

# AGENDA

## Audit & Governance Committee




**Date & time**  
**Monday, 8 April**  
**2019**  
**at 10.30 am**

**Place**  
Committee Room C,  
County Hall, Kingston  
upon Thames, Surrey  
KT1 2DN

**Contact**  
Joss Butler  
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**Chief Executive**  
Joanna Killian

 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](mailto: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 Tim Oliver (Leader of the Council), Mr Colin Kemp (Deputy Leader), Mr Tony Samuels (Chairman of the Council) and Mrs Helyn Clack (Vice-Chairman of the Council)

## **AGENDA**

### **1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

### **2 MINUTES OF THE PREVIOUS MEETING - 7 FEBRUARY 2019**

(Pages 1  
- 4)

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 (*2 April 2019*).
2. The deadline for public questions is seven days before the meeting (*1 April 2019*).
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

### **5 RECOMMENDATIONS TRACKER AND BULLETIN**

(Pages 5  
- 12)

To review the Committee's recommendations tracker and bulletin.

### **6 RISK MANAGEMENT REPORT**

(Pages  
13 - 20)

This risk management report provides an update on the council's corporate risk management arrangements, including the strategic risk register, to enable the Committee to meet its responsibilities for monitoring the development and operation of the council's risk management arrangements.

- 7 ETHICAL STANDARDS ANNUAL REVIEW** (Pages 21 - 26)  
To enable the Committee to monitor the operation of the Members' Code of Conduct over the course of the last year.
- 8 INTERNAL STRATEGY AND ANNUAL AUDIT PLAN 2019/20** (Pages 27 - 52)  
The purpose of this report is to present the Internal Audit Strategy and Annual Internal Audit Plan for 2019/20 to the Committee.
- 9 GRANT THORNTON: 2018/19 EXTERNAL AUDIT PLAN** (Pages 53 - 72)  
This report provides the Audit & Governance Committee with the Audit Plan for the external audit of the 2018/19 financial statements of the Council and the Surrey Pension Fund.
- 10 DATE OF NEXT MEETING**  
The next meeting of Audit & Governance Committee will be on 20 May 2019.

**Joanna Killian**  
**Chief Executive**  
Published: 29 March 2019

#### **MOBILE TECHNOLOGY AND FILMING – ACCEPTABLE USE**

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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.

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*Thank you for your co-operation*

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**MINUTES** of the meeting of the **AUDIT & GOVERNANCE COMMITTEE** held at 10.30 am on 7 February 2019 at Committee Room C, County Hall, Kingston upon Thames, Surrey KT1 2DN.

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

**Elected Members:**

\*= Present

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

**1/19 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]**

No apologies for absence were received.

**2/19 MINUTES OF THE PREVIOUS MEETING [10/12/18] [Item 2]**

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

**3/19 DECLARATIONS OF INTEREST [Item 3]**

There were none.

**4/19 QUESTIONS AND PETITIONS [Item 4]**

There were none.

**5/19 RECOMMENDATIONS TRACKER [Item 5]**

**Key points raised during the discussion:**

1. The Chairman informed Members that, at its meeting in April, the Committee would be considering the Annual Risk Management Report and the Leadership Risk Register. Members agreed that they would find it helpful to receive specific training on this prior to considerations.

**Action/Further information to note:**

Members of the Audit and Governance Committee to receive training related to the Annual Risk Management Report and the Leadership Risk Register.

**RESOLVED:**

That the committee noted the report.

## 6/19 TREASURY MANAGEMENT STRATEGY 2019/20 [Item 6]

### Witnesses:

Nikki O'Connor, Finance Manager

Marcus Ward, Grant Thornton

### Key points raised during the discussion:

1. The Chairman introduced the item and highlighted that on 11 December 2018 County Council agreed that responsibility for approving the annual Treasury Management Strategy Statement (TMSS) would be delegated to the Audit and Governance Committee.
2. The Finance Manager provided a brief overview of the report and explained that the strategy under consideration was a continuation of the existing strategy which maximised internal borrowing and used short term borrowing to manage cash flow short falls. Officers would continue to assess the appropriateness of the strategy and, if required, there was some provision for long term borrowing. The strategy did not prevent the council from entering into long term borrowing. It was further noted that Members had previously attended training on the Treasury Management Strategy.
3. The Committee discussed a comment that was raised at the previous County Council meeting which compared the interest income of Tandridge District Council and Surrey County Council. Officers stated that the District Council may have been able to receive a higher income due to having higher cash balances and by utilising different investment options, such as property based investments, but that this strategy meant there was less security on the initial investment. Following further discussion, it was agreed to circulate benchmarking data from similar two-tier local authorities to compare their interest income.
4. Officers noted that there were inconsistencies in the report when referring to the average investment.
5. Members noted that the budget for debt interest paid in 2019/20 was £19 Million. Following discussion, it was noted that a considerable portion of this was from historic long term borrowing.
6. Officers informed Members that, if required, the Treasury Management Strategy allowed for long term borrowing to be undertaken. In the event of this, the council would be able to borrow from the Public Works Loan Board at short notice.
7. The Chairman highlighted that the Corporate Overview Select Committee (COSC) held scrutiny of the Treasury Management Strategy within its remit. The strategy was considered at the COSC meeting on 25 January 2019.
8. Officers informed Members that Private Finance Initiative (PFI) schemes were considered to be a form of borrowing and therefore there was a requirement to be included in the capital financing requirement. It was noted that a list of the PFI liabilities could be found in the council's statement of accounts.
9. Members noted that in the event of a "no deal Brexit", the council would have the ability to invest in UK based Money Market Funds and with the Debt Management Office. It was further noted that the Interim Executive Director for Finance was the Brexit preparation lead for the council.

10. When discussing the council's Investment & Debt Portfolio Position, Officers highlighted to Members that £390 million of the £644 million net debt was from long term borrowing from the Public Works Load Board.

**Actions/ further information to be provided:**

A1/19 - To circulate benchmarking data from similar two-tier local authorities to compare interest income. – Finance Manager

**Resolved:**

The Audit and Governance Committee approved the Treasury Management Strategy for 2019/20.

**7/19 INTERNAL AUDIT PROGRESS REPORT - QUARTER 3 (01/10/18 - 31/12/18) [Item 7]**

**Witnesses:**

David John, Audit Manager

Russell Banks, Chief Audit Officer

**Key points raised during the discussion:**

1. The Audit Manager introduced the item and explained that the report included a summary of the work completed by Internal Audit between 1 October 2018 and 31 December 2018. Members noted that an agreed action plan was created for all final reports that would address any findings or issues. Internal Audit would track the progress of all High Priority recommendations as they fell due and the reports which received Partial or Minimal Assurance would usually be followed up in the following year.
2. Officers highlighted that the detail on page 49 provided Members with a summary of Internal Audit's work to support the transformation programme. It was explained that the work would be undertaken in five phases to review processes and make any recommendations considered appropriate. Work was currently ongoing in Phase 2 and would continue through early 2020. Members noted that the Committee would be informed as and when findings were identified.
3. Officers highlighted to Members that Internal Audit was ahead of schedule implementing the Audit Plan and thanked officers in Surrey County Council, East Sussex County Council and Brighton & Hove City Council for their work.
4. A Member of the Committee asked why an additional review of the Surrey Wildlife Trust had been added to the audit plan. It was explained that this was due to recent changes to the contract and concerns around the contract's arrangements.
5. The Committee asked whether services were given the opportunity to conduct any internal assessments prior to Audits being carried out. Officers explained that the role of Internal Audit was to support improvement within the services and that many services did not have the resource to conduct regular self-assessments. It was noted that services were given ownership of any actions agreed.
6. Members noted that the Children and Education Select Committee would be discussing the outcomes of the Children's Families &

Learning Care Assessments audit at its next meeting in March 2019. Officers explained that a summary of the audit would be provided at the next meeting and any further issues would be reported to the Audit and Governance Committee as they arose. The Committee requested to receive an update on the findings of the audit and progress on actions agreed at the Committee meeting in September 2019.

7. Members highlighted the importance of identifying a responsible officer for each agreed action. Officers further stated that the action tracking process reduced the risk of actions being lost and uncompleted due to the turnover of staff.
8. The Committee raised concerns relating to the recent audit titled 'Modified Fire Pensions Scheme 2006 for Retained Firefighters 2018/19' and asked that it be highlighted for discussion at a meeting of the Surrey Local Firefighters' Pension Board.
9. The Committee noted that the review of CFL Payment Card had only received partial assurance due to its findings. Members felt that it was important to implement actions quickly to prevent any potential misuse of the cards.

**Actions/ further information to be provided:**

A2/19 - The Committee to receive an update on the findings and the progress on agreed actions for the Children's Families & Learning Care Assessments audit at the Committee meeting in September 2019.

A3/19 - To ensure the 'Modified Fire Pensions Scheme 2006 for Retained Firefighters 2018/19' audit is brought to the Surrey Local Firefighters' Pension Board's attention.

**Resolved:**

The Audit and Governance Committee noted the report.

**8/19 DATE OF NEXT MEETING [Item 8]**

The date of the meeting was noted to be held on 8 April 2019.

Meeting ended at: 11.45 am

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**Chairman**





Audit & Governance Committee  
8 April 2019

## RECOMMENDATIONS TRACKER AND BULLETIN

### **PURPOSE OF REPORT:**

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

### **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.

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**REPORT CONTACT:** Joss Butler, Democratic Services Assistant  
020 8541 9702 [joss.butler@surreycc.gov.uk](mailto:joss.butler@surreycc.gov.uk)

**Sources/background papers:** None

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## Audit & Governance Committee Recommendations Tracking

### Recommendations (ACTIONS)

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
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>
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	<p>27/09/2018 - the Audit Manager confirmed that he had followed up on the police investigation but had not yet received a full response.</p> <p>12/12/18 - officers confirmed there were ongoing discussions with the Police on this matter and that the situation would continue to be monitored.</p>
A1/19	07/02/19	Treasury Management Strategy 2019/20	To circulate benchmarking data from similar two-tier local authorities to compare interest income.	Finance Manager	Information to be circulate following the end of the financial year 2018/19.

## Audit & Governance Committee Recommendations Tracking

### COMPLETED RECOMMENDATIONS/REFERRALS/ACTIONS – TO BE DELETED

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
A2/19	07/02/19	Internal Audit Progress Report - Quarter 3 (01/10/18 - 31/12/18)	The Committee to receive an update on the findings and the progress on agreed actions for the Children's Families & Learning Care Assessments audit at the Committee meeting in September 2019.	Audit Manager	Item added to Committee forward work plan.
A3/19	07/02/19	Internal Audit Progress Report - Quarter 3 (01/10/18 - 31/12/18)	To ensure the 'Modified Fire Pensions Scheme 2006 for Retained Firefighters 2018/19' audit is brought to the Surrey Local Firefighters' Pension Board's attention	Democratic Services Assistant	<p>The Surrey Local Firefighters' Pension Board discussed the matter at its meeting on 17 December 2018 (Minute: 44/18).</p> <p>An action was agreed for the Board to review the Internal Audit report when appropriate.</p>

## Bulletin

ISSUE: MARCH 2019

# Audit & Governance Committee

## Welcome...

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

### Contents

1. Internal Audit update
2. Orbis-wide Treasury Management Centre of Expertise
3. Petitions
4. Committee Contact Details

## Internal Audit update

### **Current Audits**

The following audits are currently in progress or at the planning stage:

- Procure To Pay (Accounts Payable)
- Order to Cash (Accounts Receivable)
- General Ledger
- Treasury Management
- Capital Expenditure Monitoring
- Property Asset Management System (PAMS) Income
- Pension Administration
- Safeguarding in Schools
- SFRS Cultural Compliance
- Transformation Programme
- ASC Care Assessments
- Academy Transition Arrangements

Members are encouraged to contact David John ([david.john@surreycc.gov.uk](mailto:david.john@surreycc.gov.uk)) if they have insight they wish to contribute to the above audit reviews.

### **Counter Fraud Work**

The team has been involved in supporting a number of ad hoc irregularity reviews that have arisen in Q3, which fall under the management of the Audit Manager (Counter Fraud). These were summarised for the Committee as part of ongoing quarterly reporting.

We are also at the point of beginning to receive and investigate data matches from the Cabinet Office for the National Fraud Initiative

### **PSIAS Assessment**

Following our recent external assessment by the South West Audit Partnership against the Public Sector Internal Audit Standards, Orbis Internal Audit has achieved the highest of three available levels of conformance, 'Generally Conforms'. This is an especially pleasing outcome given the relatively early stage in which the three teams have been working together and the full integration of the new shared service not being complete at the time of the review. Members will receive a report about this process at the July committee, along with a copy of the full assessment report.

## Orbis-wide Treasury Management Centre of Expertise

The Treasury Management Centre of Expertise brings together the treasury management function of the three Orbis partners into one team. The treasury function is historically a small service within many local authorities, so the creation of a single Orbis team strengthens resilience to a small but important area of finance. It facilitates the pooling and sharing of strategic and technical knowledge to promote best practice, and to ensure all authorities have access to the most appropriate and cost effective borrowing and investment deals. There are also operational efficiencies to be made that support remote working across the three Orbis sites and to allow the team to reduce the time taken on daily tasks and maintaining data. To this effect, a new cloud based Orbis-wide treasury system has been selected following a procurement exercise, and the team are exploring paperless working. The new system is due to be implemented in April 2019.

## Petitions

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

End date	10 January 2019
Petition Prayer	Scrap parking charges at our countryside car parks (4522 signers)
Where/when decision was made	Cabinet – 26 February 2019
Outcome	The petition response is attached to the meeting's minutes which can be accessed here (following publication): <a href="https://mycouncil.surreycc.gov.uk/ieListDocuments.aspx?CId=120&amp;MId=6323&amp;Ver=4">https://mycouncil.surreycc.gov.uk/ieListDocuments.aspx?CId=120&amp;MId=6323&amp;Ver=4</a>

## Committee Contacts

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Audit & Governance Committee  
8 April 2019

## **RISK MANAGEMENT REPORT**

### **Purpose of the report:**

This risk management report provides an update on the council's corporate risk management arrangements, including the strategic risk register, to enable the Committee to meet its responsibilities for monitoring the development and operation of the council's risk management arrangements.

### **Recommendations**

It is recommended that the Audit and Governance Committee:

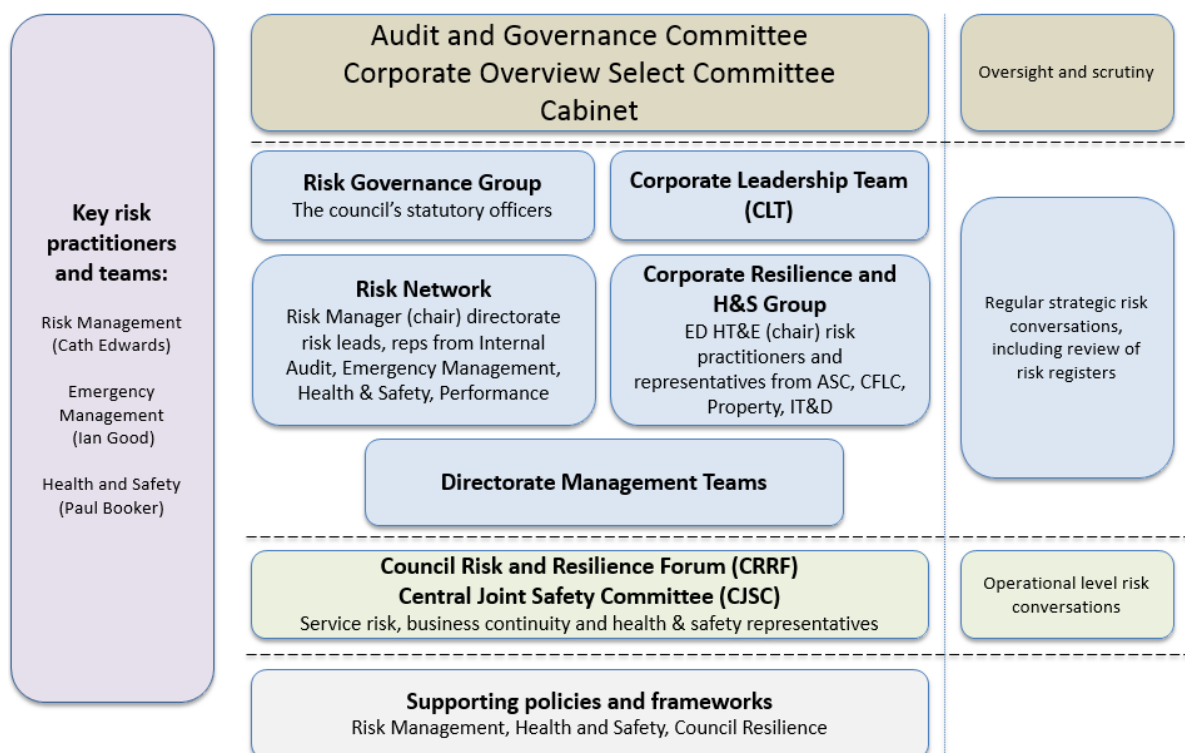
1. consider the contents of the report and confirm they are satisfied with the risk management arrangements;
2. review the Strategic risk register (Annex A) and determine whether there are any matters that they wish to draw to the attention of the Chief Executive, Cabinet, Cabinet Member or relevant Select Committee.

### **Introduction**

3. The terms of reference of the Audit and Governance Committee include the requirement to monitor the effective development and operation of the council's risk management arrangements. This report provides an update on the council's corporate risk management arrangements, including the Strategic risk register.

### **Risk management arrangements**

4. Over the last few months CLT have undertaken a full review of the council's key risks which has resulted in the development of a new Strategic risk register (Annex A). Further development of the risk register will include:
  - Review of the controls and identifying current controls in place and additional controls required; and
  - Review of the current risk levels and underlying risk assessment criteria.
5. The council's corporate risk management governance arrangements have also been reviewed and the diagram below shows the groups of officers and Members who have a key role in reviewing and reporting risk management across the organisation;



6. The risk register will be reported to **Cabinet** on an exception basis at least annually and to each **Audit and Governance Committee** meeting.
7. The **Corporate Leadership Team (CLT)** will formally review the Strategic risk register on a quarterly basis and will be supported by the **Risk Governance Group** who regularly discuss key risk and governance issues.
8. The **Corporate Resilience and H&S group** meets quarterly to review the council's emergency management, business continuity and Health and Safety arrangements. The new **Risk Network** will meet on a quarterly basis to scrutinise and review strategic risk and also ensure a consistent risk approach is applied across the organisation.
9. **Directorate Management Teams** continue to have regular strategic conversations and document their key risks in directorate risk registers.
10. The risk management strategy and framework is currently being reviewed by the Risk Manager and will be presented to the next Committee meeting.

## Implications

### Financial and value for money implications

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

### Equalities and Diversity Implications

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

### **Risk Management Implications**

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

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**Report contact:** Cath Edwards, Risk Manager, Finance

**Contact details:** 020 85419193 or [cath.edwards@surreycc.gov.uk](mailto:cath.edwards@surreycc.gov.uk)

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## Strategic risk register (February 2019)

	Risk Description	Controls	Lead risk owner	Current risk level
S1	<b>Financial Resilience</b> Failure to develop sustainable financial plans leads to increased levels of external censure and reactive service reductions.	Robust Financial Strategy. Budget envelopes used as cornerstone of financial planning. Rigorous budget monitoring including delivery against plans. Intention to set budget without using reserves. Review of financial management across the organisation.	Executive Director of Finance	High
S2	<b>Delivery of Savings Plans</b> Failure to deliver savings plans lowers the council's financial resilience and leads to reactive service reductions.	Clarity over basis of savings plans. Detailed savings plans with clear accountabilities. Clear tracking of progress on savings plans. Joined up governance approach with council transformation.	Executive Director of Finance	High
S3	<b>Brexit</b> Brexit impacts significantly on the ability of the council and its partners to deliver services.	Brexit working group in place to review and monitor specific risks. Ongoing communication and engagement with key stakeholders.	Executive Director of Finance	High
S4	<b>Transformation</b> Failure to deliver the intended outcomes of the council's Transformation Programme due to insufficient buy in, understanding and engagement, leads to inability to generate service improvements.	Transformation Support Unit in place providing: <ul style="list-style-type: none"> <li>- Project/programme management tools and training</li> <li>- Allocation of Accountable Executives and project/programme managers to each project/programme</li> <li>- Resource and funding to support additional capacity required and accelerate delivery of projects/programmes.</li> </ul> <p>Effective Transformation Programme comms and engagement plan.</p> <p>Clear, consistent and timely communications to staff led by Interim Head of Communications.</p>	Executive Director - CDT	High
S5	<b>Workforce</b> Insufficient capability and competency to deliver and cope with the change needed leads to reduction in staff capacity and resilience.	Pastoral and wellbeing support for staff in place.  Culture Change approach developed including: <ul style="list-style-type: none"> <li>- Cultural shift toolkit for managers</li> <li>- Council values and working principles</li> </ul> <p>People performance reshaped to focus on values and behaviours.</p>	Executive Director - CDT	High

	Risk Description	Controls	Lead risk owner	Current risk level
S6	<b>Partnership Working</b> Ineffective partnership working and lack of community resilience due to insufficient buy in, engagement or understanding leads to inability to generate planned outcomes.	Creating and maintaining the required capacity and competencies amongst staff Regular monitoring of progress and key risks. Continuous stakeholder engagement and focus on building and maintaining strong relationships. Clear leadership endorsement of partnership approaches across the council.	Executive Director – CDT	High
S7	<b>Safeguarding</b> Failure to transform the provision of children's services and related support for vulnerable children and their families through collaborative engagement and commitment of the wider stakeholder groups leads to children being left in harmful situations and damaged reputation	Cross partnership group in place to deliver the Children's Improvement Plan. Ofsted Priority Action Board (with independent Chair) to ensure improvements are delivered across all agencies. Close working with Department for Education and Ofsted to inform Children's improvement strategy. New Family Safeguarding model developed to strengthen relationships with vulnerable children and families. Surrey Children's Services Academy co-ordinating recruitment, learning and development across agencies. Tiers 1 and 2a restructure complete with tiers 2b and 3 expected to be finalised by 31 March 2019. Monitoring of change across Children's services to ensure performance of service delivery is maintained.	Executive Director – CFLC	High
S8	<b>Provider Market</b> Lack of availability of provider market leads to inability to maintain services.	The development of an effective commissioning strategy and market shaping plan with the support of the Social Care Institute for Excellence [SCIE] is underway. This will identify the priority areas for 2019/20.  We will review our spot purchasing arrangements for nursing beds to provide greater assurance in respect of supply and affordability.  Continued engagement with providers of care services at various forums to ensure issues of availability and sustainability are heard and addressed where possible.  Working with providers of services for people with learning disabilities, services will be reviewed and re-shaped to reflect SCC's ambition for supporting independence.	Executive Director - ASC	High

	Risk Description	Controls	Lead risk owner	Current risk level
S9	<p><b>SEND</b></p> <p>Lack of transformation of SEND services at scale and pace required leads to inability to control the council's budget.</p>	<p>A senior leader has been sourced to provide additional capacity to drive the transformation.</p> <p>Significant activities are underway to transform the strategic and operational delivery of SEN including:</p> <ul style="list-style-type: none"> <li>- A new operating model of early help across the directorate with a full scale restructure.</li> <li>- Developing finance and business processes (e.g. a commissioning gateway to resources)</li> <li>- Additional capacity from Property, HR and Finance being sought to accelerate change.</li> </ul> <p>Strengthened governance arrangements to provide oversight and assurance via:</p> <ul style="list-style-type: none"> <li>o SEND Partnership Board chaired by the Executive Director CFLC</li> <li>o SEND Transformation Programme Board (chaired at Director level).</li> <li>o Revised children and young people partnership</li> <li>o Weekly phone calls with Health partners to progress activities at pace</li> <li>o A new Cabinet Members task group has been proposed to provide additional scrutiny.</li> </ul> <p>Developing robust programme communication.</p>	Executive Director – CFLC	High

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Audit and Governance Committee  
8 April 2019

**ETHICAL STANDARDS ANNUAL REVIEW**

**Purpose of the report:**

To enable the Committee to monitor the operation of the Members' Code of Conduct over the course of the last year.

**Recommendation:**

That the Audit and Governance Committee:

- a) notes the Monitoring Officer's report on recent activity in relation to the Code of Conduct and complaints made in relation to member conduct.
- b) considers what (if any) further advice, guidance and training should be offered to Members over the next year, or any longer period.

**Introduction:**

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

The Code also includes provisions for the registration and disclosure of pecuniary and other interests.

3. The Act also requires the Council to appoint "at least one independent person" whose views must be sought after an investigation into a complaint has been conducted and before a decision on it is made. It also allows Members who have had an allegation made against them to seek the views of the Independent Person if they wish.

4. The Council has delegated to the Audit and Governance Committee the roles of:
  - monitoring the operation of the Members' Code of Conduct and;
  - promoting advice guidance and training on matters relating to the Code of Conduct.
5. The Committee is also responsible for granting dispensations to Members relating to their disclosable pecuniary interests.

#### **The Code of Conduct**

6. At the Council meeting of 17 July 2012 Members agreed that they wanted to adopt a simple, high level code. The current Members' Code of Conduct is based on the Department of Communities and Local Government ("DCLG") "illustrative" text of a code of conduct for Members. The Code is linked to other Council protocols, including the Member/ Officer Protocol. There have been no revisions to the Code of Conduct.
7. The independent Committee on Standards in Public Life in January 2019 published a report considering how best to maintain high standards of conduct in local government. The Committee made recommendations to enhance and provide clarity for the approach to be taken to issues of conduct, including a proposal for a model code, which the council will need to heed once it is enacted.

#### **Independent Person**

8. The Act requires the appointment of at least once independent person who cannot be a councillor, officer or a relative or friend of any one of them. The County Council appointed Mr Bernard Quoroll as its Independent Person for a term of four years from December 2016.

#### **Arrangements for receiving and handling complaints**

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

#### **Register of Interests**

10. In July 2016 Council agreed to widen the registration requirement of its Members to include a new category of significant personal interests, and to include a new requirement to declare prejudicial interests and significant personal interests, in addition to disclosable pecuniary interests, at meetings of the council and its committees.
11. All Members are required to notify the Monitoring Officer, within 28 days of taking office, of two categories of interest, namely any disclosable pecuniary interests they have (including those of a spouse, civil partner or someone with whom the Member is living as husband and wife or as civil partner) and any of their own significant

personal interests. The Council's register is published online in accordance with legal requirements.

12. Elected Members' entries on the Register of Interests are also accessible on their individual pages on the Council's website. Co-opted Members have also registered their interests and these can be found on the Register of Interests page on the Council's website.
13. Steps taken to provide guidance, information and reminders are set out below.

#### **Training and Guidance for Members**

14. A training day took place in May 2017 as part of the new Council induction, covering code of conduct and register of interests. Following the training, new and returning Members received guidance in registering their interests, both pecuniary and personal, either on line or in hard copy. Any Members elected since then have received information on both the code of conduct and registering interests through tailored induction sessions. No further training for all members was held in 2018.

#### **Code of Conduct Complaints**

15. The spreadsheet appended to this report shows the number of complaints received since the beginning of 2018. There have been no complaints alleging that a Member has failed to disclose or declare a pecuniary interest (this being a breach of the code which could result in criminal prosecution of the Member). The number of complaints received is slightly lower than in previous years.
16. A significant proportion of the complainants wish to seek redress in connection with a delay or failure to answer correspondence.

#### **Risk Management Implications**

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

#### **Financial and value for money implications**

18. An external investigation of a complaint costs in the region of £5,000. In the last year there were no investigations that required an external investigator.

#### **Equalities and Diversity Implications**

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

#### **Appendices**

- a) Member conduct complaints

**Next steps:**

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

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**Report contact:** Geoff Wild, Interim Monitoring Officer and Director of Law and Governance

**Contact details:** 0208 541 7981 / [geoff.wild@surreycc.gov.uk](mailto:geoff.wild@surreycc.gov.uk)

Date complaint received	Complainant	Complaint	Controversial Service Matter	Person Consulted	Status of complaint
01/02/2018	C1	Lack of response from cllr to correspondence	No	MO	Closed - Complaint not upheld as not a breach of the Code of Conduct
01/02/2018	C2	Lack of response from cllr to correspondence	No	MO	Closed - Complaint not upheld as not a breach of the Code of Conduct
02/02/2018	C3	Lack of response from cllr to correspondence	No	MO	Closed - Complaint not upheld as not a breach of the Code of Conduct
26/05/2018	C4	Lack of response from cllr to correspondence	No	MO	Closed - Complaint not upheld as not a breach of the Code of Conduct
03/07/2018	C5	Complainant alleges councillor was intimidating and did not respond to correspondence	No	MO	Closed - Complaint not upheld as not a breach of the Code of Conduct
06/07/2018	C6	Complainant alleges councillor did not respond to communication in a timely manner.	No	MO	Closed - Complaint not upheld as not a breach of the Code of Conduct
13/07/2018	C7	Complainant alleges councillor contravened equalities legislation		Member Conduct Panel/IP	Closed - Complaint upheld as a breach of paragraph 9 of the Code of Conduct. Panel's decision reported to Council.
24/07/2018	C8	Complainant alleges councillor made false statements	No	MO	Closed - Complaint not upheld as not a breach of the Code of Conduct
26/07/2018	C9	Complainant alleges councillor made false statements/comments on Facebook and in local newspaper	No	MO	Closed - Complaint not upheld as not a breach of the Code of Conduct
10/10/2018	C10	Councillor failed to respond to communication in a timely manner	No	MO	Closed - Complaint not upheld as not a breach of the Code of Conduct
10/12/2018	C11	Complainant alleges councillor had misused public funds	No	MO	Closed - Councillor was acting in their capacity as a borough/district councillor and therefore matter was referred to the monitoring officer for that district/borough
14/12/2018	C12	Complainant alleges councillor acted improperly for personal gain	NO	Deputy MO	Closed - Complaint not upheld as not a breach of the Code of Conduct





AUDIT & GOVERNANCE COMMITTEE  
8 APRIL 2019

**Internal Strategy and Annual Audit Plan 2019/20**

**SUMMARY AND PURPOSE:**

The purpose of this report is to present the Internal Audit Strategy and Annual Internal Audit Plan for 2019/20 to the Committee.

Under-pinning the work of the Orbis Internal Audit Service in delivering the Annual Internal Audit Plan are the key principles and objectives as set out in the Internal Audit Strategy and Charter. These are presented alongside the Annual Internal Audit Plan for 2019/20 as good practice dictates that these should be updated and reviewed on an annual basis.

**RECOMMENDATIONS:**

Members are asked to consider the contents of this report and Appendixes, and to approve the following:

- (i) The Internal Audit Strategy
- (ii) The Internal Audit and Corporate Fraud Plan (Appendix A)
- (iii) The Internal Audit Charter (Appendix B)

**BACKGROUND:**

1. The statutory basis for Internal Audit in local government is provided in the Accounts and Audit Regulations 2015, which require a local authority to *"undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes"*.
2. The Accounts and Audit Regulations contain the expectation that Internal Audit will take into account public sector internal audit standards or guidance. The Audit and Governance Committee recognises the mandatory nature of the Public Sector Internal Audit Standards (PSIAS), which came into effect on 1 April 2013 (and revised 1 April 2017).

**Internal Audit and Corporate Fraud Strategy, and Plan**

3. Under the PSIAS there is no longer a requirement to produce an Internal Audit Strategy. However, the Chief Internal Auditor is of the opinion that this is a useful document that links the work of Internal Audit to the Council's vision to be confident in Surrey's future.
4. Through approving the Orbis Internal Audit Strategy alongside the Annual Audit Plan for 2019/20, the link between the work of Internal Audit and the high level strategic vision of the Council is apparent.

## Development of the Internal Audit Plan

5. The Internal Audit and Corporate Fraud Plan for 2019/20, which is a risk based programme of work, is set out at Appendix A. There are a number of core elements to the Internal Audit Plan which are likely to feature each year such as:

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

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

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

- (i) Consultation with:
  - a. Heads of Service and other senior management
  - b. Members of the Audit and Governance Committee
  - c. S151 Officer
  - d. The Risk and Governance Manager
- (ii) Consideration of risk registers
- (iii) Areas of concern emerging from liaison with partners from East Sussex County Council and Brighton and Hove City Council within the overall Orbis Internal Audit partnership
- (iv) Other Local Authority Internal Audit services through regional and national networking

7. The draft Plan was issued for comment to the Corporate Leadership Team (CLT) on 19 March 2019 and no comments have been received.

8. The Chief Internal Auditor is confident that the draft Internal Audit Plan at Appendix A provides sufficient coverage across the Council's activities and addresses key areas of risk.

## Resources

9. The Internal Audit planned available days are as follows:

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
<b>Plan Days</b>	2,117	1,989	1,780	1,652

10. Whilst the overall level of resource has reduced for 2019/20 it is still considered to be sufficient to allow Internal Audit to deliver its risk based plan in accordance with professional standards<sup>1</sup> and to enable the Chief Internal Auditor to provide his annual audit opinion. Any impacts of such a reduction have been mitigated as far as possible through efficiencies and additional resilience offered from the Orbis partnership as explained above.

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<sup>1</sup> Public Sector Internal Audit Standards (PSIAS)



## Internal Audit Charter (Appendix B)

11. The PSIAS require Internal Audit to have a Charter that has been formally approved and is regularly reviewed. The Charter attached at Appendix B reflects the PSIAS Local Government Application note which was published in April 2013 and has been refreshed in order to clarify the arrangements covering the appointment and removal of the Chief Internal Auditor as part of the Orbis Partnership.

### **IMPLICATIONS:**

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

### **WHAT HAPPENS NEXT:**

14. The Internal Audit team will deliver the 2019/20 Internal Audit Plan and Internal Audit reports will be produced and distributed in line with the Reporting and Escalation Policy.
15. Quarterly updates on completed audit work and performance against the 2019/20 Plan will be reported to the Committee throughout the year.

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**REPORT AUTHORS:**                      **Russell Banks, Chief Internal Auditor**  
   **David John, Audit Manager (Sovereign SCC Lead)**

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# **Internal Audit Strategy and Annual Audit Plan 2019-2020**



## 1. Role of Internal Audit

1.1 The full role and scope of the Council's Internal Audit Service is set out within the Internal Audit Charter and Terms of Reference, the latest version of which is attached to this Strategy as Appendix B.

1.2 The mission of Internal Audit, as defined by the Chartered Institute of Internal Auditors (CIIA), is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. Internal Audit is defined 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."*

## 2. Risk Assessment and Audit Planning

2.1 Surrey County Council's Internal Audit Strategy and Annual Audit Plan is updated annually and is based on a number of factors, especially management's assessment of risk (including that set out within the strategic and departmental risk registers) and our own risk assessment of the Council's major systems and other auditable areas. This allows us to prioritise those areas to be included within the audit plan on the basis of risk.

2.2 The update of the annual plan for 2019/20 has involved consultation with a range of stakeholders, to ensure that their views on risks and current issues, within individual directorates and corporately, are identified and considered. In order to ensure that the most effective use is made of available resources, to avoid duplication and to minimise service disruption, efforts continue to be made to identify, and where possible, rely upon, other sources of assurance available. The following diagram sets out the various sources of information used to inform our 2019/20 audit planning process:



2.3 In order to ensure audit and assurance activity is properly focussed on supporting the delivery of the Council's priorities, the audit plan has taken into account the three key corporate priorities of the Council:

- Wellbeing
- Economic Prosperity
- Resident Experience

2.4 In producing the audit plan (which is set out in Appendix A to this report) the following key principles continue to be applied:

- All key financial systems are subject to a cyclical programme of audits covering, as a minimum, compliance against key controls;
- Previous reviews which resulted in 'minimal assurance' audit opinions will be subject to a specific follow-up review to assess the effective implementation by management of agreed actions. This will also include a number of previous reviews with a 'partial assurance' opinion where deemed necessary or where the area under review is considered to be of a higher risk nature.

2.5 In addition, formal action tracking arrangements are in place to monitor the implementation by management of all individual high risk recommendations, with the results of this work reported to the Audit and Governance Committee on a quarterly basis.

2.6 During the last two years, Surrey County Council, East Sussex County Council and Brighton and Hove City Council have been working together to develop and form the Orbis Partnership, covering a range of business services, including internal audit. This work has resulted in the formation of a single, integrated internal audit service from April 2018, involving three locality based teams supported by two specialist teams in the areas of ICT audit and counter fraud. It is our ambition that this will provide greater resilience and capacity for our partner councils whilst also building on existing high quality services.

### 3. Key Issues

3.1 In times of significant transformation, organisations must both manage change effectively and ensure that core controls remain in place. In order to respond to the continued reduction in financial resources and the increased demand for services, the Council needs to consider some radical changes to its service offer in many areas.

3.2 Internal Audit must therefore be in a position to give an opinion and assurance that covers the control environment in relation to both existing systems and these new developments. It is also essential that this work is undertaken in a flexible and supportive manner, in conjunction with management, to ensure that both risks and opportunities are properly considered. During 2019/20, a number of major organisational initiatives are featured within the audit plan, with the intention that Internal Audit is able to provide proactive advice, support and assurance as these programmes progress. These include:

- Transformation Programme
- Children's Services, including SEND
- Home to School Transportation
- Corporate Governance and Risk Management Arrangements

3.3 In recognition that in some cases, sufficient information regarding the full extent of future changes and associated risks may not yet be known, the 2019/20 audit plan includes a proportion of time classified as 'Emerging Risks'. This approach has been adopted to enable Internal Audit to react appropriately throughout the year as new risks materialise and to ensure that expertise in governance, risk and internal control can be utilised early in the change process.

3.4 In view of the above, Internal Audit will continue to work closely with senior management and Members throughout the year to identify any new risks and to agree how and where audit resources can be utilised to best effect.

3.5 Other priority areas identified for inclusion within the audit plan include:

- Local Economic Partnerships
- Property Investment Company
- Surrey Heartlands Partnership
- Health & Safety
- Surrey Choices
- School Governance and Assurance
- Better Care Fund

3.6 The results of all audit work undertaken will be summarised within quarterly update reports along with any common themes and findings arising from our work.

#### 4. Counter Fraud

4.1 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.

4.2 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.

4.3 In addition, Internal Audit will promote an anti-fraud and corruption culture within the Council to aid the prevention and detection of fraud. Through the work of the Counter Fraud Team, Internal Audit will maintain a fraud risk assessment and deliver a programme of proactive and reactive counter fraud services to help ensure that the Council continues to protect its services from fraud loss.

#### 5. Matching Audit Needs to Resources

5.1 The overall aim of the Internal Audit Strategy is to allocate available internal audit resources so as to focus on the highest risk areas and to enable an annual opinion to be given on the adequacy and effectiveness of the Council's framework of governance, risk management and control.

5.2 In addition to this, resources have been allocated to the external bodies for whom Orbis Internal Audit also provide internal audit services, at an appropriate charge. These include Surrey County Council

Horsham District Council, Elmbridge District Council, East Sussex Fire Authority and South Downs National Park.

5.3 Internal audit activities will be delivered by a range of staff from across the Orbis Internal Audit Service, maximising the value from a wide range of skills and experience available. In the small number of instances where sufficient expertise is not available from within the team, mainly in highly technical areas, externally provided specialist resources will continue to be utilised.

5.4 The following table summarises the level of audit resources expected to be available for Surrey County Council in 2019/20 (expressed in days), compared to the equivalent number of planned days in previous years. The overall level of resource has been reduced by 131 days in 2019/20, primarily as a result of an adjustment to the Surrey share of the Orbis Internal Audit budget relating to income no longer received from external work previously undertaken for Spelthorne Borough Council. This level of resource is considered to be sufficient to allow Internal Audit to deliver its risk based plan in accordance with professional standards<sup>1</sup> and to enable the Chief Internal Auditor to provide his annual audit opinion. It should also be noted that the impacts of the previous year's reduction in resources have been mitigated as far as possible through efficiencies and additional resilience offered from the Orbis partnership as explained above.

**Table 1: Annual Internal Audit Plan – Plan Days**

	2015/16	2016/17	2017/18	2018/19	2019/20
<b>Plan Days</b>	2,069	2,117	1,989	1,780	1,652

## 6. Audit Approach

6.1 The approach of Internal Audit is to use risk based reviews, supplemented in some areas by the use of compliance audits and themed reviews. All audits have regard to management's arrangements for:

- Achievement of the organisation's objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

6.2 In addition to these audits, and the advice on controls given on specific development areas which are separately identified within the plan, there are a number of generic areas where there are increasing demands upon Internal Audit, some of which cannot be planned in advance. For this reason, time is built into the plan to cover the following:

- Contingency – an allowance of days to provide capacity for unplanned work, including special audits and management investigations. This contingency also allows for the completion of work in progress from the 2018/19 plan;

<sup>1</sup> Public Sector Internal Audit Standards (PSIAS)  
Surrey County Council

- Advice, Management, Liaison and Planning - an allowance to cover provision of ad hoc advice on risk, audit and control issues, audit planning and annual reporting, ongoing liaison with service management and Members, and audit management time in support of the delivery of all audit work, planned and unplanned.

6.3 In delivering this strategy and plan, we will ensure that liaison has taken place with the Council's external auditors, Grant Thornton, to ensure that the use of audit resources is maximised, duplication of work is avoided, and statutory requirements are met.

## 7. Training and Development

7.1 The effectiveness of the Internal Audit Service depends significantly on the quality, training and experience of its staff. Training needs of individual staff members are identified through a formal performance and development process and are delivered and monitored through on-going management supervision.

7.2 The team is also committed to coaching and mentoring its staff, and to providing opportunities for appropriate professional development. This is reflected in the high proportion of staff holding a professional internal audit or accountancy qualification as well as several new members of the team embarking on new apprenticeship training during 2019/20.

## 8. Quality and Performance

8.1 With effect from 1 April 2013, all of the relevant internal audit standard setting bodies, including CIPFA, adopted a common set of Public Sector Internal Audit Standards (PSIAS). These are based on the Institute of Internal Auditors International Professional Practices Framework and replace the previous Code of Practice for Internal Audit in Local Government.

8.2 Included within the new Standards is the requirement for the organisation to define the terms 'Board' and 'senior management' in the context of audit activity. This has been set out within the Internal Audit Charter, which confirms the Audit and Governance Committee's role as the Board.

8.3 The PSIAS require each internal audit service to maintain an ongoing quality assurance and improvement programme based on an annual self-assessment against the Standards, supplemented at least every five years by a full independent external assessment. The outcomes from these assessments, including any improvement actions arising, will be reported to the Audit and Governance Committee, usually as part of the annual internal audit report. For clarity, the Standards specify that the following core principles underpin an effective internal audit service:

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives, and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;



- Is insightful, proactive, and future-focused;
- Promotes organisational improvement.

8.4 In addition, the performance of Orbis Internal Audit continues to be measured against key service targets focussing on service quality, productivity and efficiency, compliance with professional standards, influence and our staff. These are all underpinned by appropriate key performance indicators as set out in Table 2 below.

8.5 At a detailed level each audit assignment is monitored and customer feedback sought. There is also ongoing performance appraisals and supervision for all Internal Audit staff during the year to support them in achieving their personal targets.

8.6 In addition to the individual reports to management for each audit assignment, reports on key audit findings and the delivery of the audit plan are made to the Audit and Governance Committee on a quarterly basis. An Annual Internal Audit Opinion is also produced each year.

8.7 Whilst Orbis Internal Audit liaises closely with other internal audit services through the Sussex and Surrey audit and counter fraud groups, the Home Counties Chief Internal Auditors' Group and the Local Authority Chief Auditors' Network, we are continuing to develop joint working arrangements with other local authority audit teams to help improve resilience and make better use of our collective resources.

**Table 2: Performance Indicators**

Aspect of Service	Orbis IA Performance Indicators	Target
<b>Quality</b>	<ul style="list-style-type: none"> <li>• Annual Audit Plan agreed by Audit Committee</li> <li>• Annual Audit Report and Opinion</li> <li>• Satisfaction levels</li> </ul>	<p>By end April</p> <p>To inform AGS 90% satisfied</p>
<b>Productivity and Process Efficiency</b>	<ul style="list-style-type: none"> <li>• Audit Plan – completion to draft report stage by 31 March 2019</li> </ul>	90%
<b>Compliance with Professional Standards</b>	<ul style="list-style-type: none"> <li>• Public Sector Internal Audit Standards</li> <li>• Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act</li> </ul>	<p>Conforms</p> <p>Conforms</p>
<b>Outcomes and degree of influence</b>	<ul style="list-style-type: none"> <li>• Implementation of management actions agreed in response to audit findings</li> </ul>	95% for high priority
<b>Our Staff</b>	<ul style="list-style-type: none"> <li>• Professionally Qualified/Accredited</li> </ul>	80%



## INTERNAL AUDIT PLAN 2019-20



Review Name	Outline Objective
Risk Management	To review the council's risk management framework to ensure that the council's approach to risk identification, assessment, control and reporting is undertaken consistently and effectively across the organisation.
Corporate Governance	To review the Code of Corporate Governance (including associated policies including gifts and hospitality, Code of Conduct, etc) to provide an opinion on the effectiveness of overall governance arrangements of the county council thus supporting the Annual Governance Statement.
Troubled Families	Certification of periodic grant claim returns in-year on behalf of Children's Services to enable the release of funds from the DfE, including confirmation of families eligibility for inclusion and evidence that outcome plans have been achieved.
Surrey Choices	To complete a follow-up review on progress made by Surrey Choices (a Local Authority Trading Company) in the implementation of internal recommendations for control improvement in financial and non-financial processes. This audit will report to the SCC Stakeholder Board.
Schools (Routine)	We will continue our audit coverage in schools which will involve a range of assurance work, including key controls testing in individual schools, follow-ups of previous audit work and themed reviews. We will also work with our Orbis partners to provide information bulletins and guidance for schools on risk, governance and internal control matters.
Post-Babcock assurance and governance review for maintained schools	This review will help to determine the appropriate governance arrangements within the council following the end of the B4S contract, which will then allow us to help the council understand the required level of assurance for both the Council's s151 Officer and the Director for Education Lifelong Learning & Culture over the control environment in place at Surrey's maintained schools.
Surrey Heartlands Partnership (SHP)	To review and assess the governance arrangements around the SHP to ensure that they meet the needs of the council in terms of budget accountability and delivery of commissioned services to residents.
Residential Care Homes	To review the robustness of arrangements in the return of 8 residential care homes from Anchor back in-house, including an analysis of the original business case and how actual costs and assumptions have been realised, and a review of the governance / control over the arrangements to transfer property, assets, staff, budgets et al completely, effectively and accurately.

## INTERNAL AUDIT PLAN

### 2019-20



Review Name	Outline Objective
Health & Safety	With Corporate Health & Safety responsibilities potentially moving to the Director of Community Protection and Emergencies in SFRS, this review will seek to provide assurance that the service is effectively delivered and integrated across the council.
CFL Quality Assurance (follow-up)	To follow up agreed actions taken by the service following the audit of CFL Quality Assurance in 2018/19, which led to an original opinion of Partial Assurance.
CFL Assessment and Care Plan Management (follow-up)	To follow up agreed actions taken by the service following the audit of CFL Care Assessments in 2018/19, which led to an original opinion of Minimal Assurance.
Better Care Fund	This time in the annual plan is to allow for audits to be commissioned over specific aspects of both Better Care Fund activity and the integration of adult social care and health. The audits in this area are determined in year following discussion between Internal Audit and Adult Social Care/Clinical Commissioning Groups in light of emerging issues or areas for assurance work being identified.
Public Health payments to GPs and pharmacies	A proactive fraud assurance exercise using data analytics to ensure controls in place to manage payments to GPs and pharmacies in relation to services commissioned by Public Health are operating effectively.
Local Economic Partnerships (LEPs)	With plans to make the next round of LEPs more transformational and of higher value (£10m's), this review will examine the council's plans to ensure that LEPs are not overly complex, have strong governance structures and provide sufficient accountability.
Kier Contract (Lot 1)	To review arrangements in place for the effective maintenance of the supply chain for minor works (Lot 1), including the controls and governance over the allocation of smaller jobs to contractors and the processes in place to ensure completion of works before payment.
Surplus Assets (follow-up)	To follow up agreed actions taken by the service following the audit of this area in 2018/19, which led to an original opinion of Partial Assurance.
Property Investment Company	This review will look at the governance mechanisms of how this joint venture successfully delivers its stated objectives, and provide forward-looking advice to senior management on the robustness of current arrangements.
Making Tax Digital (MTD) - VAT	A review of the robustness of the preparations made by the council for the compulsory digital tax-keeping records from

# INTERNAL AUDIT PLAN

## 2019-20



Review Name	Outline Objective
	HMRC – Making Tax Digital (MTD) – which come into effect for local authorities on 1 October 2019.
Surrey County Council/Guildford Borough Council Housing Improvement Programme	To review the governance arrangements in place over this joint Housing Improvement Programme between SCC and GBC to ensure that controls are in place for the management and correct allocation of costs between both local authorities, and that transparent and effective scrutiny has taken place over the duration of the scheme.
Voluntary Grants	This review will review the arrangements in place through which the council makes grants to voluntary bodies, with a view to ensuring that effective governance is in place in relation to applications, award, assessment of outcomes and other key criteria.
Transformation Programme	To continue the programme of audit assurance work that began in late 2017/18 to review aspects of the council's Transformation Programme. This work will provide assurance over a range of areas, including key governance arrangements; the robustness of business case information; the post-transformation control environment; and assurance that effective risk identification and mitigation measures exist with particular emphasis on the Family Resilience project.
Procure To Pay (Key Financial System)	To review the processes and key controls relating to the accounts payable system, including those in place for ensuring the accuracy of vendor details, the processing of invoices, goods receipting and promptness of payments.
Capital Programme (Key Financial System)	To review processes and key financial controls across the Council. The review will include capital expenditure monitoring, funding, receipts, borrowing and capital accounting.
Payroll (Key Financial System)	To review controls in relation to the staff payment system, including those relating to starters, leavers, temporary and permanent payments, variations of pay, and pre-employment checks.
Order To Cash (Key Financial System)	To review the processes and key controls relating to the accounts receivable system, including those in place for ensuring the accuracy of customer details, completeness, accuracy and timeliness of invoicing, recording and matching payments to invoices, and debt recovery.
Revenue Budgetary Control (Key Financial System)	A review of the Council's budget management arrangements, to include an assessment of the extent to which planned savings are being delivered.
Treasury Management	A review to assess the adequacy of key controls and

## INTERNAL AUDIT PLAN 2019-20



Review Name	Outline Objective
(Key Financial System)	procedures across the council's Treasury Management arrangements, including cash flow forecasting, segregation of duties, financial investments and use of treasury advisers.
Main Accounting System (Key Financial System)	To review the processes and key controls relating to the maintenance and operation of the general ledger, including suspense accounts, reconciliations, journals and year end procedures.
Financial Benefits and Assessments (FABS) (Key Financial System)	To review the key controls in place for both the financial assessment process, including the collation and analysis of information from care recipients to ensure correct calculation of contributions occurs in a timely fashion, and a review of the benefit calculation process to ensure correct payments are made.
Pension Fund Investments (Key Financial System)	A review to assess the adequacy of the SCC Pension Fund management and governance arrangements. Also, to examine arrangements for obtaining assurance over the adequacy of the control environment of pension fund investment managers and the custodian.
Pension Administration (Key Financial System)	To review the key controls over the calculation and payment of pensions, transfers to and from the pension fund and the collection and recording of pension contributions (including contributions from other admitted bodies).
ALTAIR Pension Payroll	To ensure key controls are in place in the ALTAIR pension payroll process (which makes payments independently of the corporate Payroll process in SAP).
SFRS Pension Scheme	To review the governance arrangements and key controls in place over the calculation and payment of pensions, transfers to and from the SFRS pension fund and the collection and recording of pension contributions.
Coroner's Service	To review the governance arrangements and processes within the office of the Surrey Coroner to ensure that effective arrangements are in place covering aspects such as budgetary control (including financial liabilities in longer inquest cases), case management, risk management, contract management, and compliance with policies.
Sport England	To provide the annual certification of funding received by the council from Sport England.
Local Transport Capital Block Funding	To provide to the DfT the annual certification for the funding of various highways schemes received in 2018/19, including extra monies obtained for additional winter highway repairs.
Interreg (Europe) Grant Urban Links To Landscape	To provide FLC certification for Semesters 2 and 3 of this EU funded project (UL2L: influencing policy for use of urban

# INTERNAL AUDIT PLAN

## 2019-20



Review Name	Outline Objective
	fringe land).
Interreg (Europe) Grant Digi-Tourism	To provide First Level Controller certification for Semesters 2 and 3 of this EU funded project (Digi-Tourism - virtual and augmented reality in tourism).
Bus Subsidy	To provide to the DfT the annual certification for the funding of bus subsidy grant monies received in 2018/19.
Grant Contingency	To allow for the possibility of additional assurance work to audit and certify grant returns on behalf of service departments for ad hoc funding received in 2018/19.
Consultancy / IR35 Compliance	To ensure that the employment of interim and consultancy staff across the council is properly managed, controlled and is in compliance with relevant legislation.
'Prevent' Agenda	Following our position statement work of 2018/19 and the council self-assessment against Home Office standards, to provide assurance that the local authority is meeting all of the statutory duties under the Prevent agenda. This will include both a review of compliance with strategic principles and an examination of the detailed aspects of the legislative requirements, including how council and school premises are let to avoid lettings being made to groups of an inappropriate nature.
Home to School Transport (SEN)	To provide assurance over the current processes for budget management and route management in light of cost pressures on this service. This audit will follow up findings from previous audit activity, and will provide ongoing advice and support in-year to a CFL task group working in this area.
Area SEN Team Financial Processes	To undertake a review of financial processes and procedures used in the Area SEN Teams to ensure consistency of approach and compliance with regulations.
SEND Case Management	To provide assurance that the SEND Case Management System (EYES) has been implemented in accordance with expected controls and processes, covering areas such as data cleansing and migration, interfaces and reconciliation, testing arrangements, system security, audit trails and user training.
Cyber Security	The audit will review the Authority's arrangements for protecting its systems and services from cyber attack, including arrangements for effectively responding to a cyber attack should one occur.
Orbis Data Centre	A review of the Orbis data centre to ensure appropriate controls are in place to prevent unauthorised physical and electronic access (including 3rd party access) to data held within the centre; the audit will also consider the

## INTERNAL AUDIT PLAN 2019-20



Review Name	Outline Objective
	effectiveness of controls to protect the servers from fire, electrical and water damage; and review the adequacy of backup arrangements, to ensure systems and services are not affected in the event of an outage. Where possible we will place reliance on assurances already available.
Robotics	The review will evaluate the effectiveness of the controls that ensure the accuracy of all data input by the 'robots', ensuring appropriate failure reports are built into the decision making routines.
Network Security	Significant changes to the way the network is secured are planned, with changes beginning to take effect during 2019/20 and changes fully established in 2020/21. This audit will review the current network security arrangements, and will critically evaluate the planned changes.
Patch Management	We will review the controls in place to support effective patch management ensuring that patches are tested prior to being applied and that patches are applied in a timely manner.
Cloud Computing	From a sample of applications and systems retained in the cloud, we will review the controls in place to manage the security, access, recovery and deletion of the data.
Social Care - Application Audit (Liquid Logic/CareFirst)	This review will evaluate the controls over the Councils major social care systems which make up a significant proportion of the councils payments. The audit will review all major input, processing and output controls and will review the controls in place to interface with the payment system and general ledger
ICT Compliance Frameworks	The councils application to the Governments Public Sector Network (PSN) Code of Connection (CoCo) provides significant assurance over the Councils ICT governance arrangements. With the demise of the CoCo assessment, we will review the councils ICT Governance arrangements, where appropriate relying on any other suitable sources of assurance, such as the cybersecurity plus submissions
Surveillance Cameras	We will review the effectiveness of the controls in place to meet the requirements of the Security Camera Commissioners code of practice.
IT&D Project Management	To review the project management arrangements for a sample of high priority/risk projects
Mobile Device Migration	This audit will review the controls for managing the security of mobile devices and the arrangements for securing the data contained on the devices.



# INTERNAL AUDIT PLAN

## 2019-20



Service Management and Delivery	
Review Name	Outline Objective
Action Tracking	Ongoing action tracking and reporting of agreed, high risk actions
Annual Report, Opinion and Annual Governance Statement	Creation of Annual Report and Opinion / Annual Governance Statement
Audit and Fraud Management	Overall management of all audit and counter fraud activity, including work allocation, work scheduling and Orbis Audit Manager meetings
Audit and Fraud reporting	Production of periodic reports to management and Audit and Governance Committee covering results of all audit and counter fraud activity
Audit Committee and other member support	Ongoing liaison with members on internal audit matters and attending Audit and Governance Committee meetings and associated pre-meetings
Client Service Liaison	Liaison with clients and departmental management teams throughout the year
Client Support and Advice	Ad hoc advice, guidance and support on risk, internal control and governance matters provided to clients and services across the year
External Liaison	Liaison with external auditors and other external bodies, including attendance at regional and national audit groups and counter fraud hubs
Orbis IA Developments	Audit and counter fraud service developments, including quality improvement and ensuring compliance with Public Sector Internal Audit Standards
Organisational Management Support	Attendance and ongoing support to organisational management meetings, e.g. Financial Management Team (FMT), Risk Governance Group (RGG) etc
Strategy and Annual Audit Planning	Development and production of the Internal Audit Strategy and Annual Audit Plan, including consultation with management and members
System Development and Administration	Development and administration of audit and fraud management systems

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# 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 focussed.

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

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Audit & Governance Committee  
8 April 2019

### **Grant Thornton: 2018/19 External Audit Plan**

#### **Purpose of the report:**

This report provides the Audit & Governance Committee with the Audit Plan for the external audit of the 2018/19 financial statements of the Council and the Surrey Pension Fund

#### **Recommendations:**

It is recommended that the Audit and Governance Committee approve the attached Audit Plan

#### **Introduction:**

1. The Audit Plan (Annex 1) provides an overview of the planned scope of the statutory audits of the Council's and Pension Fund accounts for 2018/19. It also outlines the risks identified by Grant Thornton, the Council's external auditors, for the audit of the Council's 2018/19 financial statements and their planned response to these risks.
2. The report also outlines the work the auditor will undertake as part of the assessment of the Council's Value for Money arrangements.

#### **2018/19 Financial Statements:**

3. The Audit Plan has identified a series of 'significant' risks and 'reasonably possible' risks. These risks have been identified in accordance with auditing standards and are consistent with the risks identified across Grant Thornton's local government clients, rather than being specific to this audit.
4. The 'significant' risks comprise:
  - Two presumed risks as required under International Auditing Standards, relating to fraud arising from revenue recognition (which has been rebutted) and management override of controls. This covers both the Council and the Pension Fund.
  - Valuation of land and buildings for the Council
  - Valuation of the pension fund liability for the Council

- Valuation of Pension Fund Investments

5. The plan also sets out the levels of materiality for the Council and Pension Fund on which the external auditor will report on misstatements in the accounts. For the Council, this is £30m and for the Pension Fund, it is £40m. In addition, there will be notes and statements that, although not materially in financial terms are important for stakeholders. These will include;

- Cash
- Senior Officers Disclosures
- Related Party Transactions
- Subsequent events
- Audit Fees

6. The statutory deadlines for publication of audited local government accounts has been brought forward to 31 July.

#### **Value for Money Conclusion:**

7. The Audit Plan summarises the auditors planned approach to the Value for Money work, and the significant risks identified. They will conduct their work with a focus on the following areas:

- Financial health
- Arrangements in children's services following the 2014/15 Ofsted report

#### **Conclusions:**

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

#### **Financial and value for money implications**

9. There are no direct financial or value for money implications of this report. The audit fee quoted for this work is included within the medium term financial plan.

#### **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.

#### **Next steps:**

12. The audited financial statements for 2018/19 are due to be reported to this Committee, alongside the Audit Findings Report on 29 July 2019.

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**Report contact:** Kevin Kilburn, Strategic Financial Manager (Corporate)

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Mobile: 07968 832903, Room G40 County Hall

# External Audit Plan

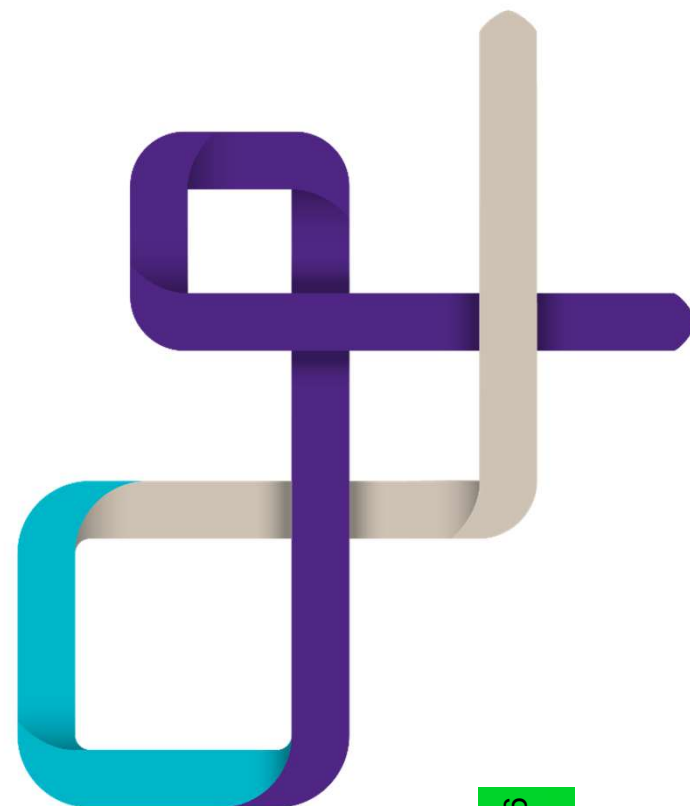
Year ending 31 March 2019

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Surrey County Council & Surrey Pension Fund

8 April 2019

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

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# Introduction

## Our Team



**Ciaran T McLaughlin, Engagement Lead for Surrey County Council and Surrey Pension Fund**

Responsible for overall quality control; accounts opinions; final authorisation of reports; liaison with the Audit Committee.



**Marcus Ward, Audit Manager for Surrey County Council and Surrey Pension Fund**

Responsible for overall audit management, quality assurance of audit work and output, and liaison with the Audit Committee.



**Tom Beake, Audit Incharge for Surrey County Council**

Responsible for management and delivery of audit fieldwork, including both interim and final accounts work.

**Ayesha Siddiq, Audit Incharge for Surrey Pension Fund**

Responsible for management and delivery of audit fieldwork, including both interim and final accounts work.

## Purpose

This document provides an overview of the planned scope and timing of the statutory audits of Surrey County Council and Surrey Pension Fund ('the Fund') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Council and the fund. We draw your attention to both of these documents on the [PSAA website](#).

## Scope of our audits

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on:

- Surrey County Council's and Surrey Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit & governance committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit & Governance Committee of your responsibilities.

Our audit approach is based on a thorough understanding of the Authority and Fund's business and is risk based. We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation.

# Headlines

<b>Group Accounts</b>	Surrey County Council is required to prepare group financial statements that consolidate the financial information of Halsey Garton Property Ltd, Surrey Choices Ltd, and South East Business Services Ltd. We have outlined the scope of our work on the Council's subsidiaries on page 7.
<b>Significant risks</b>	<p>Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:</p> <p><b>For Surrey County Council:</b></p> <ul style="list-style-type: none"> <li>• Management Override of Controls</li> <li>• Valuation of Pension Fund Net Liability</li> <li>• Valuation of Property, Plant, and Equipment</li> </ul> <p><b>For Surrey Pension Fund:</b></p> <ul style="list-style-type: none"> <li>• Management Override of controls</li> <li>• Valuation of Level 3 investments</li> </ul> <p>We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.</p>
<b>Materiality – Surrey County Council</b>	We have determined planning materiality to be £30m (PY £30.3m) which equates to 1.5% of your prior year gross expenditure. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. The reporting threshold for any exceptions identified during the audit has been set at £1.5m (PY £1.5m).
<b>Materiality – Surrey County Council Pension Fund</b>	<p>We have determined materiality at the planning stage of our audit to be £40m (PY £38.7m) for the Fund, which equates to 1% of your net assets for the year.</p> <p>We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £2m (PY £1.9m).</p>
<b>Value for Money arrangements (Authority Only)</b>	<p>Our risk assessment regarding the Authority's arrangements to secure value for money have identified the following VFM significant risks:</p> <ul style="list-style-type: none"> <li>• Financial Health</li> <li>• Children's Services (Ofsted inspection results and DfE intervention)</li> </ul>
<b>Audit logistics</b>	<p>Our interim visit will take place in March and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report (ISA260 Report).</p> <p>Our fee for the audit will be £109,415 (PY: £142,098) for the Authority and £20,871 (PY: £27,105) for the Fund, subject to management meeting our requirements set out on page 15.</p>
<b>Independence</b>	We have complied with the Financial Reporting Council's Ethical Standards and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

# Key matters impacting our audit of the Authority

## Factors

### The wider economy and political uncertainty

Local Government funding continues to be challenging with increasing cost pressures and demand from residents. You are responding to this challenge in a variety of ways, through identifying efficiencies & new sources of funding, working with partners, and engaging in service redesign.

The forecast revenue budget outturn for 2018/19 is a £14m underspend, requiring the use of £7m of reserves this year and comes after an additional in year savings programme was implemented.

### Brexit

You face the challenge of delivering services during significant political uncertainty on a national scale. With the UK due to leave the European Union on 29 March 2019, there will be national and local implications resulting from Brexit that will impact on you, which you will need to plan for.

You will need to review your arrangements and plans to mitigate risks arising from Brexit, including risks in areas such as workforce planning and supply chain analysis, as well as considering the impact on your finances, including investment and borrowing and any potential impact on the valuation of your assets.

### Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model. As there is a minimal diversity in the financial instruments held by the entity, won't be hugely relevant.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

### Devolution and Integration

The Cities and Local Government Devolution Act 2016 provides the legal framework for the implementation of devolution deals with the combined authorities and other areas.

Surrey County Council has campaigned for increased devolution as part of the 'Three Southern Counties' partnership alongside over 30 different Public Sector bodies in the regions.

Surrey Heartlands, which covers the Guildford & Waverly, North West Surrey and Surrey Downs Clinical Commissioning Groups has been devolved powers for health and social care that came into effect 1 April 2018 and has included new ways of working across 11 public sector bodies involved.

Surrey County Council has also progressed with shared service partnership arrangements under the 'Orbis' partnership with East Sussex County Council and Brighton & Hove City Council.

## Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of Surrey County Council and will review related disclosures in the financial statements.
- In previous years the Value for Money conclusion for Surrey County Council has been qualified with regard to children's services due to OFSTED results and Department of Health intervention. We will review your response to the state of children's services in previous years when forming a conclusion.
- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.
- We will consider your arrangements for managing and reporting your financial resources, including your progress on health integration or use of investment vehicles as part of our work in reaching our Value for Money conclusion.
- We will consider the achievement of identified savings plans, as well as savings achieved in partnership with East Sussex County Council and Brighton & Hove City Council as part of our Value for Money conclusion.

# Key matters impacting our audit of the Fund

## Factors

### SI 493/2018 – LGPS (Amendment) Regulations 2018

Introduces a new provision for employers to receive credit for any surplus assets in a fund upon ceasing to be a Scheme employer. This could potentially lead to material impacts on funding arrangements and the need for updated of Funding Strategy Statements.

### Guaranteed Minimum Pension (GMP)

- Pension funds are continuing to work through the GMP reconciliation process.
- In January 2018 the government extended its “interim solution” for indexation and equalisation for public service pension schemes until April 2021. Currently the view is that the October 2018 High Court ruling in respect of GMP equalisation is therefore not likely to have an impact upon the LGPS.

### Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of IFRS 9 Financial Instruments. In practice, IFRS 9 is anticipated to have limited impact for pension funds as most assets and liabilities held are already classed as fair value through profit and loss.

### The Pensions Regulator (tPR)

tPRs [Corporate Plan](#) for 2018-2021 includes three new Key Performance Indicators (KPIs) directly related to public service pension schemes and TPR has chosen the LGPS as a cohort for proactive engagement throughout 2018 and 2019.

### Pooling

Arrangements for the pooling of investments continue to develop. The DCLG have reported on the progress of pools and notes the pace of development, including the launching of procurements for pool operators, appointing senior officers and preparing applications for Financial Conduct Authority authorisation. Arrangements have been in place from 1 April 2018. These will have an impact on how investments are managed and monitored with much of the operational responsibility moving to the pool.

Surrey Pension Fund has opted to become a shareholder in the ‘Border to Coast Pensions Partnership’ (BCPP). BCPP Limited is a FCA regulated Operator and an alternative investment fund manager (AIFM). The BCPP received approval from Government on 12 December 2016.

Tranche one of Asset Pooling began in July 2018.

It remains key that administering authorities continue to operate strong governance arrangements, particularly during the transition phase where funds are likely to have a mix of investment management arrangements

## Our response

- We will continue to monitor the position in respect of GMP equalisation and reconciliation. For pension funds the immediate impact is expected to be largely administrative rather than financial.

- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.
- We will keep under review any interaction the Fund has with tPR and tailor our audit approach where necessary.

- Whilst we do not consider the transfer of assets to the pool as a significant risk we will tailor our approach to gain assurance in respect of the completeness and accuracy of the transactions.



# Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor of Surrey County Council we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

**The group audit does not include Surrey County Council Pension Fund.**

Component	Individually Significant?	Audit Scope	Risks identified	Planned audit approach
<b>Surrey County Council</b>	Yes	<b>Comprehensive</b>	See pages 8 onward.	Full scope UK statutory audit performed by Grant Thornton UK LLP.
<b>Halsey Garton Property Limited</b>	No	<b>Targeted</b>	Valuation of Investment Property assets at 31 March 2019	Targeted audit procedures performed by Grant Thornton UK LLP to gain assurance that the Group Accounts are not materially misstated.
<b>Surrey Choices Limited</b>	No	<b>Analytical only</b>	None	Analytical review performed by Grant Thornton UK LLP.
<b>South East Business Services Limited</b>	No	<b>Analytical only</b>	None	Analytical review performed by Grant Thornton UK LLP.

## Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

While these risks are specific to you, they are also risks commonly associated with local government audits.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Fraud in revenue recognition</b>	<b>SCC &amp; SPF</b>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to improper recognition of revenue</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because;</p> <ul style="list-style-type: none"> <li>• There is little incentive to manipulate revenue recognition</li> <li>• Opportunities to manipulate revenue recognition are very limited</li> <li>• The culture and ethical frameworks of local authorities, including Surrey County Council as the Administering Authority of Surrey County Council Pension Fund, mean that all forms of fraud are seen as unacceptable.</li> </ul>
<b>Management over-ride of controls</b>	<b>SCC &amp; SPF</b>	<p>Under ISA (UK) 240 there is non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk for both the group/Authority and Fund, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Evaluate the design effectiveness of management controls over journals</li> <li>• Analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• Evaluate the rationale for any changes in accounting policies or significant unusual transactions.</li> </ul>

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of pension fund net liability</b>	<b>SCC</b>	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£945 million PY) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore have identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls;</li> <li>• Evaluate the instructions issued by managements to their management expert for this estimate and the scope of the actuary's work;</li> <li>• Assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund liability</li> <li>• Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report</li> </ul>
<b>Valuation of land and buildings</b>	<b>SCC</b>	<p>The council re-values 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 due to the size of the numbers involved (£1.09 billion PY) and the sensitivity of the estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value of assets not revalued as at 31 March 2019 in the Council financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts ad the scope of their work</li> <li>• Consider the competence, expertise and objectivity of any management experts used.</li> <li>• Discuss with the valuer the basis on which the valuation is carried out and challenge of the key assumptions</li> <li>• Review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding</li> <li>• Test revaluations made during the year to ensure they are input correctly into the Council's asset register</li> <li>• Evaluate 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.</li> </ul>

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>The valuation of Level 3 investments</b>	<b>SPF</b>	<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 have identified the valuation of Level 3 investments as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• gain an understanding of the Fund's process for valuing level 3 investments and evaluate the design of the associated controls;</li> <li>• review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; and</li> <li>• for a sample of investments, test the valuation 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. Reconcile those values to the values at 31 March 2019 with reference to known cash movements in the intervening period.</li> </ul>

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in **July** 2019.

# Other matters

## Other work

The Fund is administered by the Authority, and the Fund's financial statements form part of the Authority's financial statements.

Therefore, in addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities in respect of the Authority and the Fund, as follows:

- We will read the Authority's Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements of the Authority and the Fund on which we give an opinion, and consistent with our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in the Authority's Annual Governance Statement are in line with the guidance issued by CIPFA.

We carry out work on the Authority's consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

- We consider our other duties under legislation and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about the Authority or Fund's 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
  - issue of a report in the public interest or written recommendations to the Authority or Fund under section 24 of the Act, copied to the Secretary of State.
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit of the Authority.

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

## Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity or the Fund's 's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

# Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Matter	Description	Planned audit response
1	<b>Calculation and determination</b> <p>We have determined planning materiality (financial statement materiality determined at the planning stage of the audit) based on professional judgment in the context of our knowledge of the Authority and the Fund, including consideration of factors such as stakeholder expectations, financial stability and reporting requirements for the financial statements.</p> <p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> <li>– estimate the tolerable level of misstatement in the financial statements</li> <li>– assist in establishing the scope of our audit engagement and audit tests</li> <li>– calculate sample sizes and</li> <li>– assist in evaluating the effect of known and likely misstatements in the financial statements</li> </ul>	<ul style="list-style-type: none"> <li>• For the Authority, we have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £30m (PY £30.3m) which equates to 1.5% of your prior year gross expenditure for the year.</li> <li>• For the Fund, we have determined financial statement materiality based on a proportion of the Fund's net assets. In the prior year we used the same benchmark. Our materiality at the planning stage is £40m (PY £38.7m) which equates to 1% of your actual net assets for the year ended 31 March 2018/19.</li> </ul>
2	<b>Other factors</b> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements. We design our procedures to detect errors in specific accounts at a lower level of precision which we deem to be relevant to stakeholders.</p>	<p>Other balances that require special audit attention although not material are:</p> <ul style="list-style-type: none"> <li>• Cash</li> <li>• Senior Officers Disclosures</li> <li>• Related Party Transactions</li> <li>• Subsequent events</li> <li>• Audit Fees</li> </ul>
3	<b>Reassessment of materiality</b> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<ul style="list-style-type: none"> <li>• We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of materiality</li> </ul>
4	<b>Matters we will report to the Audit Committee</b> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts, other than those which are 'clearly trivial', to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<ul style="list-style-type: none"> <li>• In the context of the council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.5m (PY £1.513m).</li> <li>• In the context of the Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £2m (PY £1.9m).</li> <li>• If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.</li> </ul>

# Value for Money arrangements

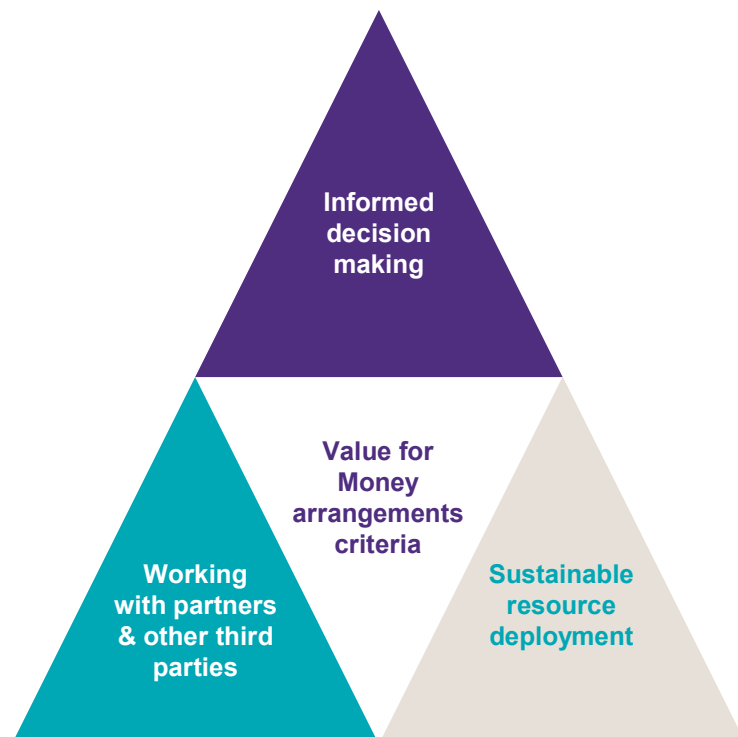
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, excluding Pension Funds, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single 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."*

This is supported by three sub-criteria, as set out below:



## Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.

### Financial Health



The Council has a strong track record of delivering a budget underspend at year-end, despite reduced funding from central government. Financial resilience of the Council will depend on its ability to balance its budget without use of reserves.

Your forecast outturn for 2018/19 is currently a £14m underspend against the budget for the year, requiring the use of £7m of reserves this year and comes after an additional in year savings programme was implemented. You have set a balanced budget without the need to use reserves in 2019/20, however you have noted significant risks attached to the achievement of this budget.

There is a risk that the Council fails to achieve Economy, Efficiency, and Effectiveness in use of its resources in 2018/19 and beyond as a result of financial pressures.

We will review your Medium Term Financial Plan, including the robustness of assumptions, savings plans and revenue generating schemes. We will discuss your plans and outcomes with management, as well as reviewing how finances were reported to Councillors.



### Children's Services

Ofsted issued a critical report on children's services in 2014/15. We issued qualified except for conclusions in each of the following years including 2017/18 due to follow up independent reporting that improvement had not been good or quick enough. Ofsted noted in their most recent report that there were signs that children's services were beginning to improve.

Ofsted have notified the you that they will be undertaking a monitoring visit of children's social services, and will be producing a report in February 2019.

We will review any third party reports as well your own monitoring and self-assessment as part of our work on the VfM conclusion.

# Audit logistics, team & fees



## Audit fees

The planned audit fees are £109,415 (PY: £142,098) for the financial statements audit of the Council, and £20,871 (PY: £27,105) for the financial statements audit of the pension fund. This does not include audit fees for the council's subsidiary companies, totalling £44,000 (PY: £41,500). These audits will be undertaken by a separate engagement team. On setting your fee, we have assumed that the scope of the audits, and the Authority and Fund and its activities, do not significantly change.

Where we are required to respond to requests received from other auditors of other bodies for assurance in respect of information held by the Fund and provided to the actuary to support their individual IAS 19 calculations these will be billed in addition to the audit fee on a case by case basis.

Where additional audit work is required to address risks relating to changes in planned audit scope, we will consider the need to charge fees in addition to the audit fee on a case by case basis. Any additional fees will be discussed and agreed with management and PSAA where appropriate.

## Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Any proposed fee variations will need to be approved by PSAA.



# Early close

## Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector, a deadline we met for the Council and the Fund. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously. The Council's finance team has also undergone a number of changes during the course of the last year and as the Finance Improvement plan is implemented there could be further changes in the financial management responsibilities this year.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

## Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

# Independence & non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which set out supplementary guidance on ethical requirements for auditors of local public bodies.

## Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority and the Fund.

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Service	£	Threats	Safeguards
<b>Audit related</b>			
Certification of Teacher's Pensions return	4,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,000 in comparison to the total fee for the audit of £109,415 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Teacher's Pension return – Surrey Choices Limited	3,500	Self-Interest (because this is a recurring fee)	Marcus Ward's wife is a teacher at a school in Surrey. Marcus will not be part of the audit team that completes the certification of the Teachers' Pension returns.
<b>Non-audit related</b>			
CFO Insights subscription	12,500	None	None

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Governance Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.



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