%	
Adult's Social Care	90% in 20 working days (or longer by agreement)	255	98	N/A	221	97%	N/A
Schools & Learning and Services to Young People	80% in 10 working days (extendable to 20 if necessary)	162	59% (within 10 working days) 85% (within 20 working days)	4%	121	50% (within 10 working days) 75% (within 20 working days)	3%
Children's Social Care	80% in 10 working days (extendable to 20 if necessary)		376			42% (within 10 working days) 64% (within 20 working days)	
Total/ weighted average		1, 569	86%		1, 332	83%	

Annex 6: Examples of learning identified through feedback

1. **Customers said:** The Adult Social Care Directorate did not fully assess a service user's needs or revise their care plan with their agreement.
We did: All Directorate staff were reminded of the importance of including service users in decisions and that support plans should be sent to the service user and their representatives for agreement.
2. **Customers said:** A family member complained about the decision for a nursing home placement for her mother and how the decision was communicated to them.
We did: The Directorate recognised that this process had caused stress to the complainant and her mother. The Team Manager identified that in future staff should use telephone contact to discuss significant changes to people's living arrangements.
3. **Customers said:** Care leavers expressed difficulty in gaining support in returning to education.
We did: We took account of changes in regulations and revised our Care Leavers' offer.
4. **Customers said:** Decisions to change transport provision for children with SEND, not compliant with national guidelines.
We did: Reviewed and revised the Transport policy.
5. **Customers said:** Lack of information regarding implementation of part night lighting
We did: Worked with Highways to improve messaging on website and management of enquiries and appeals
6. **Customers said:** Lack of information regarding implementation of changes to Community Recycling Centres
We did: Worked with Waste to improve messaging on website and information for the Contact Centre in order to manage enquiries and reports

Annex 7: Extracts of compliments received

The Spelthorne Reablement Team have been a very good help to me after being in hospital. Everyone has been very pleasant, I always looked forward for them to come in to see me.

I would like the Head of these services to know of the first rate moral and practical support I have received from the care team (DACs) on my return home from St Peter's hospital. It has been given in a cheerful but very professional manner and I have received some priceless advice. I cannot fault the service. My grateful thanks.

I just wanted to let you know how much myself and my husband appreciate the support we are currently receiving from the Elmbridge Locality Team, the staff that come to see us are just the most wonderful people; bright, friendly and so helpful and we very much look forward to their visits.

You have done more than you will ever know. Helping to make sure K has the right provision will change her potential future and will have far reaching effects for the whole family.

The Portage Team have worked closely with many of our families. They have attended additional meetings, have been available for advice and extremely supportive. The relationships they have forged with the families has been extremely positive and trustful. Without this level of early support many of our children would not have made the progress they have.

I had a final visit with AD and Mum last week and as I left they both wanted to ensure I passed on the compliments to E – for being so supportive, kind, caring, there when AD needed her and for ensuring such a smooth transition to adult services. They were really pleased with the service and very sad to see us all go!

Please thank all the staff in the Camberley, Windlesham, Lightwater and Frimley Green Branch Libraries for their constant support and efforts in obtaining the many books I delivered and collected to the members who can no longer get to the libraries themselves. The pleasure I got from meeting these people and friendships formed were immeasurable and I hope this service continues as I realise just how important the wonderful library service is.

Just a quick note to congratulate you on the speedy and the job well done in Westcott this week, it's very reassuring to know that the reporting system works and our roads are being speedily and well maintained. Thanks again for a quick response and a hearty well done!

This page is intentionally left blank



Audit & Governance Committee
27 September 2018

**INTERNAL AUDIT PROGRESS REPORT – QUARTER 1
(01/04/18 – 30/06/18)**

SUMMARY AND PURPOSE:

The purpose of this progress report is to inform Members of the work completed by Internal Audit between 1 April 2018 and 30 June 2018.

The current annual plan for Internal Audit is contained within the Internal Audit Strategy and Annual Plan 2018-19, which was approved by Audit and Governance Committee on 12 April 2018.

This progress report also includes, at Appendix C, a revised Audit Charter updated following the external assessment of Orbis Internal Audit by the South West Audit Partnership. It contains a revision at paragraph 6 relating to the appointment and removal of the Chief Internal Auditor.

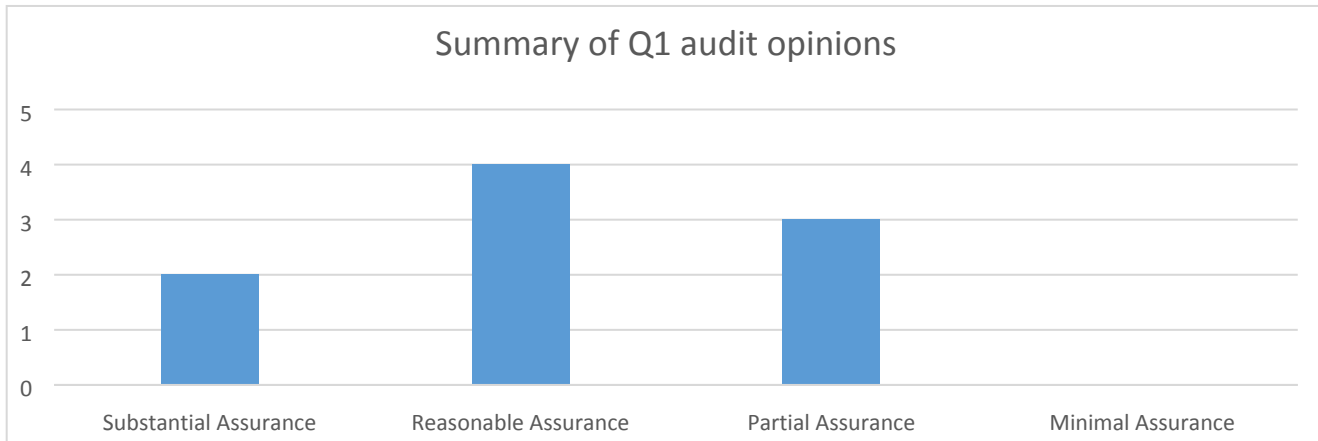
RECOMMENDATIONS:

The Audit and Governance Committee is asked to:

- a) note the report and consider any further action required in the response to issues raised.
- b) agree the revision within the Audit Charter at Appendix C.

BACKGROUND:

1. Key audit findings from final reports issued during Quarter 1 are summarised in Appendix A.
2. Reviews completed in this quarter included a mixture of planned and unplanned audits, grant certification work, and irregularity work. Overall, of the 9 formal audits finalised during the quarter (excluding grant and irregularities), 2 received 'substantial assurance'; 4 received 'reasonable assurance' and 2 received 'partial assurance'. There were no opinions of 'minimal assurance'.



3. Formal follow up reviews continue to be carried out for all audits where 'minimal assurance' opinions have been given and for higher risk areas receiving 'partial assurance'. One follow-up review of Unaccompanied Asylum Seeking Children was completed in the quarter: this resulted in an opinion being revised from reasonable assurance to partial assurance due to a high priority recommendation not being implemented as expected. More detail is given in Appendix A.
4. Members will recall that flexibility was built into the audit plan to allow resources to be directed to any new and emerging risks. We continue to liaise with departments to identify these, and also bring them to the attention of the Corporate Leadership Team. Details of those reviews added and removed from the plan so far this year are set out at the end of Appendix A.
5. Appendix A also provides details of counter fraud investigations completed, information on the tracking of high priority actions and progress against our performance targets.

IMPLICATIONS:

6. Financial;
Equalities;
Risk management; and
Value for money
7. 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:

8. See Recommendations above.

**REPORT AUTHOR: Russell Banks, Orbis Chief Internal Auditor
David John, Audit Manager (Surrey County Council)**

CONTACT DETAILS:

telephone: 01273 481447 e-mail: Russell.banks@eastsussex.gov.uk

telephone: 020 8541 7762 e-mail: david.john@surreycc.gov.uk

Sources/background papers: Internal Audit Strategy and Annual Audit Plan 2018/19.

This page is intentionally left blank

Internal Audit and Counter Fraud Quarter 1 Progress Report 2018/19

CONTENTS

1. Summary of Completed Audits
2. Counter Fraud and Investigation Activities
3. Action Tracking
4. Amendments to the Audit Plan
5. Internal Audit Performance

1. Summary of Completed Audits

Surplus Assets

- 1.1 The Council has two categories of surplus assets:
- Temporary surplus: properties which are required for future operational need; and
 - Permanent surplus: properties that are surplus to requirements by the current service user, are not required by any other service and, following regular review, there is no future need/requirement for that asset.
- 1.2 A surplus asset may exceed the Councils' requirements when:
- No longer needed by the service;
 - No longer suitable;
 - Damaged; and/or
 - Beyond repair.

In January 2018 a reclassification of surplus properties took place and the number of properties that were formally considered to be surplus was reduced to 45.

- 1.3 The overall objective of the audit was to assess and to provide assurance on the adequacy and effectiveness of the internal controls over the management of surplus assets.
- 1.4 We were able to provide an overall opinion of **partial assurance** in respect of the internal control environment. The audit identified that whilst the ultimate decision on what to do with individual assets is a corporate one, services are often reluctant to release surplus assets. As a result, decision-making can become protracted, increasing the risk of mounting maintenance, security, health and safety and utility costs. As these costs are borne by Property Services and not the client service, there is no incentive for the latter to arrive at timely decisions.
- 1.5 We also found a number of properties had been vacant for long periods: there were examples of properties being vacant for over 12 years. In addition, no evidence was found to indicate that a standard risk assessment document was used to review newly vacated properties to identify hazards, and communications between the Insurance Team and Property Services had been dormant for some time until our audit.
- 1.6 In response to these issues, a range of improvement actions have been agreed with management as part of a formal action plan and this will be subject to a follow up review by Internal Audit in due course.

Liquidlogic Systems Implementation in Adult Social Care

- 1.7 Liquidlogic Adults System (LAS) and ContrOcc are the Council’s Adult Social Care systems. Information held in LAS is a key tool to facilitate the delivery of ASC services to Surrey residents, while ContrOcc is used to record financial assessments and related information. LAS and ContrOcc went live county-wide on 27th September 2016, with training to officers both pre and post system implementation supported by various guidance documents to enable the effective use of the systems.
- 1.8 Our review was originally requested by the ASC management to obtain assurance on the compliance of officers with the new processes and system controls after it had time to sufficiently embed.
- 1.9 We were able to provide a **reasonable assurance** opinion following our review. We established that overall the introduction of mandatory fields and the guidance documents, including training, prior to the system implementation is having the desired impact on improving data quality and meeting the requirements of the Care Act 2014.
- 1.10 We recommended that the service not only amends the ‘consent to share’ field to become mandatory recording but also that the field appears earlier in the care pathway recording system to ensure consistency of recording at the assessment stage of the care pathway. We also agreed with the service that routine local quality audits should be performed and documented by Team Managers to ensure that non-mandatory fields are appropriately and consistently completed across teams to help maintain data quality.

General Ledger

- 1.11 The audit of the General Ledger forms a part of the annual review of the council’s key financial systems. The purpose of our audit was to provide assurance that key controls are in place and operating as expected. In particular, the scope of this audit was to examine:
- The regularity of control account review and bank reconciliation;
 - Responsibilities for processing journals;
 - The year-end accounts closure procedures;
 - Transactions between feeder systems and SAP;
 - The accurate maintenance of the chart of accounts; and
 - The existence of procedures and guidance around the maintenance of master data.
- 1.12 Following sample testing, we were able to provide a **substantial assurance** opinion. Assurance could be provided to show key controls were in place and operating as expected, and findings from the previous year audit (in respect of material balances remaining on GL codes which required investigation and reconciliation) had been actioned. We agreed three low priority actions with management to improve controls relating to cost centre ownership in SAP;

reconciling the Master Data Policy to current the current organisational structure and clearing unreconciled balance sheet items.

Revenue Budgetary Control

- 1.13 The audit of Revenue Budgetary Control is also an annual audit undertaken during our review of the council's key financial systems. At the time that the audit was being undertaken, net revenue expenditure was forecast to total £872.4m with a projected net overspend of £6.2m.
- 1.14 Our audit focused on a review of key controls, in particular:
- Effective monitoring of expenditure and forecasting of full year expenditure;
 - Accounting for variations against budget;
 - Authorisation and justification for budget virements;
 - Accuracy of reporting of the budget position to Leadership Team and to Cabinet;
 - Clear and effective budget hierarchy and structure; and
 - The existence of clear policy, procedures, guidance and training to stakeholders.
- 1.15 Based on specific sample testing carried out at the time of the audit, we identified that controls were in place as expected, and were working effectively.
- 1.16 Based on our review, we were able to give an opinion of **reasonable assurance** for this system, making a total of 5 recommendations for improvement (1 medium priority, and 4 low priority), noting that whilst review of budgets between service accountants and budget holders is guided by a risk-assessment process, some of the risk ratings and budget holder names were missing or in need of review.

Purchase Cards

- 1.17 The council operates a purchase card scheme that offers the flexibility to make one-off, business-related purchases online or at the point of sale. The use of purchase cards is subject to council policies such as Procurement Standing Orders and Financial Regulations, as well as a specific set of Purchase Card Rules and Guidance. Among other exclusions, these rules prohibit the use of purchase cards for: stationery for office use; IT equipment or consumables for office use; and travel expenses.
- 1.18 In addition to these formal policies and rules above, in August 2016, the Extended Leadership Team (ELT) was asked to consider how best to manage budget pressures, including the reduction or stopping of non-essential spend, such as stationery and refreshments at meetings. Further, in

January 2017, ELT was instructed to immediately stop all stationery orders (apart from photocopier paper and envelopes) until the end of the financial year.

- 1.19 This audit was a completed carry-forward audit from the 2017/18 audit plan. There were around 400 purchase cards in use and, during the 2017/18 financial year, there were over 21,600 transactions with a total value of just over £2million.
- 1.20 Transaction data was analysed to assess both compliance with policies as well as probity and value for money of public funds, specifically to ensure the following:
 - Cards are used in accordance with the Purchase Card Rules, Procurement Standing Orders, and other relevant policies and management instructions;
 - Transactions are properly reviewed by budget holders each month; and
 - Any unusual or unexpected transactions are identified in a timely manner and corrective action taken.
- 1.21 We were able to give a **reasonable assurance** opinion for this review as testing demonstrated that purchase cards have been used for the purposes intended and it is apparent that, on the whole, unexpected transactions had been identified and resolved in a timely manner. Whilst the majority of purchases represented a genuine business need and thus were deemed appropriate, some instances were identified relating to value for money and the necessity of some purchases given the current financial climate and earlier directives from CLT.
- 1.22 As a result of the audit, nine agreed actions for improvement were agreed, seven of medium priority and two of low priority. The key areas for improvement agreed with Business Operations were around better communication of responsibilities to card-holders and their managers and for Buying Solutions to set up an arrangement with a preferred supplier for the purchase of white goods. This is an area that we will continue to monitor as part of future internal audit activity.

Treasury Management

- 1.23 The Treasury Management code issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) identifies the following three principles, acknowledging the difficulties between striving for effective risk management and control and pursuing value for money:
 - Ensuring that public bodies put in place the necessary framework to ensure the effective management and control of treasury management activities;
 - That the framework clearly states that responsibility for treasury management lies clearly within the organisation and the strategy clearly states their appetite for risk; and

- That value for money and suitable performance measures should be reflected in the framework.

1.24 The objectives of the audit, which is considered a key financial system and thus audited annually, was to ensure appropriate and effective controls were in place to govern the main functions of treasury management:

- To ensure the security of the principal sums invested;
- To ensure Surrey CC has access to cash resources as and when required;
- To minimise the cost of borrowing required to finance Surrey CC's investment and capital programmes and management of short term cash flows; and
- To maximise investment returns commensurate with Surrey CC's policy of minimising risks to the security of capital and its liquidity position.

1.25 We were able to provide an opinion of **substantial assurance** in this system, with only two low priority actions being agreed (for the provision of treasury management training for Audit and Governance Committee members, and the up to date maintenance of the risk register for this function)

Employee Expenses

1.26 This was a carry-forward audit completed in the quarter one. We reviewed the processes in place through which employees claim expenses, sampling claims from the last financial year to allow substantive testing to be undertaken.

1.27 In the preceding financial year, total expenses paid to staff were £4.9m on travel and mileage expenses, and £187k on out of pocket expenses. An analysis of the expenses profile in the period 2012–17 identified that employee expenses had risen by 70% over the last five years, from £3m to £5.1m.

1.28 The scope of our audit work reviewed:

- Policy, procedure and guidelines, confirming Policy, Procedure and Guidelines existed and were accessible to staff;
- Processing of expense claims, confirming they were made through the formal systems;
- Legitimacy and correctness of claims, confirming that transactions are bona fide;
- Management scrutiny of expenses data, confirming that areas of concern are identified.
- The correctness of out of pocket expense claims made for minor items.
- The security of data, confirming employee information is protected from loss or unauthorised disclosure.

- 1.29 We were only able to provide **partial assurance** over the controls operating within this area, principally because:
- Employees were not always in compliance with the policy in terms of submitting sufficiently detailed claims, providing receipts, and/or claiming their expenses within a reasonable period;
 - Managers were not consistently compliant with policy and are approving expenses without confirming receipts or properly scrutinising mileage claims; and
 - Our testing of all types of expense claims revealed weaknesses and inconsistencies in the way they were processed, reviewed and authorised. It was not possible to verify whether some of the claims tested were legitimate or correct.
- 1.30 Whilst written procedures were found to be adequate, the actual practice adopted by both employees and their managers did not comply with the required processes.
- 1.31 As a result, we agreed five actions with Human Resources & Organisational Development in order to revise the existing policy and to better communicate the requirements of it across the council.
- 1.32 As part of the 2018/19 plan, we are reviewing specific teams/departments across the council in a series of ‘cultural compliance’ audits to ensure that the financial regulations and procedures are being followed by staff. This will include further testing of employee expenses with the results to be reported to this committee as they are finalised, in accordance with the Reporting and Escalation Policy.

Information Governance Compliance in Schools

- 1.33 This audit was triggered by previous incidents that Internal Audit had become involved with in 2017/18 concerning the security of personal data held by schools. In particular, where staff were working from home and unencrypted memory sticks had been used to copy personal data and transport it for use at home.
- 1.34 The purpose of the audit was therefore to provide assurance that controls were in place to meet the following objectives:
- Maintained schools have controls in place and are operating as expected to comply with the existing Data Protection Act, concentrating on the storage and handling of personal data in electronic and paper form; and
 - Appropriate progress is being made by schools in preparation for GDPR.

- 1.35 We visited a sample of 12 schools of varying size, all of which demonstrated awareness of data protection issues; however there was an overreliance on IT providers setting up appropriate security arrangements on issues including encryption of devices, remote access to networks and use of Office365 mail on personal devices. The data security implications of the arrangements were not well understood in a number of schools.
- 1.36 Most schools we visited asked for more detailed guidance, with practical examples, to assist them in meeting existing requirements and those of the GDPR. As part of the agreed actions from this audit, regular guidance to all schools on GDPR matters will be provided through the Education Newsletter issued by Legal Services.
- 1.37 We identified that some schools were over reliant for security of data on restricted physical access to school buildings and individual offices, together with trust in their staff. Whilst these help keep data secure they would not alone meet the requirements of the DPA or prevent reputational damage in the event of data loss.
- 1.38 In conclusion, we were able to give an overall opinion of **reasonable assurance** for this area.

Unaccompanied Asylum Seeking Children Follow-up

- 1.39 The 2017/18 audit of Unaccompanied Asylum Seeking Children (UASC) Audit report was issued in September 2017 with an opinion of Reasonable Assurance. The report raised three recommendations; one high priority, one medium priority and one low priority. As a result of the high priority finding, a follow up audit was included in the 2018/19 audit plan to review progress to date towards implementing these recommendations.
- 1.40 We were only able to issue a **partial assurance** opinion following this review. Whilst two of the three agreed actions had been fully implemented, the high priority action (around the timeliness of initial health assessments for this cohort of children) had only been partially implemented and remained ineffective. Our testing of UASC who have come into SCC care since September 2017 (a cohort of 25 children), identified that only four initial health assessments were completed within the statutory period of 20 working days. Furthermore at the time of this audit, ten UASC had still not received an initial health assessment.
- 1.41 Given that this is a known issue as referenced by the recent Ofsted, as well as in the original audit report, we plan to undertake a further separate audit to look at the initial health assessment processes across all of Children's Services. This will be reported on in quarter two.

Other Audit Work

- 1.42 During the first quarter we were commissioned by the Chief Executive to undertake a process and controls review of care assessments within Children’s and Adult’s Directorates. This is a significant piece of work, running into quarter two, and has arisen after concerns were raised about the current systems used for assessing and approving care packages, and accurately forecasting future costs.
- 1.43 The audit assurance work is focused on four key areas for both Adult’s and Children’s services:
 - Care needs assessment and approval of packages of care;
 - Commissioning and procurement of care;
 - Cost identification, forecasting, financial monitoring and reporting; and
 - Review of care packages.
- 1.44 Whilst this work has initially focussed on Children’s Services and is continuing, it is apparent that a range of fundamental control weaknesses exist in this area, which require urgent and immediate action to resolve. These have been discussed with management and it is clear that resources are already being invested in implementing new systems and processes. The Internal Audit Service will therefore focus its efforts on working with management to provide advice, support and challenge to ongoing process redesign, which is intended to create fit-for-purpose systems that hold complete and accurate caseload data and financial information, together with processes that are appropriately controlled and governed. Periodic updates on this work will be provided as it progresses.
- 1.45 An exercise to undertake a similar review within Adult Social Care is currently underway.

2. Counter Fraud and Investigation Activities

Proactive Counter Fraud Work

- 2.1 Following the establishment of the Orbis Counter Fraud Team in April 2018, focus in the first quarter has been on aligning investigative practices and procedures to ensure a consistent approach is adopted across the Orbis partnership in line with best practice and relevant guidance. Quarter 2 will see the implementation of an integrated Fighting Fraud Plan across Orbis partners that will strengthen our ability to prevent and detect fraud.
- 2.2 A report to outline the proactive work being undertaken to detect and prevent fraud, fraud risk assessment and the Counter Fraud Strategy will be brought to the Audit & Governance in December 2018.

Summary of Completed Investigations

Car User Lump Sum review

- 2.3 A referral was made to Internal Audit in the period relating to a senior member of staff who had failed to follow proper policy and procedures when claiming a car user lump sum payment. The initial referral was in respect of a claim for 2017/18 year, but subsequent review identified potential non-compliance relating to earlier years and also for other staff in the organisation.
- 2.4 Whilst there is no suggestion that the officer concerned was not entitled to the payments received, key controls had clearly been bypassed. The officer concerned was reprimanded for their actions and the process for claiming these allowances is currently being reviewed to help avoid future repetition.

Falsification of Signature

- 2.5 We concluded work on the investigation of an officer who had been suspended from work following the identification of apparent falsification/forgery of colleague's signatures on council documents.
- 2.6 Whilst the investigation was not able to definitively identify who signed the documents in question, there was sufficient evidence to conclude that the suspended officer's work fell short of the standards expected in this role.
- 2.7 A disciplinary hearing was convened, but ahead of it the officer resigned with immediate effect.

Support Given to Employee Conduct Investigation

- 2.8 We provided support and advice to management during their investigation of a case of misconduct by a member of staff who had defaced council records.
- 2.9 Internal Audit support was given through interview and analysis of hand-writing samples from officers. Shortly after this exercise an apology and admission of guilt was received from one of the officers. A disciplinary meeting was held and an appropriate conclusion reached.

Support Given to Whistleblowing investigation

- 2.10 We provided support and guidance to management in investigating a whistleblowing allegation, naming an officer who was alleged to be leaving work early and not working their full hours.

2.11 Together with HR, Internal Audit worked with the service to help coordinate the investigation and to assess the evidence gathered. It was concluded that there was no case of misconduct to answer.

3. Action Tracking

3.1 All high priority actions agreed with management as part of individual audit reviews are subject to action tracking. As at the end of quarter 1, 97% of high priority actions due had been implemented. We have received assurance from management that the one outstanding action – relating to SEND2020 – will be completed in quarter two. Progress on this will continue to be monitored by Internal Audit.

4. Amendments to the Audit Plan

4.1 In accordance with proper professional practice, the Internal Audit plan for the year remains under regular review to ensure that the service continues to focus its resources in the highest priority areas based on an assessment of risk. Through discussions with management, the following reviews have been added to the audit plan during the year:

- Car User Lump Sum Allowance systems review
- ASC & CFL Care Assessments – Internal Control Review
- Highways Contract (Lot 5) follow-up
- Orbis Customer Access Portal

4.2 Through the same process, audits could either be removed or deferred from the audit plan and, where appropriate, considered for inclusion in the 2019/20 plan as part of the overall risk assessment completed during the annual audit planning process. To date, no audits have formally been removed from the plan, with new additions being resourced from our contingency budget.

5. Internal Audit Performance

5.1 In addition to the annual assessment of internal audit effectiveness against Public Sector Internal Audit Standards (PSIAS), the performance of the service is monitored on an ongoing basis against a set up agreed key performance indicators as set out in the following table:

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan	By end April	G	Approved by Audit Committee on

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
	agreed by Audit Committee			12 April 2018
	Annual Audit Report and Opinion	By end July	G	2018/19 Annual Report and Opinion approved by Audit Committee on 26 July 2018
	Customer Satisfaction Levels	90% satisfied	G	100%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	G	23.3% completed to draft report stage by end of Q1 (against a Q1 target of 22.5%)
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	January 2018 – External assessment by the South West Audit Partnership gave an opinion of ‘Generally Conforms’ – the highest of three possible rankings
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	G	No evidence of non-compliance identified
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions	G	97%
Our staff	Professionally Qualified/Accredited	80%	G	85% ¹

¹ Includes 1 part-qualified staff

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are 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 is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

INTERNAL AUDIT CHARTER

1. Introduction

This Charter describes for the Council the purpose, authority and responsibilities of the Internal Audit function in accordance with the UK Public Sector Internal Audit Standards (PSIAS).

The PSIAS require that the Charter must be reviewed periodically and presented to “senior management” and “the board” for approval. For the purposes of this charter “senior management” will be Corporate Management Team (CMT) and the board will be the Audit, Best Value and Community Services Scrutiny Committee (ABVCSSC) (described generically in this Charter as the Audit Committee).

The Charter shall be reviewed annually and approved by CMT and the Audit Committee. The Chief Internal Auditor is responsible for applying this Charter and keeping it up to date.

2. Internal Audit Purpose

The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

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

Internal Audit supports the whole Council to deliver economic, efficient and effective services and achieve the Council’s vision, priorities and values.

3. Statutory Requirement

Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2015, which require every local authority to maintain an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes taking into account public sector internal auditing standards or guidance.

These regulations require any officer or Member of the Council to:

- make available such documents and records; and
- supply such information and explanations;

as are considered necessary by those conducting the audit.

This statutory role is recognised and endorsed within the Council’s Financial Regulations.

In addition, the Council's S151 Officer has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. To perform that duty the Section 151 Officer relies, amongst other things, upon the work of Internal Audit in reviewing the operation of systems of internal control and financial management.

4. Internal Audit Responsibilities and Scope

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

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

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

The scope of Internal Audit includes the entire control environment and therefore all of the Council’s operations, resources, services and responsibilities in relation to other bodies. In order to identify audit coverage, activities are prioritised based on risk, using a combination of Internal Audit and management risk assessment (as set out within Council risk registers). Extensive consultation also takes place with key stakeholders and horizon scanning is undertaken to ensure audit activity is proactive and future focused.

Internal audit activity will include an evaluation of the effectiveness of the organisation’s risk management arrangements and risk exposures relating to:

- Achievement of the organisation’s strategic objectives;
- Reliability and integrity of financial and operational information;
- Efficiency and effectiveness of operations and activities;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts

5. Independence

Internal Audit will remain sufficiently independent of the activities that it audits to enable auditors to perform their duties in a way that allows them to make impartial and effective professional judgements and recommendations. Internal auditors should have no operational responsibilities.

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. The Chief Internal Auditor has direct access to, and freedom to report in their own name and without fear of favour to, all officers and Members and particularly those charged with governance.

This independence is further safeguarded by ensuring that the Chief Internal Auditor's formal appraisal/performance review is not inappropriately influenced by those subject to audit. This is achieved by ensuring that both the Chief Executive and the Chairman of the Audit Committee have the opportunity to contribute to this performance review.

All Internal Audit staff are required to make an annual declaration of interest to ensure that objectivity is not impaired and that any potential conflicts of interest are appropriately managed.

6. Appointment and Removal of the Chief Internal Auditor

The role of Chief Internal Auditor is a shared appointment across the 3 Orbis partner authorities (East Sussex County Council, Surrey County Council and Brighton & Hove City Council).

In order to ensure organisational independence is achieved, all decisions regarding the appointment and removal of the Chief Internal Auditor will be made following appropriate consultation with Member representatives from each of the authorities' audit committees.

7. Reporting Lines

Regardless of line management arrangements, the Chief Internal Auditor has free and unfettered access to report to the S151 Officer; the Monitoring Officer; the Chief Executive; the Audit Committee Chairman; the Leader of the Council and the Council's External Auditor.

The Audit Committee will receive reports on a periodic basis – as agreed with the Chairman of the Audit Committee – on the results of audit activity and details of Internal Audit performance including progress on delivering the audit plan.

8. Fraud & Corruption

Managing the risk of fraud and corruption is the responsibility of management. Internal Audit will however be alert in all its work to risks and exposures that could allow fraud or corruption and will

investigate allegations of fraud and corruption in line with the Council’s Anti-Fraud and Corruption Strategy.

The Chief Internal Auditor should be informed of all suspected or detected fraud, corruption or irregularity in order to consider the adequacy of the relevant controls and evaluate the implication for their opinion on the control environment.

Internal Audit will promote an anti-fraud and corruption culture within the Council to aid the prevention and detection of fraud.

9. Consultancy Work

Internal Audit may also provide consultancy services, generally advisory in nature, at the request of the organisation. In such circumstances, appropriate arrangements will be put in place to safeguard the independence of Internal Audit and, where this work is not already included within the approved audit plan and may affect the level of assurance work undertaken; this will be reported to the Audit Committee.

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

10. Resources

The work of Internal Audit is driven by the annual Internal Audit Plan, which is approved each year by the Audit Committee. The Chief Internal Auditor is responsible for ensuring that Internal Audit resources are sufficient to meet its responsibilities and achieve its objectives.

Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its objectives and to professional standards. Internal Auditors need to be properly trained to fulfil their responsibilities and should maintain their professional competence through an appropriate ongoing development programme.

The Chief Internal Auditor is responsible for appointing Internal Audit staff and will ensure that appointments are made in order to achieve the appropriate mix of qualifications, experience and audit skills. The Chief Internal Auditor may engage the use of external resources where it is considered appropriate, including the use of specialist providers.

11. Due Professional Care

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

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

- The extent of work needed to achieve the required objectives;
- The relative complexity, materiality or significance of matters to which assurance procedures should be applied; and
- The adequacy and effectiveness of governance, risk management and control processes;
- The probability of significant errors, fraud or non-compliance; and
- The cost of assurance in proportion to the potential benefits.

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

12. Quality Assurance

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

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

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

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

February 2018



Audit & Governance Committee
27 September 2018

EXTERNAL AUDIT PERFORMANCE REPORT 2017/18 AND KEY PERFORMANCE INDICATORS 2018/19

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 in September 2017 and to agree KPIs for the 2018/19 audit.

Recommendations:

It is recommended that the Audit & Governance Committee consider the contents of the report in Annex 1 and approves the proposed KPIs for the 2018/19 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 are maintained and updated annually. 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 twelve 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 sets out the performance of Grant Thornton against the KPI targets as agreed with the Council in September 2017. It concludes that the targets were met and identifies some minor areas for improvements in future years.

Key performance indicators for the 2018/19 audit

4. The proposed indicators for the 2018/19 are included in Annex 2.
5. Minor changes have been made to update the indicators to reflect current working practices but there are no significant changes to the indicators proposed.

Conclusions:

6. The 2017/18 KPIs and performance review are presented in Annex 1 for discussion.
7. The proposed 2018/19 KPIs are presented in Annex 2. The Committee should consider if it agrees with the proposed KPIs for the Audit of the 2018/19 financial statements and whether it has any suggestions for changes.

Financial and value for money implications

8. There are no direct 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 (Strategic Finance & Accounting)

Contact Details: Nicola.oconnor@surreycc.gov.uk 020 8541 9263

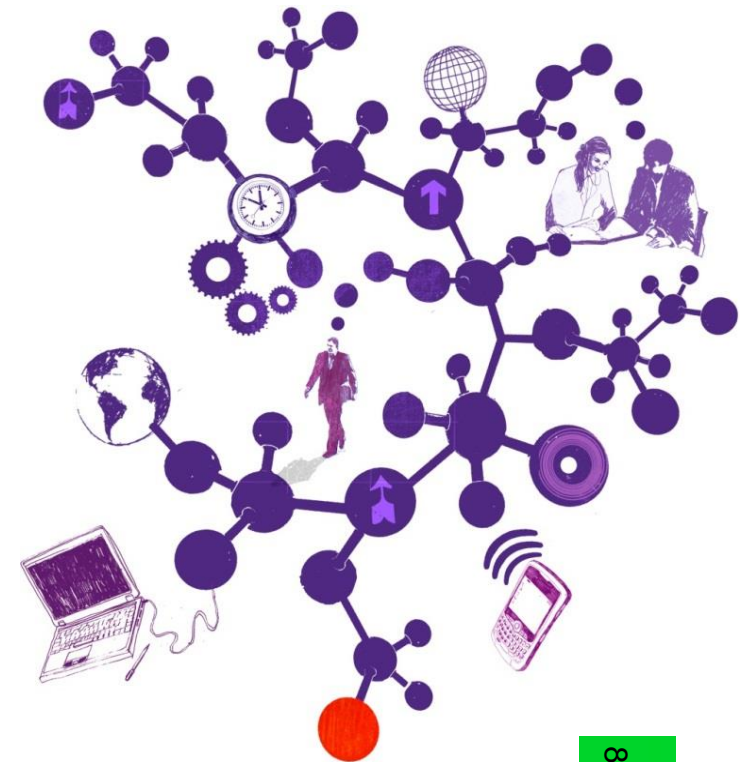
2017/18 Performance Management Framework - Surrey County Council

September 2018
Page 63

Ciaran McLaughlin
Engagement Lead
T 020 7728 2936
E cairan.t.mclaughlin@uk.gt.com

Marcus Ward
Engagement Manager
T 020 7728 3350
E marcus.ward@uk.gt.com

Tom Beake
In-Charge Auditor
T 020 7728 3425
E tom.beake@uk.gt.com



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 September 2018. We welcome any comments on the assessment below as well as on potential changes to indicators for 2018/19.

Area	Agreed service level and indicator	Target	Actual Performance – Assessment at September 2018
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 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%	100% This seemed to work better this year. SCC provided relevant third parties with permission to share details with Grant Thornton well in advance of audit queries. Communication of outstanding queries by Grant Thornton were much more prompt enabling chasing to happen in a more timely way.
	<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%	100% Achieved - However, there were a number of follow up questions about this and some questions from SCC to the GT technical team to enable SCC to improve the process going forward which required a number of chasers for responses.
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 2017/18 with the Director of Finance 	100%	100%

Performance management framework (continued)

Area	Agreed service level and indicator	Target	Actual Performance – Assessment at September 2018
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%	100% Communication was good. The Finance Manager (Assets & Accounting) had regular contact with the Audit Manager. In the absence of a permanent Principal Accountant, the Lead Auditor communicated regularly with the financial accounting team, including daily updates on outstanding queries.
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 	100%	100% Audit & Governance Committee deadlines were met in all cases, although the final Audit Findings Report was issued as a supplementary agenda item
	<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%	100% A final disclosure issues checklist was received the day after the Audit & Governance Committee. Although this did not contain material items, it would have been preferable to have made these final changes in advance of Audit & Governance Committee approval.
	<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%	100%



Performance management framework (continued)

Area	Agreed service level and indicator	Target	Actual Performance – Assessment at September 2018
Quality assurance	<ul style="list-style-type: none"> We will report to the Audit & 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) When requested, we will perform an informal training session to the Audit & Governance Committee or finance staff on our audit approach and responsibilities 	<p>100%</p> <p>9 or above</p> <p>100%</p>	<p>100%</p> <p>9</p> <p>100%</p>



© 2018 Grant Thornton UK LLP. All rights reserved.

"Grant Thornton" means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton UK LLP is a member firm within Grant Thornton International Ltd ('Grant Thornton International'). Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered by the member firms independently.

This page is intentionally left blank

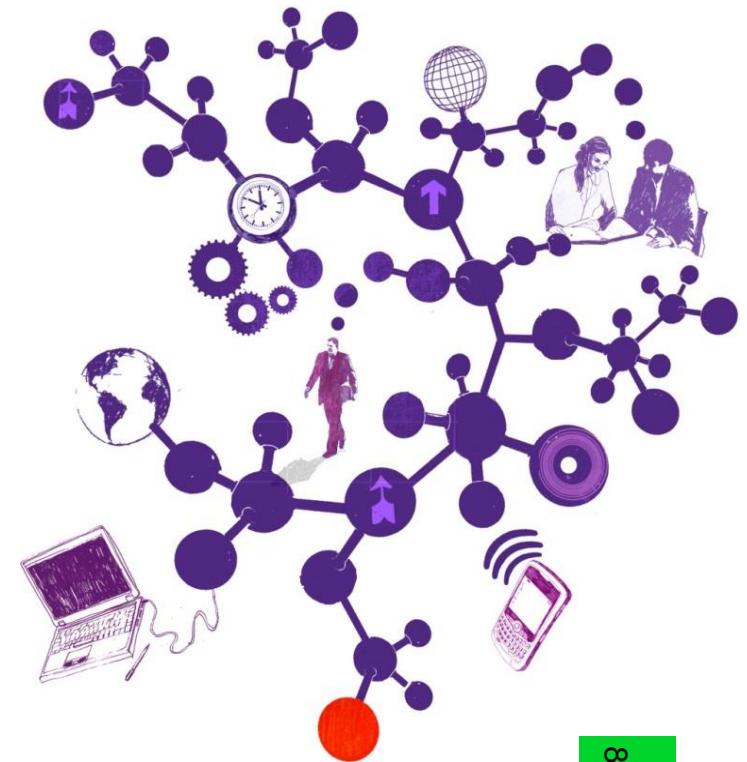
2018/19 Proposed Performance Management Framework - Surrey County Council

September 2018
Page 69

Ciaran McLaughlin
Engagement Lead
T 020 7728 2936
E cairan.t.mclaughlin@uk.gt.com

Marcus Ward
Engagement Manager
T 020 7728 3350
E marcus.ward@uk.gt.com

Tom Beake
In-Charge Auditor
T 020 7728 3425
E tom.beake@uk.gt.com



Performance management framework

Performance against Key Performance Indicators (KPIs)

We set out below proposed KPIs for 2018/19. These have agreed with management and due to be discussed at the Audit & Governance Committee in September 2018. We welcome any comments on potential changes to indicators for 2018/19. Actual performance assessment due in September 2019.

Area	Proposed service level and indicator	Target	Change from 2017/18 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%	No change
	<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%	No change
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 2018/19 with the Director of Finance 	100%	No change

Performance management framework (continued)

Area	Proposed service level and indicator	Target	Change from 2017/18 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%	No change
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 2017/18 KPIs (if applicable)
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) When requested, we will perform an informal training session to the Audit & Governance Committee or Finance staff on our audit approach and responsibilities 	<p>100%</p> <p>9 or above</p> <p>100%</p>	<p>No change</p> <p>No change</p> <p>No change</p>



© 2018 Grant Thornton UK LLP. All rights reserved.

"Grant Thornton" means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton UK LLP is a member firm within Grant Thornton International Ltd ('Grant Thornton International'). Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered by the member firms independently.

This page is intentionally left blank



Audit & Governance Committee
27 September 2018

ANNUAL AUDIT LETTER 2017/18

Purpose of the report:

The Council's external auditors, Grant Thornton, are presenting their Annual Audit Letter in respect of the audit year 2017/18 (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 2018.

Recommendations:

The Audit & Governance 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 2018.
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 completed on the financial statements, to those charged with governance was included in the Audit Findings Report which was shared with this Committee on 26 July 2018.

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 2017/18 financial statements:
 - Grant Thornton issued an unqualified opinion on the Council's accounts and the group accounts on 31 July 2018, in line with the 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 explains that in respect of the 2017/18 value for money conclusion:
 - Grant Thornton have completed their work in respect of Children's Services.
 - are yet to complete their work in respect of the Council's financial health. This work is underway.
7. Until the conclusion of this work, Grant Thornton are unable to issue a value for money conclusion for 2017/18. Once completed, the conclusions from this work will be reported to a future meeting of this Committee.
8. 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.
 - reviewed the Council's Whole of Governance Account submission and issued an assurance statement, which did not identify any issues for the group auditor to consider.

Financial and value for money implications

9. There are no direct financial and 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.

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

Contact Details: Nicola.oconnor@surreycc.gov.uk 020 8541 9263

Annual Audit Letter

Year ending 31 March 2018

Surrey County Council including Surrey Pension Fund

August 2018

Page 77



Contents



Your key Grant Thornton team members are:

Ciaran McLaughlin
Engagement lead

T: 020 7728 2936

E: ciaran.t.mclaughlin@uk.gt.com

Marcus Ward
Senior manager

T: 020 7728 3350

E: marcus.ward@uk.gt.com

Tom Beake
In-charge

T: 020 7728 3425

E: tom.beake@uk.gt.com

Section

	Page
1. Executive Summary	3
2. Audit of the Accounts	4
3. Value for Money conclusion	9

Appendices

A Reports issued and fees	11
---------------------------	----

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Surrey County Council (the Council) and its subsidiaries (the group) for the year ended 31 March 2018.

This Letter is intended to provide a commentary on the results of our work to the group and external stakeholders, and to highlight issues that 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 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 26 July 2018.

Respective 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 and group's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

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

Our work

Page 79

Materiality	We determined materiality for the audit of the group's financial statements to be £30.3m, which is 2% of the group's gross revenue expenditure. We determined materiality for the audit of the pension fund accounts administered by the Council to be £38.7m, which is 1% of the pension fund's net assets.
Financial Statements opinion	We gave an unqualified opinion on the group's financial statements on 31 July 2018. We gave an unqualified opinion on the pension fund accounts on 31 July 2018.
Whole of Government Accounts (WGA)	We completed work on the Council's consolidation return following guidance issued by the NAO.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money arrangements	We have completed our work in respect of Children's Services but have not been able to complete our work in respect of the Council's Financial Health at present. See page 10 for more detail.
Certificate	We are unable to certify that we have completed the audit of the accounts of Surrey County Council until: <ul style="list-style-type: none">• we have issued our report on the consistency of the pension fund financial statements when the Council has prepared the Pension Fund Annual Report• we have completed our work under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council, subsidiary and Pension Fund staff.

Audit of the Accounts

Our audit approach

Materiality

In our audit of the group's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating 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 for the audit of the group and Council's accounts to be £30.3m, which is 1.5% of the group's gross revenue expenditure. We used this benchmark as, in our view, users of the group and Council's financial statements are most interested in where the group and Council has spent its revenue in the year.

We set a lower threshold of £1.5m, above which we reported errors to the Audit & Governance Committee in our Audit Findings Report.

Pension Fund Materiality

For the audit of Surrey Pension Fund accounts, we determined materiality to be £38.7 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 £1.9m above which we reported errors to the Audit & Governance Committee.

The scope of our audit

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

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

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

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

Our audit approach is based on a thorough understanding of the group'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

Significant Audit Risks

These are the significant 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 override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness obtained a full listing of journal entries and identified and tested journal entries for appropriateness in accordance with the assessed level of risk associated with each journal evaluated the rationale for any changes in accounting policies or significant unusual transactions. 	<p>Our audit work did not identify any issues in respect of management override of controls.</p>
<p>Valuation of property, plant and equipment</p> <p>The Council revalues its land and buildings on an rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work considered the competence, expertise and objectivity of any management experts used discussed the basis on which the valuation is carried out with the valuer and challenged the key assumptions reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding. tested revaluations made during the year to ensure they are input correctly into the Council's asset register evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value 	<p>Our audit work did not identify any issues in respect of the valuation of property, plant and equipment.</p>

Audit of the Accounts - continued

Significant Audit Risks

These are the significant 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 the pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</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 liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We gained an understanding of the basis on which the valuation is carried out undertook procedures to confirm the reasonableness of the actuarial assumptions made. checked the consistency of the pension fund asset and liability disclosures in notes to the financial statements with the actuarial report from your actuary 	<p>Our audit work did not identify any issues in respect of the valuation of the pension fund net liability.</p>

Audit of the Accounts - Pension Fund

Pension Fund Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness evaluated the rationale for any changes in accounting policies or significant unusual transactions 	<p>Our audit work did not identify any issues in respect of management override of controls.</p>
<p>The valuation of Level 3 investments is incorrect</p> <p>Under ISA 315 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>We identified the valuation of level 3 investments as a risk requiring special audit consideration.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> gained an understanding of the Fund's process for valuing level 3 investments and evaluated the design of the associated controls reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments tested the valuation for a sample of investments by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2017 with reference to known movements in the intervening period. 	<p>Our audit work did not identify any issues in respect of the valuation of Level 3 investments.</p>

Audit of the Accounts

Audit opinion

We gave an unqualified opinion on the group's financial statements on 31 July 2018.

Preparation of the accounts

The group presented us with draft accounts in accordance with the national deadline, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Reporting

We reported the audit findings from our audit to the Council's Audit & Governance Committee on 26 July 2018.

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 alongside the Statement of Accounts in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We carried out work on the Council's Data Collection Tool in line with instructions provided by the NAO. We issued an assurance statement which did not identify any issues for the group auditor to consider on 30 August 2018.

Pension fund accounts We gave an unqualified opinion on the pension fund accounts on 31 July 2018.

We also reported the key issues from our audit of the pension fund accounts to the Council's Audit & Governance Committee on 26 July 2018.

The Pension Fund draft accounts provided for audit were not of sufficient quality, a significant number of figures were rolled forward from the prior year and had not been updated for 2017/18. The original working papers provided to the audit team did not agree to the financial statements and key working papers were missing from the requested list. There were a number of delays in receiving information.

Certificate of closure of the audit

We are unable to certify that we have completed the audit of the accounts of Surrey County Council until:

- we have issued our report on the consistency of the pension fund financial statements when the Council has prepared the Pension Fund Annual Report
- we have completed the work necessary to issue our Whole of Government Accounts assurance statement
- we have completed our work under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 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

We have completed our work in respect of Children's Services but have not been able to complete our work in respect of the Council's Financial Health at present. The Council has asked the Chartered Institute of Public Finance and Accountancy (CIPFA) to undertake a review of its financial resilience. We are yet to receive a copy of the Terms of Reference for the CIPFA review or a copy of the resulting report. Our work has been delayed (see Financial health paragraph opposite for detail). We will issue a supplementary report to you at a later date when we have completed our value for money work.

Financial Health

We had identified the Council's medium term financial health as a significant risk during our planning work earlier this year. We met with the Director of Finance as part of our planning process and agreed that we would review the 2018/19 budget position and savings plans and proposals. In May 2018 we provided the Council with a draft terms of reference for an in-depth review of the financial position. The Council had separately asked CIPFA to carry out a review of its financial resilience among other things. We were told the CIPFA review would have considerable overlap with the work that we had proposed so we agreed to delay any detailed work until we had seen the terms of reference and findings from the CIPFA review. At the time of writing we have not received CIPFA's Terms of Reference or their interim report, however we now understand that it is unlikely that CIPFA's work will overlap with our proposed value for money work. We will therefore need to carry out our work as previously planned.

We are therefore not in a position to issue our VFM conclusion at this time. Once we have been able to carry out and conclude our work we report our findings to you as soon as possible via a supplementary report.

Value for Money conclusion

Key Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Financial health You have a strong track record of delivering a budget underspend at year-end, despite reduced funding from central government. Forecast revenue budget outturn for 2017/18 is a £6m overspend.</p>	<p>As part of our work we will:</p> <ul style="list-style-type: none"> • Consider the MTFP and the key assumptions and savings plans for 2018/19 • Consider the transformation plan including the transformation projects • Consider the CIPFA report including any further work that they are planning to do • Interview various stakeholders • Review budget outturn reports for 2018/19 to date 	<p>We are unable to conclude on this risk at the current time for the reasons set out on the previous page.</p>
<p>Children's services Ofsted issued a critical report on children's services in 2014/15 and you are currently subject to follow up review. We issued a qualified except for conclusion in 2014/15, 2015/16, and 2016/17 due to Department for Education interventions.</p>	<p>We have reviewed the re-inspection of services for children in need of help and protection, children looked after and care leavers Ofsted report published in May 2018. The report rated children's services across the County as inadequate. This was a follow up report to the June 2015 report when children's services were also rated as inadequate.</p>	<p>Our review of the most recent Ofsted report has led us to conclude that the processes and procedures the Council has in place in relation to children's services are not conducive to providing value for money for residents.</p>

A. Reports issued and fees

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

Reports issued

Report	Issued
Audit Plan	March 2018
Audit Findings Report	July 2018
Annual Audit Letter	August 2018

Fees for non-audit services

Service	Fees £
Audit related services	
- Certification of Teachers' Pensions return for Surrey County Council	4,000
- Certification of Teachers' Pensions return for Surrey Choices Ltd	3,500
Non-Audit related services	
- CFO Insights annual subscription	12,500

Fees

	Planned £	Actual fees £
Surrey County Council	142,098	142,098
Surrey Choices Ltd	17,000	17,000
Halsey Garton property Ltd	12,500	12,500
South East Business Services Ltd	12,000	12,000
Pension Fund	27,105	TBC
Total fees	210,703	TBC

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

NB The audits of the subsidiary companies and the grant certification work fall outside the remit of Public Sector Audit Appointments Limited, therefore no scale fee is produced. Fee variations are subject to approval by Public Sector Audit Appointments Ltd. The final fee for the Pension Fund audit is pending agreement of a fee variation by PSAA for additional work completed in relation to delays and multiple versions of the accounts.

Non-audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The table above summarises all non-audit services which were identified.
- We have considered whether non-audit services might be perceived as a threat to our independence as the group's auditor and have ensured that appropriate safeguards are put in place.

The above non-audit services are consistent with the group's policy on the allotment of non-audit work to your auditor



© 2018 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.