

## Notice of Meeting

# Audit & Governance Committee



**SURREY**  
COUNTY COUNCIL

**Date & time**

Thursday, 26  
September 2019  
at 10.30 am

**Place**

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

**Contact**

Amelia Christopher  
Room 122, County Hall  
Tel 0208 213 2838

[amelia.christopher@surreycc.gov.uk](mailto:amelia.christopher@surreycc.gov.uk)

**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 [amelia.christopher@surreycc.gov.uk](mailto:amelia.christopher@surreycc.gov.uk).**

**This meeting will be held in public. If you would like to attend and you have any special requirements, please contact Amelia Christopher on 0208 213 2838.**

**Members**

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

**Ex Officio:**

Mr Tim Oliver (Leader of the Council), Mr Colin Kemp (Deputy Leader), Mr Tony Samuels (Chairman of the Council), Mrs Helyn Clack (Vice-Chairman of the Council) and Joanna Killian (Chief Executive)

## **AGENDA**

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

### **2 MINUTES OF THE PREVIOUS MEETING - 29 JULY 2019**

(Pages 1  
- 8)

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 (*20 September 2019*).
2. The deadline for public questions is seven days before the meeting (*19 September 2019*).
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

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

(Pages 9  
- 28)

To review the Committee's recommendations tracker and bulletin.

### **6 ANNUAL COMPLAINTS PERFORMANCE REPORT**

(Pages  
29 - 50)

The purpose of this report is to give the Audit & Governance Committee an overview of the council's complaint handling performance in 2018/19 and to demonstrate how feedback from customers has been used to improve services.

- 7 RISK MANAGEMENT REPORT** (Pages 51 - 54)
- This risk management report provides an update on the council's strategic 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.
- 8 EXTERNAL AUDIT PERFORMANCE REPORT 2018/19** (Pages 55 - 62)
- This report provides the Audit & Governance Committee with details of Grant Thornton's performance during the last 12 months against the Key Performance Indicators (KPIs) previously agreed and approved by this Committee in September 2018.
- 9 EXTERNAL AUDIT: ANNUAL AUDIT LETTER** (Pages 63 - 78)
- The Council's external auditors, Grant Thornton, are presenting their Annual Audit Letter in respect of the audit year 2018/19. This report summarises the key messages and findings arising from the work carried out at the Council for the year ended 31 March 2019.
- 10 INTERNAL AUDIT PROGRESS REPORT - QUARTER 1 (01/04/19 - 30/06/19)** (Pages 79 - 96)
- The purpose of this progress report is to inform members of the work completed by Internal Audit between 1 April 2019 and 30 June 2019. The current annual plan for Internal Audit is contained within the Internal Audit Strategy and Annual Plan 2019-20, which was approved by Audit and Governance Committee on 8 April 2019.
- 11 GOVERNANCE REVIEW: CHANGES TO SCRUTINY** (Pages 97 - 104)
- The Committee is asked to review the new structure and arrangements for scrutiny committees from the County Council Annual General Meeting in May 2019.
- 12 DATE OF NEXT MEETING**
- The next meeting of Audit & Governance Committee will be on 12 December 2019.

**Joanna Killian**  
**Chief Executive**  
Published: 17 September 2019

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

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

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

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

*Thank you for your co-operation*

**MINUTES** of the meeting of the **AUDIT & GOVERNANCE COMMITTEE** held at 10.30 am on 29 July 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 Stephen Spence
- \*Mr Stephen Cooksey

**28/19 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]**

There were none.

**29/19 MINUTES OF THE PREVIOUS MEETING - 20 MAY 2019 [Item 2]**

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

**30/19 DECLARATIONS OF INTEREST [Item 3]**

There were none.

**31/19 QUESTIONS AND PETITIONS [Item 4]**

There were none.

**32/19 RECOMMENDATIONS TRACKER [Item 5]**

**Witnesses:**

David John, Audit Manager  
Amelia Christopher, Democratic Services Assistant

**Key points raised during the discussion:**

1. Action A2/18 - The Committee agreed with the Chairman's view that the Action should remain ongoing until further information was received.
2. Action A16/18 - The Audit Manager provided further detail to the Committee on the individual that had been convicted of defrauding the Council. The Committee agreed to mark the Action as completed.
3. Action A1/19 - Members had no queries on the circulated information provided prior to the meeting by the Strategic Finance Manager-Corporate. The Committee agreed to mark the Action as completed.

4. Action A5/19 - The Audit Manager informed the Committee that the report had been sent and added to the relevant Select Committee's forward plan.
5. Action A6/19 - The Democratic Services Assistant reported to the Committee that the Chief Executive had conferred with the Leader of the Council on this Action. The relevant document would be provided to the Committee at the next meeting in September.

**Action/Further information to note:**

None.

**RESOLVED:**

The Committee monitored the progress on the implementation of recommendations from previous meetings.

**33/19 INTERNAL AUDIT & COUNTER FRAUD ANNUAL REPORT AND OPINION 2018-19 [Item 7]**

*The Chairman considered Item 7 (this item) before Items 6 and 8.*

**Witnesses:**

Russell Banks, Chief Internal Auditor  
David John, Audit Manager

**Key points raised during the discussion:**

1. The Chief Internal Auditor introduced the report and summarised the key points:
  - Areas of significant weaknesses had been highlighted by Internal Auditors. There was now a clear commitment and desire from management to improve internal control and governance through the transformation programme.
  - That the Committee had a key role in overseeing the Internal Audit function and would continue to ensure that the Internal Audit performance indicators were satisfied.
  - Reported the proactive approach with the Council's Strategy on counter fraud.
2. In response to Member queries it was reported that:
  - a) The Chief Internal Auditor recalled the case of the former employee of Surrey County Council who defrauded the Council of around £90,000 through the use of a pre-paid card scheme, which was discovered in May 2017. However, it was explained that Internal Audit had identified relatively small amounts of fraud considering the large size of Surrey County Council.
  - b) The Chief Internal Auditor summarised examples of the three areas of minimal assurance identified and reported the specific weaknesses within the CFL Care Assessment audit with a detailed summary in Annex 2.
  - c) The Audit Manager stated that work was in progress on the Looked After Children Initial Health Assessments and an update would be given at the next Committee in September.

He was hopeful that verbal robust assurance could be given later this calendar year.

- d) The Audit Manager explained that high priority actions of partial and minimal assurance were being monitored in a management system with follow-up emails to managers and to the relevant auditor. Managers were required to report back to Internal Audit to explain any overdue actions and that compensating controls would be in place to mitigate any further and future delays. The system tracked performance and ensured more regular engagement between Internal Audit and the Corporate Leadership Team on a quarterly basis.
3. The Chairman noted positively that the culture within Surrey County Council had changed as a result of new leadership and the Corporate Leadership Team were operating effectively. As part of the governance role of the Committee, the Chairman and Vice-Chairman agreed to take the matter of assessing the performance of the management system to Cabinet.
4. The Chief Internal Auditor confirmed that there was a sufficient level of resources available to cover the planned and unplanned audit work in 2018/19.
5. The Audit Manager stated that Internal Audit carry out 60-70 audits a year and that more areas of minimal assurance had been identified. This was a result of the changed Council control environment with the audit planning process being more focussed and with greater intelligence on risk areas.
6. The Chairman reported that he had a positive discussion with the Select Committee Chairmen and Vice Chairmen's Group over the insufficient amount of governance considered by the Committee. The Chairman suggested that Members should collect their views on the changes to the scrutiny arrangements. A pre-meeting before the next Committee in September was agreed.
7. The Audit Manager clarified the wording of CFL Care Assessments on page 21 on the meaning of the "financial sustainability of care packages not being robustly challenged". It was explained that there was an inefficient control environment on the consideration of final care packages. However, the Council now considered more efficient alternative provisions such as the gateway process in East Sussex County Council in order to reduce costs. There would also be a CFL Care Assessments review in quarter 2 2019/20 since the last in September 2018.
8. The Vice-Chairman noted the Deprivation of Liberty Standards (DOLS) – Follow Up audit, the number of DOLS requests from Surrey County Council by early 2018 increased from 100 a year to 3,000 a year from the Supreme Court Ruling in 2014, which improved the control environment for Internal Audit to raise the level of assurance to reasonable from partial.

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

1. A7/19 - A pre-meeting before the next Committee in September was agreed by the Committee as part of its governance function to discuss the change in scrutiny arrangements.
2. A8/19 - As part of the Committee's governance role, the Chairman and Vice-Chairman in agreement with Members and officers will raise the

issue of the performance of the management system which tracked high priority actions, to Cabinet.

**RESOLVED:**

That the Committee:

1. Noted the work undertaken and the performance of Internal Audit in 2018-19 and the resultant annual opinion of the Chief Internal Auditor.
2. Determined matters to be drawn to the attention of Cabinet.
3. Considered that the Council's arrangements for internal audit had been proved effective during 2018/2019.

**34/19 STATEMENT OF ACCOUNTS 2018/19 [Item 6]**

*An amended cover report with additional information and the annexes was published in the supplementary agenda on 25 July 2019.*

**Witnesses:**

Anna D'Alessandro, Director of Corporate Finance  
 Tom Beake, Grant Thornton  
 Ciaran McLaughlin, Grant Thornton  
 Leigh Whitehouse, Executive Director of Resources  
 Craig Tucker, Principal Accountant – Finance

**Key points raised during the discussion:**

1. The Director of Corporate Finance introduced the report which was on track for publication by its statutory deadline of 31 July 2019 and summarised the key findings. The Council's financial resilience must be understood with consideration of auditor prudence after the financial crises of Northamptonshire County Council and Carillion.
2. Grant Thornton informed the Committee that a detailed summary of the Audit Findings Report for Surrey County Council could be found in Annex 2 of the report, the key points of the report were summarised:
  - That concerning the financial statements the anticipated audit report would be unmodified with adjustments having no impact on the Council's usable reserves.
  - One additional audit adjustment since the publication of the report was provided to the Committee on a non-trivial misstatement to the valuation of land and buildings specifically on the Property, Plant and Equipment (PPE) opening balance. An erroneous interpretation of valuer guidance given in 2013/14 had now been adjusted.
3. A Member praised the comprehensive report but remarked that on the valuation of pension fund net liability, the Council should adopt the Local Government Association's (LGA) advice that pension auto-enrolment should apply to councillors as they are "workers".
4. Members stated that the conclusions on Children's Services were similar to last year's and queried present reforms to improve the service. The representative from Grant Thornton reported that since Ofsted's May 2018 follow-up report, the service would be continued to be monitored over 2019/20. With one out of the three areas of audit



- opinion remaining adverse, on permanence planning by social workers and the progress tracking of these plans by managers.
5. The Executive Director of Resources reported that the adverse opinion on Children's Services VfM was not unreasonable as outliers had been highlighted. The next step would be to receive Ofsted's next opinion on the level of sustainability of the Services' financial position.
  6. The Director of Corporate Finance stated that the savings achieved in 2018/19 meant the avoidance of drawing from the reserves which were budgeted to be £21.3 million. However, the level of savings required to produce a balanced budget in 2019/20 continued to be significant at £82 million.
  7. In response to Member questions it was reported that:
    - a) The Executive Director of Resources explained that the Eco Park PFI was a finance lease liability under an integrated services charge. This was calculated in part on the tonnages of waste sent for disposal and the VfM cost of a reduced unitary payment would be approximately £2 million a month for an operational facility.
    - b) Grant Thornton informed the Committee that the actuarial calculation from the Government changes and court rulings from the impact of the McCloud and GMP equalisation on the Council's financial position may amount to a possible increase in pension liabilities of £22 million.
    - c) The Principal Accountant – Finance summarised Surrey County Council's expenditure figures. That the position on pages 10/11 showed an under spend of £0.5 million in the Council's revenue outturn position in 2018/19, whilst page 18 showed the full service costs in respect of the £82.2 million deficit in 2018/19 in the Council's Comprehensive Income & Expenditure Statement (CIES). The Director of Corporate Finance and the Principal Accountant agreed that they would provide greater detail to the Committee on the matter.

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

1. A9/19 - The Principal Accountant – Finance and the Director of Corporate Finance agreed that they would provide a Briefing Note to reconcile pages 10/11 and page 18 of the report.

**RESOLVED:**

That the Committee:

1. Approved the 2018/19 Statement of Accounts, for publication on the council's website and in a limited number of hard copies (agreed at 100 copies).
2. Considered the contents of the 2018/19 Audit Findings Report.
3. Agreed the officer response to recommendations of the external auditor.
4. Noted the Executive Director of Resources' letter of representation.
5. Determined that no issues in the Audit Findings Report should be referred to the Cabinet.
6. Noted the revised Annual Governance Statement, as approved by Cabinet on 17 July.

## 35/19 SURREY PENSION FUND LOCAL GOVERNMENT PENSION SCHEME ACCOUNTS 2018/19 AND GRANT THORNTON EXTERNAL AUDIT FINDINGS REPORT [Item 8]

*An amended cover report with additional information, an amended page to an annex and the remaining annexes was published in the supplementary agenda on 25 July 2019.*

### **Witnesses:**

Anna D'Alessandro, Director of Corporate Finance  
Mamon Zaman, Senior Accountant  
Ciaran McLaughlin, Grant Thornton

### **Key points raised during the discussion:**

1. The Director of Corporate Finance introduced the report and summarised the findings:
  - That she was pleased to state that the external auditor (Grant Thornton) had issued an unqualified audit opinion and that there were also no material misstatements.
  - That the Pension Fund Draft Accounts 2018/19 were approved by the Pension Fund Committee on 7 June 2019 and that it was expected that the Pension Fund Draft Annual Report 2018/19 (which included the Pension Fund Accounts 2018/19) would be presented at the next Surrey Pension Fund Committee on 13 September 2019.
  - That the most recent funding position was 93.3% at the end of 2018 was thought to improve, with the results from the 2019 Full Triennial Valuation for the 31 March 2019 Funding Position remaining outstanding.
  - That Surrey Pension Fund was now a partner fund of Border to Coast Pensions Partnership Limited (BCPP) in line with the Government's proposal to pool Local Government Pension Scheme assets into the regional asset pool of £45 billion, the Fund had transitioned approximately £400 million to the BCPP by Autumn 2018.
2. The Senior Accountant explained the benefits to the Committee of the pooled assets, which included: reduced costs and management rates, improved returns and greater resilience across the funds.
3. In response to a Member's query on the BCPP, the Senior Accountant remarked that the pooled funds also covered Surrey's 11 borough and district councils and some parish councils also.
4. Grant Thornton stated that they had not identified any issues to report on the risks presented in the Audit Plan and praised the work provided by the Surrey Pension Fund.
5. That the Pension Fund Level 3 investment funds were tested by the auditors at their last audited financial statements for any material cash flows in order to obtain a more substantive valuation.
6. Additional fees were incurred during the year from the impact of the McCloud and GMP judgements. Grant Thornton had been asked by auditors from the 11 Surrey districts to provide IAS 19 assurance letters. These were charged at £3,000 each for the work and £500 for

each assurance letter requested. The final audit fee would be confirmed with management in August 2019.

7. The Chairman expressed interest in the comment that the funding position of 93.3% would improve since the figure was reported in December 31 2018. The Director of Corporate Finance had spoken to the Strategic Finance Manager – Pensions and was hopeful of this change.

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

None.

**RESOLVED:**

That the Committee:

1. Approved the Pension Fund Accounts 2018/19.
2. Considered the content of the Audit Findings for Surrey Pension Fund Report.
3. Determined that no issues needed to be referred to Cabinet in relation to the external auditor's conclusions and recommendations.
4. Considered the content of the draft representation letter and authorised the Deputy Chief Finance Officer to sign it on the Council's behalf.

**36/19 DATE OF NEXT MEETING [Item 9]**

The date of the meeting was noted as 26 September 2019.

**Meeting ended at: 11.58am**

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**Chairman**

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## Audit & Governance Committee

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

#### **RECOMMENDATION:**

The Committee is asked to monitor progress on the implementation of recommendations from previous meetings in Annex A.

The Committee is asked to note the bulletin in Annex B.

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**REPORT CONTACT:** Amelia Christopher, Democratic Services Assistant  
[amelia.christopher@surreycc.gov.uk](mailto:amelia.christopher@surreycc.gov.uk) or 0208 213 2838

**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> <p>July 2019 – The Committee agreed to keep this item ongoing until further information is received.</p>
A2/19 <b>(reinstated)</b>	07/02/19  (originally marked as complete at the April 2019 Committee)	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	August 2019 – The Audit Manager reported that the follow-up audit to the CFLC Care Assessments audit would not be ready for September’s meeting. However a verbal update would be provided.
A6/19	20/05/2019	Document on Yearly Achievements	The Chief Executive agreed to create a document detailing the Council’s yearly achievements, accessible to councillors and residents.	Chief Executive	<p>26/07/2019 – The Chief Executive has spoken to the Leader on this and it will be completed for September- update requested.</p> <p>17/09/2019 – Surrey County Council is planning to release an annual report on its performance later in the financial year, which will include key achievements. Following its publication, the Chief Executive would be pleased to attend a meeting of this Committee to discuss any elements of this further.</p>

## Audit & Governance Committee Recommendations Tracking

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
A8/19	29/07/2019	Management system performance	As part of the Committee's governance role, the Chairman and Vice-Chairman in agreement with Members and officers will raise the issue of the performance of the management system which tracked high priority actions, to Cabinet.	Chairman  Vice-Chairman	September 2019 – In the first instance, the issue of the performance of the management system which tracked high priority actions would be raised in the Select Committee Chairmen and Vice Chairmen's Group.



## Audit & Governance Committee Recommendations Tracking

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

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	27/09/2018 - the Audit Manager confirmed that he had followed up on the police investigation but had not yet received a full response. 12/12/18 - officers confirmed there were ongoing discussions with the Police on this matter and that the situation would continue to be monitored. 20/05/19 - the Audit Manager updated the Committee on police investigation: the individual has been charged.
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 circulated following the end of the financial year 2018/19. 20/05/19 - the Strategic Finance Manager- Corporate to provide a verbal update to the Committee in July. July 2019 - The benchmarking data was sent to the Members of the Committee.
A5/19	07/02/19	Internal Strategy and Annual Audit Plan 2019/20	The Committee requested that the Internal Audit report on the review of PAMS income 2018/19 be considered at the appropriate select committee.	Democratic Services Assistant	Item to be added to the relevant Select Committee's forward plan- Resources and Performance to consider this by the end of 2019.
A7/19	29/07/2019	Governance Review: Scrutiny Arrangements	A pre-meeting before the next Committee in September was agreed by the Committee as part of its governance function to discuss the change in scrutiny arrangements.	Chairman  Democratic Services Assistant	27/08/2019 - Date to be confirmed and call for opinions/ideas made. 10/09/2019 - The pre-meeting and discussion to collate ideas was held.

**Audit & Governance Committee Recommendations Tracking**

A9/19	29/07/2019	Surrey County Council's expenditure figures	To provide a Briefing Note to reconcile pages 10/11 and page 18 of the report.	Principal Accountant – Finance  Director of Corporate Finance.	30/07/2019 - Action completed, circulated to Members.
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## 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 issues relevant to the Audit & Governance Committee.

#### Contents

1. Internal Audit update
2. Whistle blowing activity throughout fiscal year 2018/19
3. Gifts & Hospitality registrations throughout fiscal year 2018/19
4. Petitions
5. Upcoming
6. Committee Contact Details

## Internal Audit update

### Current Audits

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

- SFRS Pension Scheme Administration
- Annual Car User Lump Sum (ACULS) (draft report issued)
- Health & Safety (draft report issued)
- CFL Care Assessments/Care Plan Management follow-up
- Prevent Agenda (draft report issued)
- Post-B4S Governance Arrangements
- Surplus Assets (follow-up) (draft report issued)
- Surveillance Cameras (draft report issued)
- Orbis Customer Access Portal (client support work)
- Linden Farm capital project (draft report issued)
- Use of consultants / IR35
- Cyber Security (draft report issued)
- Residential Care Homes
- Patch Management
- Cloud Computing
- ICT Compliance Frameworks
- Transformation Programme (ongoing client support)
- Procure to Pay (AP) 19/20
- Local Capital Highways Grants
- Disabled Facilities Grant
- GHG / CRC
- TPS/LGPS Pension Scheme validation (client support to HR)

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.

## Gifts & Hospitality Activity 2018/19

### Purpose

The purpose of this report is to summarise the activity of the Gifts & Hospitality register during the financial year 2018/19, and to explain its monitoring and governance. It is being presented to Risk Governance Group for their input and review. A shorter version will then be circulated by email to members of the Audit & Governance Committee.

- Jackie Foglietta, Director of HR&OD

### Context

A short introduction to gifts and hospitality, the full policy and a link to the online register can be found at: [SCC Info/gifts-and-hospitality](#)

Offers of a gift or hospitality with a value of £25 or more (whether accepted, declined or donated to charity) are currently recorded on an online register (hosted on Surrey Says). Manager approval is required for acceptances.

For the first time a formal Gifts and Hospitality Register has been maintained of items offered to and/or accepted by the Chief Executive through the financial year. This has been edited to remove any personal data and is publicly viewable via the external website. It has been reviewed separately by the Monitoring Officer and is not commented on in this report.

The full report can be found at **Annex A**.

## Whistleblowing Activity 2018/19

### Purpose

The purpose of this report is to summarise whistleblowing activity during the financial year 2018/19, and to explain its monitoring and governance. It is being presented to Risk Governance Group for their input and review. A shorter version will then be circulated by email to members of the Audit & Governance Committee.

- Jackie Foglietta, Director of HR&OD

### Context

Whistleblowing allegations can be received either in written format to a senior officer or through Expolink, an external service which allows a colleague, contractor or member of the public to raise a concern about an employee in complete confidentiality. Allegations can be made to Expolink online or by telephone.

A nominated person within the HR Governance & Contracts team is the primary recipient of reports via Expolink. He/she notes the allegation, records it and determines whether the case should be investigated by HR, Internal Audit or the Monitoring Officer. Any allegation that involves a potential instance of fraud – which

may include someone not working their full hours, or submitting false time or travel claims for example, is investigated initially by Internal Audit.

When a report is received via Expolink, receipt is acknowledged to the whistleblower and they are provided with a brief update after 28 days and again once the case has closed. Messages are conveyed via Expolink, which maintains the anonymity of the whistleblower at all times. We are unable to provide feedback to a whistleblower who has written anonymously to a senior officer.

Full information, including the policy and a flowchart of the lifecycle of a whistleblowing allegation, is available on SCC Info under [Whistleblowing](#).

The full report can be found at **Annex B**.

## Petitions

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

End date	23 September 2019
Petition Prayer	We demand Surrey County Council scrap their plans to leave 7 major fire appliances un-crewed at night (12,919 signers- and counting)
Where/when decision will be made	Council- as signatures above 10,000
Outcome	TBC More details on the petition can be found at: <a href="https://petitions.surreycc.gov.uk/Fire-Cuts/">https://petitions.surreycc.gov.uk/Fire-Cuts/</a>

## Upcoming

The next meeting of the Audit & Governance Committee is on 12 December 2019.

## Committee Contacts

David Harmer - Committee Chairman  
Phone: 01428 609792  
[david.harmer@surreycc.gov.uk](mailto:david.harmer@surreycc.gov.uk)

Amelia Christopher – Democratic Services Assistant  
Phone: 020 8213 2838  
[amelia.christopher@surreycc.gov.uk](mailto:amelia.christopher@surreycc.gov.uk)

# HR Governance Report

## Gifts & Hospitality activity FY2018/19

### PURPOSE

The purpose of this report is to summarise the activity of the Gifts & Hospitality register during the financial year 2018/19, and to explain its monitoring and governance. It is being presented to Risk Governance Group for their input and review. A shorter version will then be circulated by email to members of the Audit & Governance Committee.

Jackie Foglietta, Director of HR&OD

### CONTEXT

A short introduction to gifts and hospitality, the full policy and a link to the online register can be found at: [SCC Info/gifts-and-hospitality](#)

Offers of a gift or hospitality with a value of £25 or more (whether accepted, declined or donated to charity) are currently recorded on an online register (hosted on Surrey Says). Manager approval is required for acceptances.

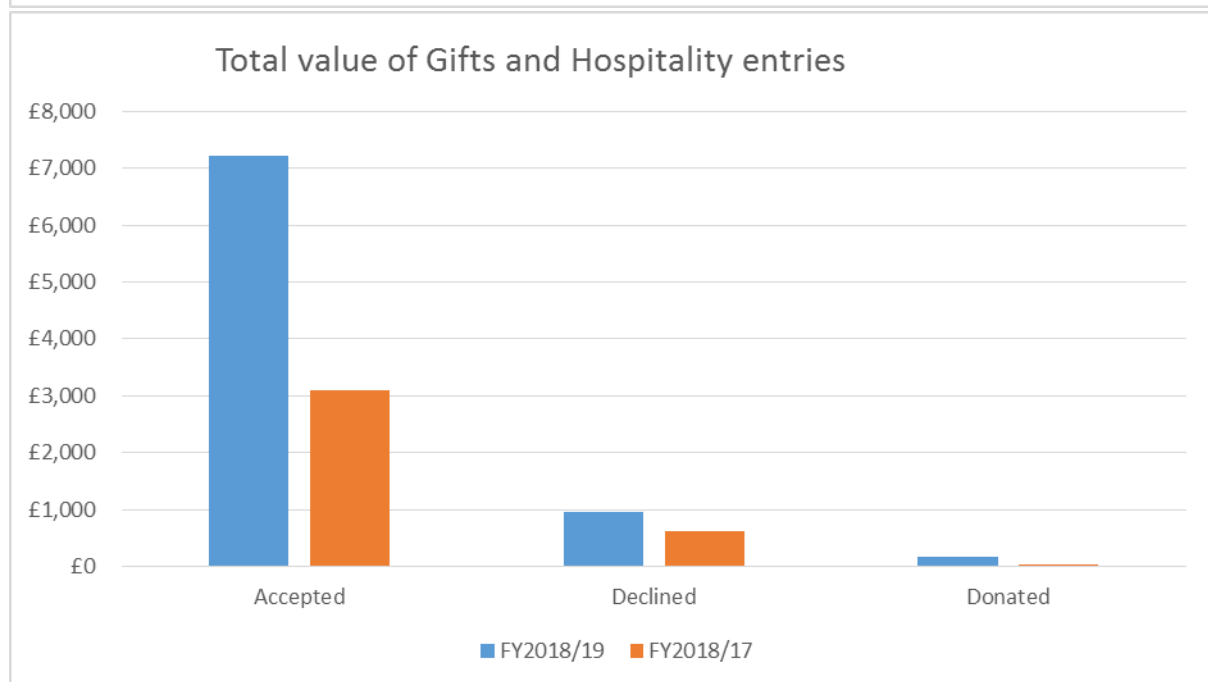
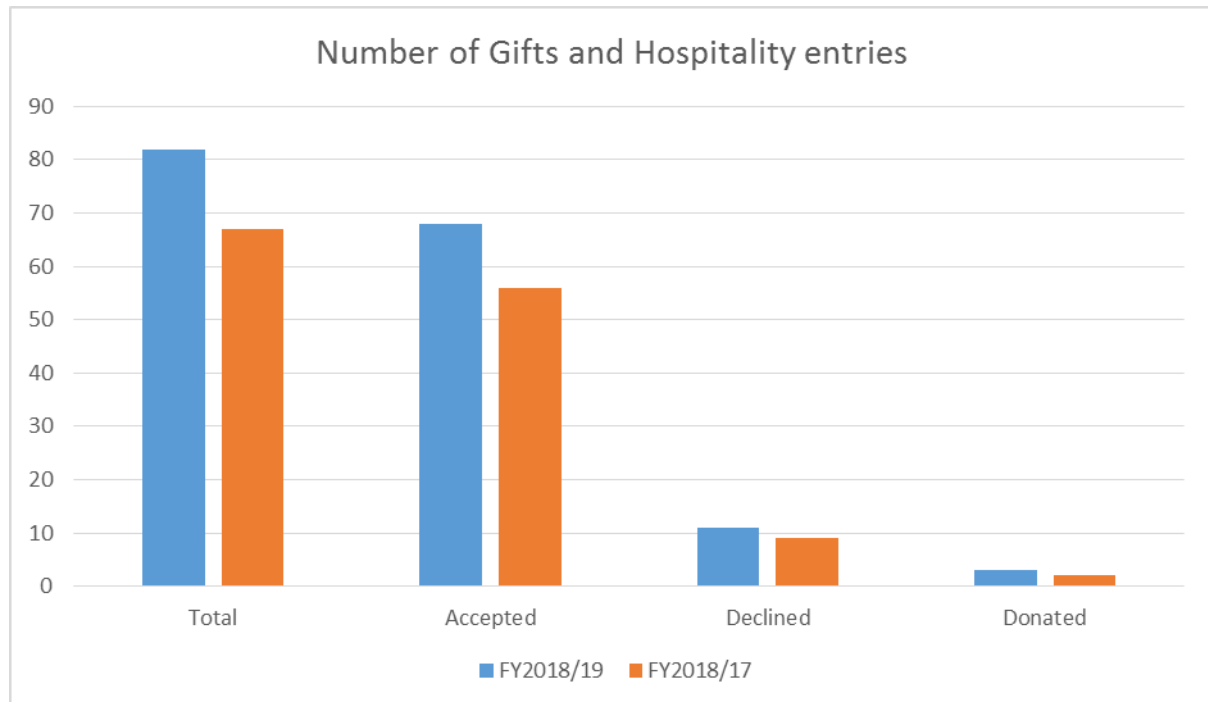
For the first time a formal Gifts and Hospitality Register has been maintained of items offered to and/or accepted by the Chief Executive through the financial year. This has been edited to remove any personal data and is publicly viewable via the external website. It has been reviewed separately by the Monitoring Officer and is not commented on in this report.

### SUMMARY OF GIFTS & HOSPITALITY ACTIVITY FY2018/19

A copy of the full register has been circulated to RGG with this report.

From the table below, we see that the number of entries on the register rose in FY18/19, with the overall value of offers accepted more than doubling. The increase in entries may reflect greater staff awareness of the need to record offers, rather than an actual increase in offers being made to staff.

### Comparison of register entries FY18/19 and FY17/18

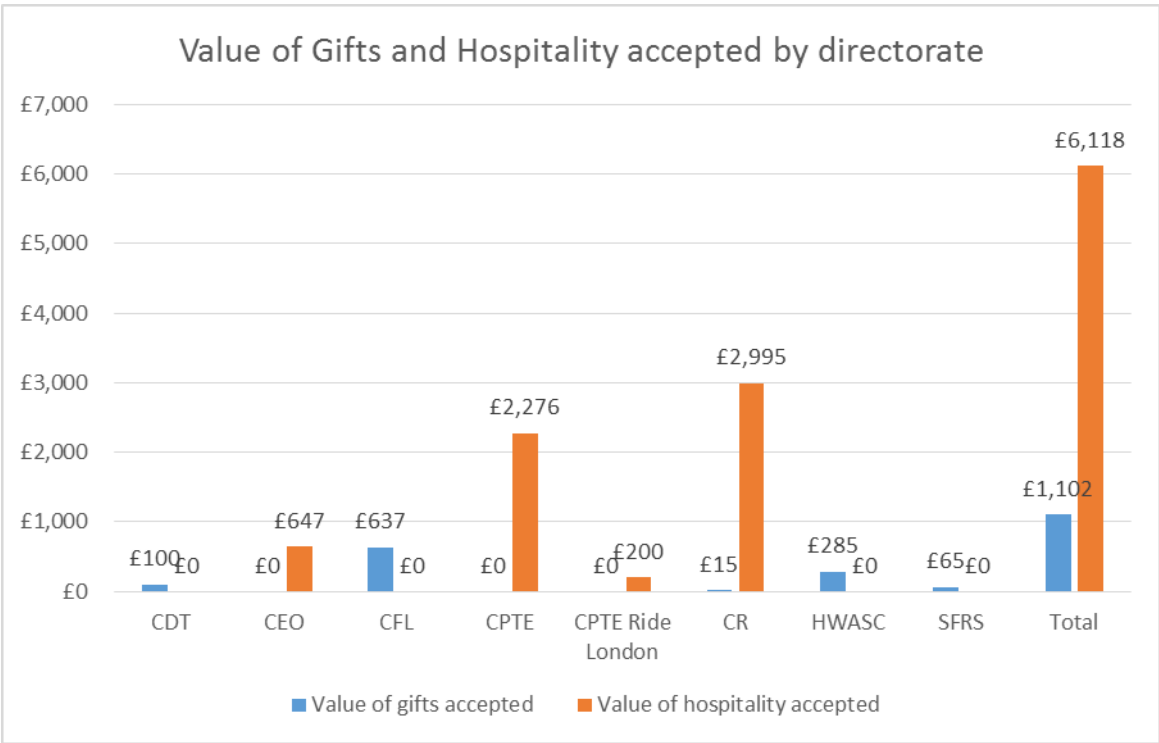
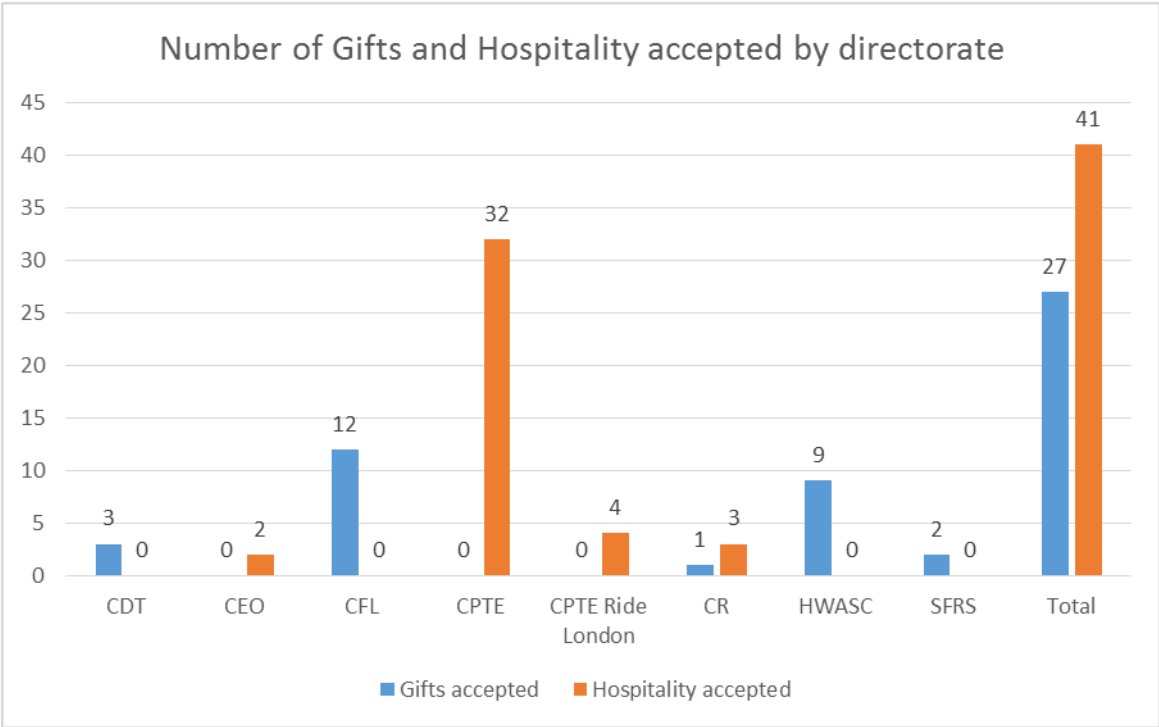


	No. of entries	Accepted	Total value	Declined	Total Value	Donated	Total value
FY2018/19	82	68	£7,220	11	£945	3	£160
FY2018/17	67	56	£3,088	9	£616	2	£40



If we look at the offers accepted by directorate, we do see particular trends. For instance, in Health, Wellbeing & Adult Social Care and Children (HWASC), Families & Lifelong Learning (CFL) all the offers accepted were for gifts, whereas in Community Protection, Transport & Environment (CPTe), all the offers accepted were for hospitality:

Breakdown of gifts and hospitality accepted by directorate



Directorate	Gifts accepted	Value of gifts accepted	Hospitality accepted	Value of hospitality accepted
CDT	3	£100	0	£0
CEO	0	£0	2	£647
CFL	12	£637	0	£0
CPTe	0	£0	32	£2,276
CPTe Ride London	0	£0	4	£200
CR	1	£15	3	£2,995
HWASC	9	£285	0	£0
SFRS	2	£65	0	£0
Total	27	£1,102	41	£6,118

- In Customer, Digital & Transformation (CDT), the three gifts accepted were from service providers at Christmas time;
- In Chief Executive's Office (CEO), hospitality was accepted to a conference, and to Henley Festival (which SCC sponsors);
- In CFL, two gifts were from organisations and 10 were from service users. The gifts from service users were of nominal value, with the exception of a restaurant voucher given to a team and subsequently earmarked to benefit young people;
- In CPTe, the 32 offers of hospitality accepted are perhaps more questionable. The events included award ceremonies, annual dinners, company days, seminars, meals and horse racing evenings;
- CPTe also accepted four offers of hospitality during the Prudential Ride London event. These are shown separately as officers were at the event in an official capacity, and we query whether this should be interpreted as "hospitality";
- In Corporate Resources (CR), the most significant values were for conference attendance;
- In HWASC, five gifts were from service users and four from service providers. All gifts were of nominal value but we do question the appropriateness of accepting gifts from external providers.
- In Surrey Fire & Rescue Service (SFRS), two gifts were received and one acceptance of hospitality at Ride London.

All gifts and hospitality acceptances had manager authorisation, and register entries seemed to peak in May, July, November and December.

## INTERPRETATION OF ACTIVITY

SCC's Gifts & Hospitality Policy clearly states that "All officers of SCC and those working on behalf of SCC are expected to refuse the offer of inappropriate and disproportionate hospitality and gifts made in relation to their role in the Council unless there are compelling reasons or exceptional circumstances for doing so." However, the remaining detail in the policy and the FAQs which support the policy may dilute the significance of this statement.

In general we have some confidence that the acceptance of gifts by social care staff is appropriate and in excess. Acceptances of gifts at Christmas from service providers seem to be less appropriate, and there are also several instances of accepting hospitality which fall in line with our current guidance but which deviate from the absolute ethos of refusing gifts and hospitality "unless there are compelling reasons to do so".

The Policy & Reward team are already looking to absorb the policy into an updated Code of Conduct, and this will be an ideal opportunity to ensure that there is no longer any ambiguity around gifts and hospitality protocol.

A challenge that we have encountered this year in our governance is the different priorities of Internal Audit and HR in following our Working Principles. While we are keen to keep reporting our processes simple and efficient, we have found that Internal Audit's need for thorough risk mitigation can introduce more complexity. Internal Audit, the Monitoring Officer and members of the HR Governance team have met to discuss the Gifts & Hospitality Policy and will continue to work together to achieve a final outcome that meets all best practice needs.

## SCRUTINY

Register entries are reviewed each month by an allocated member of HR Governance, who identifies and follows up on register entries which in minor ways are not compliant with policy requirement. Discrepancies which may potentially be more serious are escalated to HR Business Partners.

Fourteen entries were queried during the financial year, for the following reasons: anomalies around values (5), missing authorisation (3), appropriateness of a gift received by a social worker (1), unclear entries (5).

## PUBLICATION OF THE REGISTER

Entries made by senior officers in the officers' register and the Chief Executive's register have been edited appropriately (to remove personal data) and have been published on Surrey-I.

## RECOMMENDATIONS / REQUESTS

We recommend that going forward we promote an understanding that fundamentally officers are expected to decline ALL offers of gifts or hospitality. Exceptional circumstances to this could be for hospitality to be accepted in the spirit of partnership working or learning directly related to core business, and for gifts to be accepted when it would be culturally rude to decline and when, in a social care context, it would distress a service user or relative to decline.

We would like Risk Governance Group:

- i. to give their views on the above recommendation, and;
- ii. to advise whether sustenance provided by a partner to officers on duty (ie Ride London) is to be considered “hospitality”.

# HR Governance Report

## Whistleblowing activity FY2018/19

### PURPOSE

The purpose of this report is to summarise whistleblowing activity during the financial year 2018/19, and to explain its monitoring and governance. It is being presented to Risk Governance Group for their input and review. A shorter version will then be circulated by email to members of the Audit & Governance Committee.

Jackie Foglietta, Director of HR&OD

### CONTEXT

Whistleblowing allegations can be received either in written format to a senior officer or through Expolink, an external service which allows a colleague, contractor or member of the public to raise a concern about an employee in complete confidentiality. Allegations can be made to Expolink online or by telephone.

A nominated person within the HR Governance & Contracts team is the primary recipient of reports via Expolink. He/she notes the allegation, records it and determines whether the case should be investigated by HR, Internal Audit or the Monitoring Officer. Any allegation that involves a potential instance of fraud – which may include someone not working their full hours, or submitting false time or travel claims for example, is investigated initially by Internal Audit.

When a report is received via Expolink, receipt is acknowledged to the whistleblower and they are provided with a brief update after 28 days and again once the case has closed. Messages are conveyed via Expolink, which maintains the anonymity of the whistleblower at all times. We are unable to provide feedback to a whistleblower who has written anonymously to a senior officer.

Full information, including the policy and a flowchart of the lifecycle of a whistleblowing allegation, is available on SCC Info under [Whistleblowing](#).

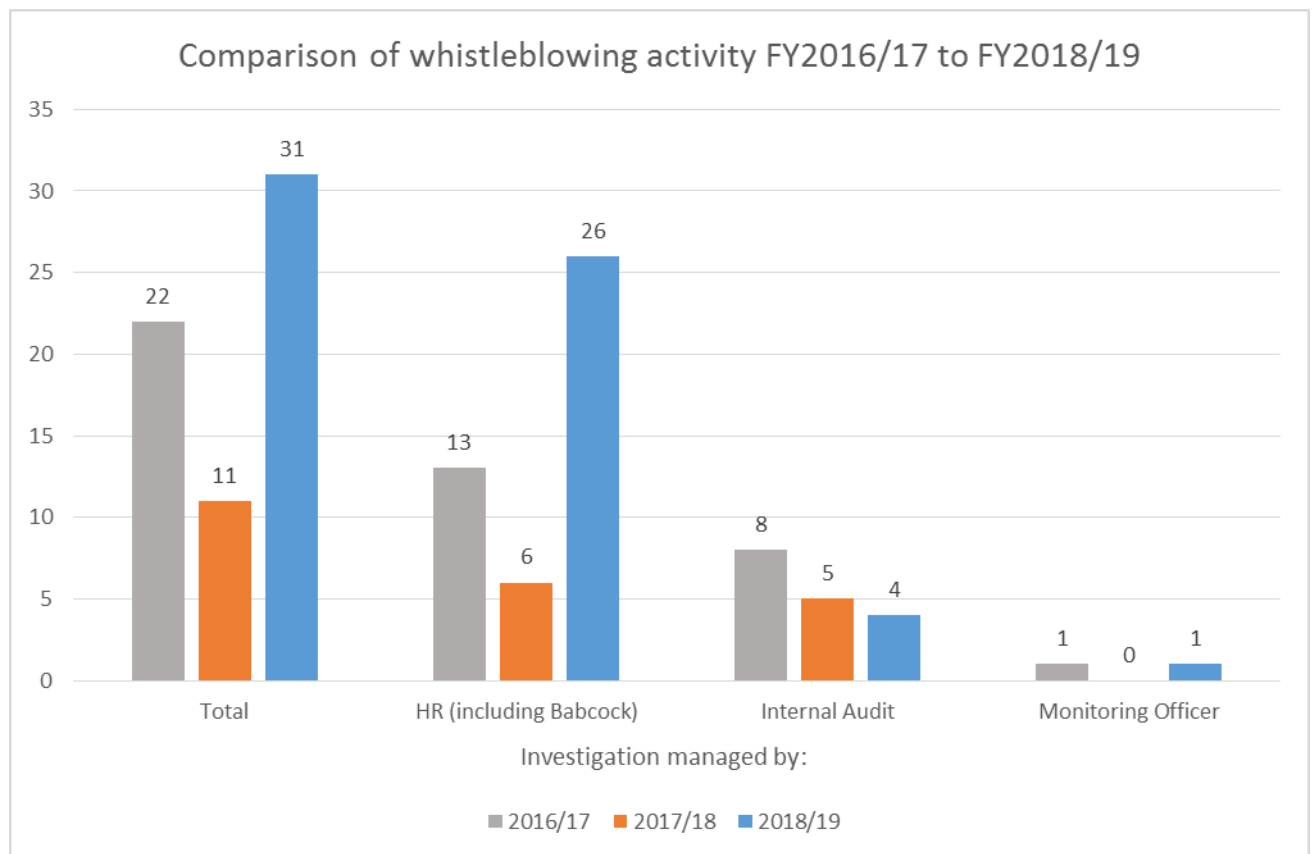
### SUMMARY OF WHISTLEBLOWING ACTIVITY FY2018/19

A copy of the whistleblowing tracker, with the name of the alleged perpetrator(s) removed, has been circulated to RGG with this report.

In FY2018/19 we experienced a sharp rise in allegations, in comparison to the previous financial year. In the activity summary overleaf, “Direct” refers to reports received in writing or by telephone to a council officer, and “Expolink” refers to reports received through our out-sourced service.

#### Comparison of whistleblowing activity FY2016/17 to FY2018/19

Source	Investigation managed by:	2018/19	2017/18	2016/17
Expolink	HR (including Babcock)	22/	3	10
Direct	HR	4	3	3
Expolink	Internal Audit	3	1	3
Direct	Internal Audit	1	4	5
Expolink	Monitoring Officer	0	0	1
Direct	Monitoring Officer	1	0	0
Total		31	11	22



Several reports were submitted concerning specific areas in Children, Families, Lifelong Learning & Culture (CFLL&C) and Health, Wellbeing & Adult Social Care (HWASC), with submissions peaking during Quarter 3.

A summary of each case and final outcome, according to the directorate in which the alleged transgressor(s) worked, follows. Where more than one allegation was made about a particular individual/team, these are highlighted in orange. For contextual reporting, directorates are named as at 31.03.2019.

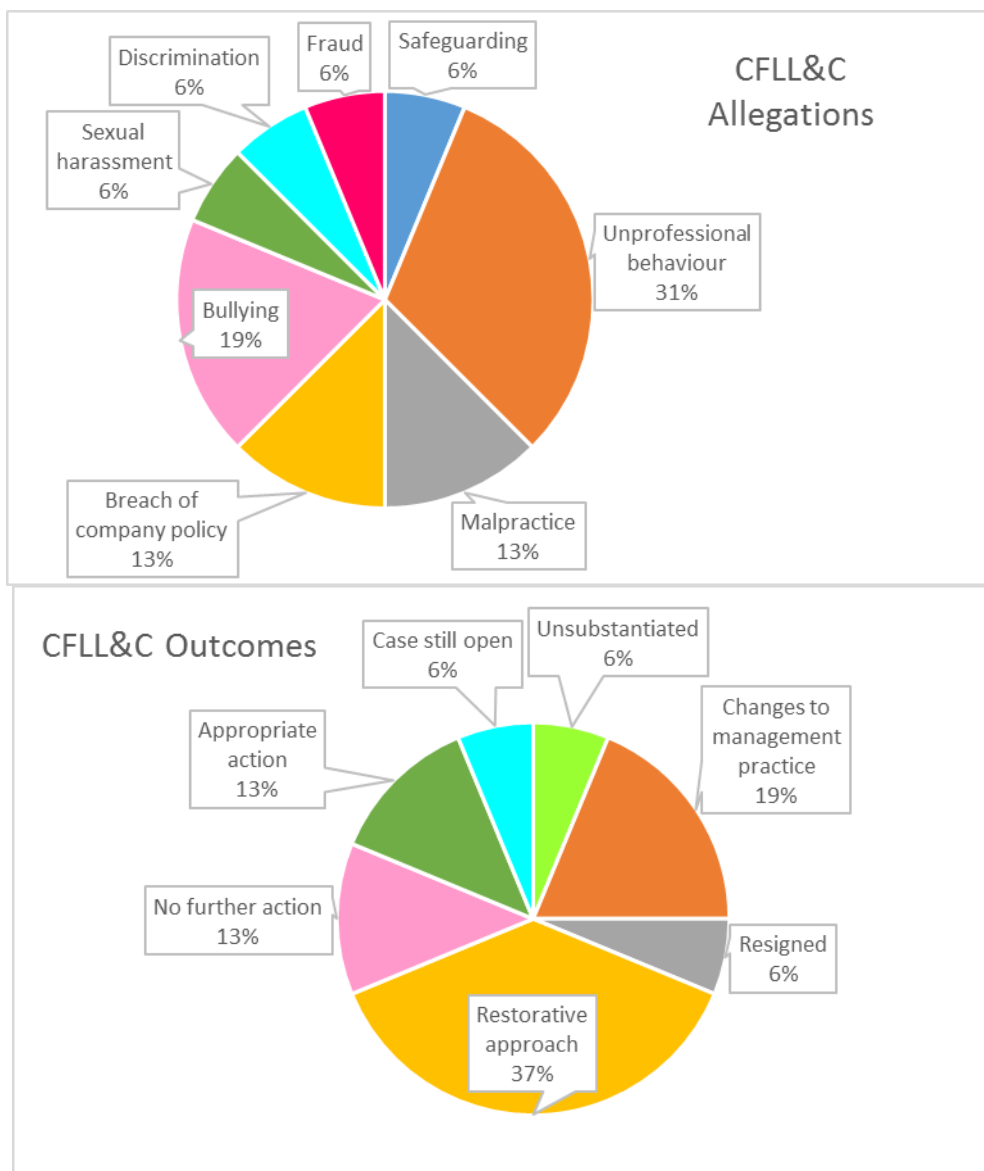
**Customers, Digital & Transformation (Commercial Operations)**

Investigating team	Source	Allegation	Outcome
Internal Audit	Expolink 146	Breach of company policy	Unsubstantiated

**Customers, Digital & Transformation**

Investigating team	Source	Allegation	Outcome
Monitoring Officer	Direct 18/05	Malpractice	Changes to policy/management practice to be considered

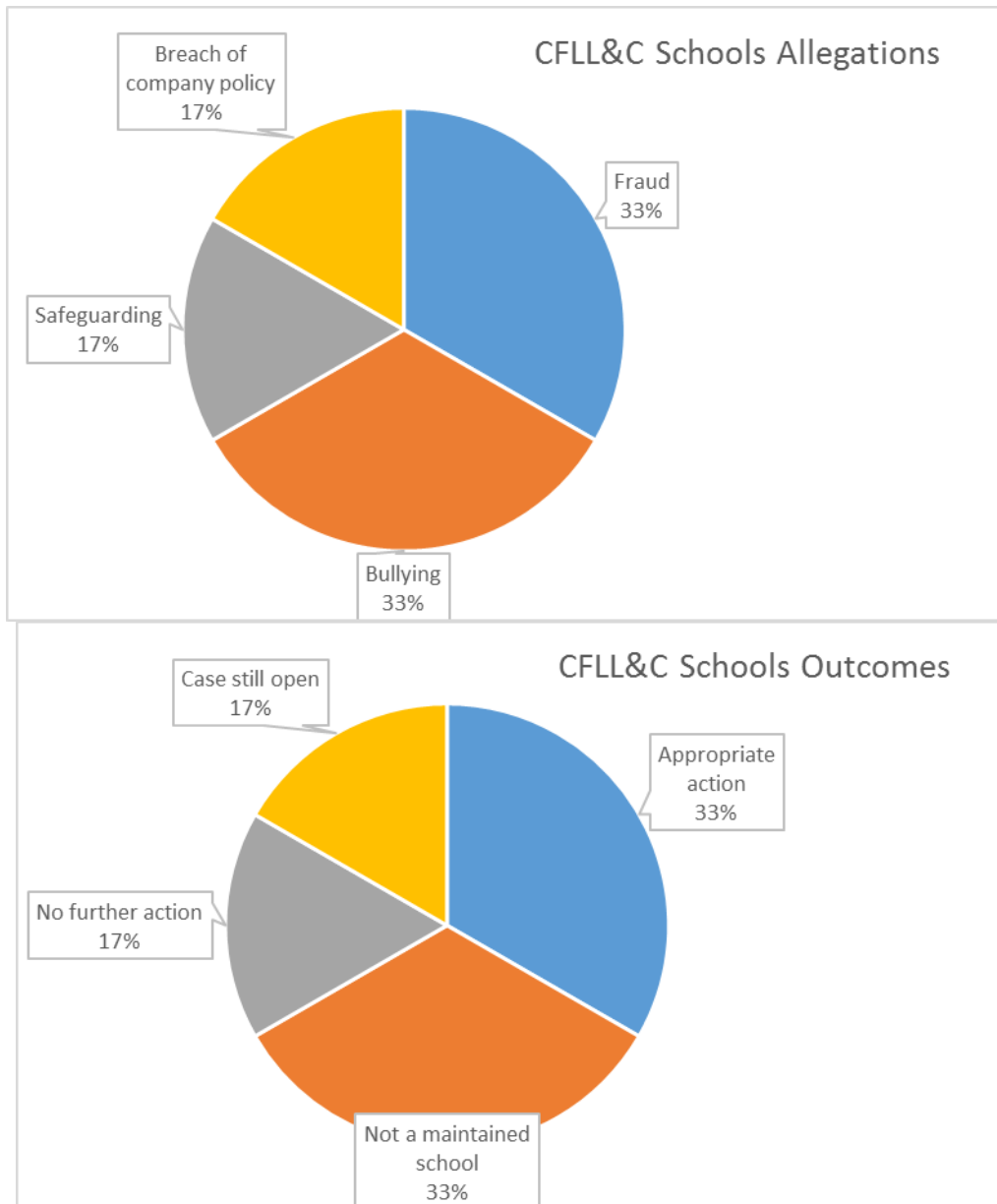
**Children, Families Lifelong Learning & Culture**



Investigating team	Source	Allegation	Outcome
HR	Direct 18/01	Safeguarding	Unsubstantiated
HR	Direct 18/06	Unprofessional behaviour	Changes to management practice
HR	Expolink 144	Malpractice	Resigned
HR	Expolink 147	Breach of company policy	Restorative approach

HR	Expolink 152	Unprofessional behaviour	Restorative approach
HR	Expolink 153	Bullying	Restorative approach
HR	Expolink 156	Bullying	No further action
HR	Expolink 160	Sexual harassment	Appropriate action
HR	Expolink 163	Unprofessional behaviour	Changes to management practice
HR	Expolink 164	Discrimination	Appropriate action
HR	Expolink 165	Unprofessional behaviour	Changes to management practice
HR	Expolink 166	Malpractice	Case still open
HR	Expolink 147	Breach of company policy	Restorative approach
HR	Expolink 152	Unprofessional behaviour	Restorative approach
HR	Expolink 153	Bullying	Restorative approach
Internal Audit	Expolink 161	Fraud	No further action

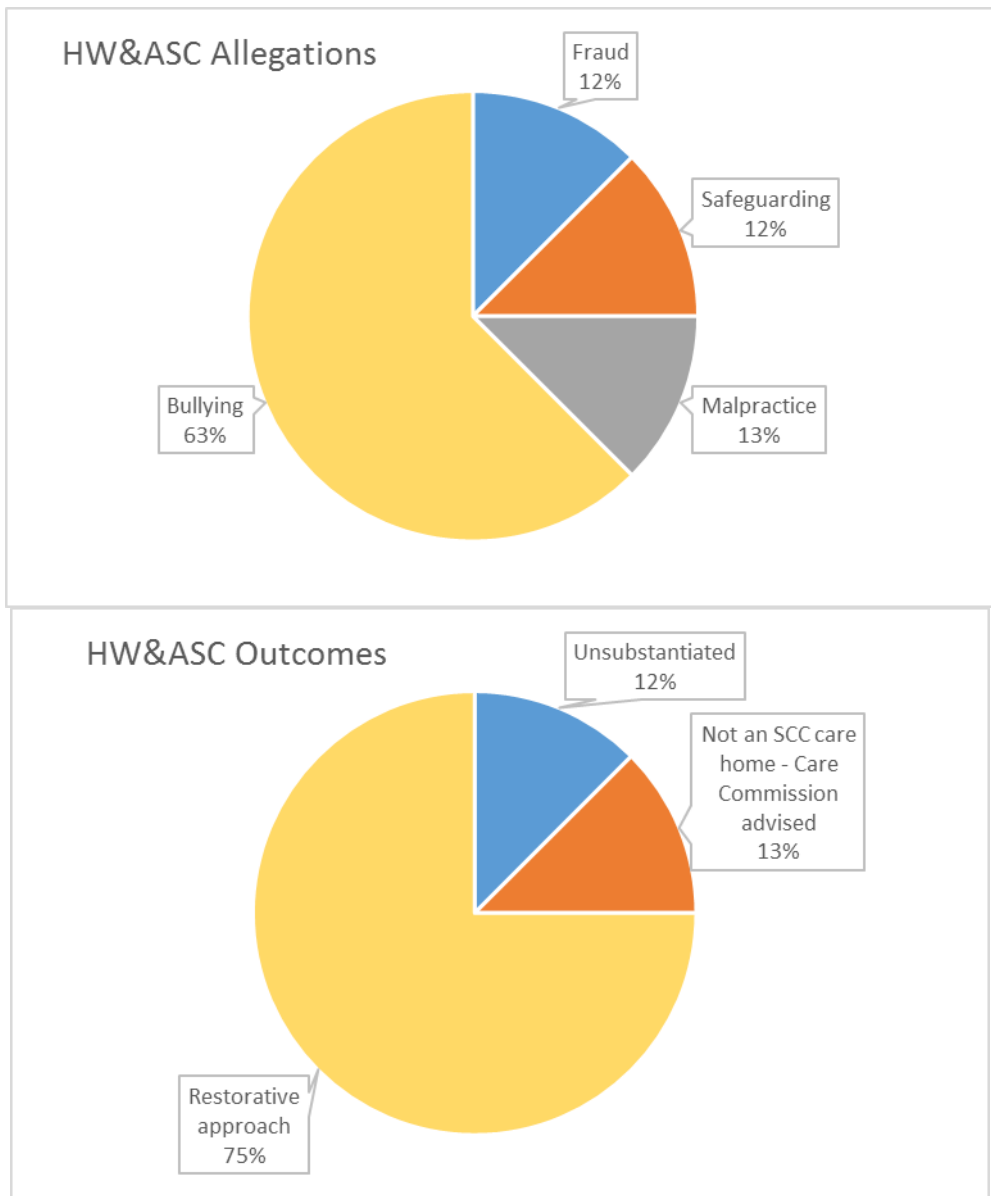
### CFLL&C Schools





Investigating team	Source	Allegation	Outcome
Babcock / IA	Expolink 155	Fraud	Appropriate action
Babcock	Expolink 159	Bullying	Not a maintained school
Babcock	Expolink 167	Safeguarding	Not a maintained school - LADO team advised
Babcock / IA	Expolink 157	Fraud	Appropriate action
Babcock / IA	Expolink 158	Breach of company policy	No further action
Babcock	Expolink 162	Bullying	Case still open

**Health, Wellbeing & Adult Social Care**



Investigating team	Source	Allegation	Outcome
Internal Audit	Direct 18/02	Fraud	Unsubstantiated
HR	Direct 18/03	Safeguarding	Not an SCC care home - Care Commission advised
HR	Direct 18/04	Malpractice	Restorative approach
HR	Expolink 154	Bullying	Restorative approach

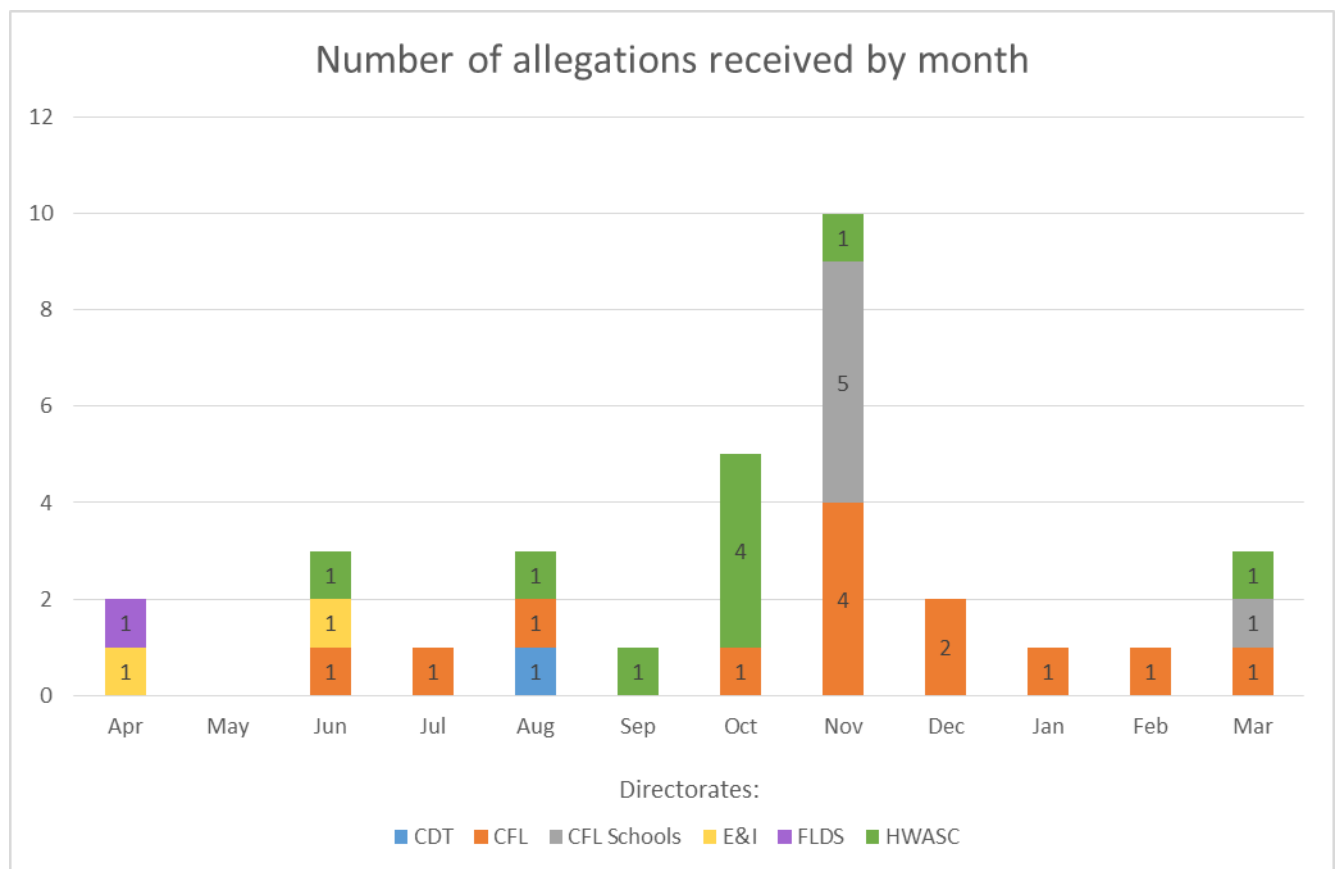
HR	Expolink 148	Bullying	Restorative approach
HR	Expolink 149	Bullying	Restorative approach
HR	Expolink 150	Bullying	Restorative approach
HR	Expolink 151	Bullying	Restorative approach

#### Highways, Transport & Infrastructure

Investigating team	Source	Allegation	Outcome
HR	Expolink 143	Unprofessional behaviour	Insufficient evidence
Internal Audit	Expolink 142	Fraud	Restorative approach

There was a marked increase in reports received during the months of October and November 2018, with a total of 15 reports during this nine week period.

#### Number of allegations received by month



#### INTERPRETATION OF ACTIVITY

A cause of concern has been the sharp increase in whistleblowing activity reported via Expolink during the Autumn 2018. The majority of cases related to employees experiencing an alleged management style felt to be bullying/intimidating.

It is understood by case investigators that the unrest may have been a reflection of tension while aggrieved and unsettled staff were experiencing a time of significant change and uncertainty. It was felt that most cases were more akin to grievances than serious whistleblowing allegations.

The number of whistleblowing allegations received direct to senior officers during FY2018/19 was similar to the preceding two years. In general it seems that there is greater confidence in using the Expolink service than reporting direct. At a current cost of £2,780 p.a. for this external service, the HR Governance & Contracts team believe this to be value for money.

Since the start of the current calendar year, whistleblowing activity has settled considerably.

#### SCRUTINY

Whistle blowing cases are investigated by either Human Resources, Internal Audit or the Monitoring Officer, depending on the nature of the allegation and the route by which the allegation has been made. Allegations about staff working in commercial services are directed to Commercial Services HR division and allegations about teaching staff are forwarded to Babcock 4S (now Strictly Teaching 4S).

Individual case records are maintained by HR, Internal Audit and the Monitoring Officer, with a combined summary of activity being drawn together by HR each quarter and at the end of the financial year.

Officers from Internal Audit and Human Resources and the Monitoring Officer meet on a quarterly basis to review recent whistle blowing activity and related issues, such as promotion of the policy. Traffic to and from the SCC Info page is also reviewed at these meetings.

#### RECOMMENDATIONS / REQUESTS

No changes to the current process or to the Expolink service are recommended at present. There appears to be a reassurance through the use of an external whistleblowing provision (81% of reports received during FY18/19 were submitted via Expolink).

As activity has settled considerably since January 2019, there are no major concerns that malpractice in the workplace is an issue, although HR continues to keep a close eye on trends and ensures closure of cases in an appropriate and timely way.

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**Audit & Governance Committee**  
26 September 2019

**Annual Complaints Performance Report**

**Purpose of the report:**

The purpose of this report is to give the Audit & Governance Committee an overview of the council's complaint handling performance in 2018/19 and to demonstrate how feedback from customers has been used to improve services.

**Recommendations:**

It is recommended that:

The Audit & Governance Committee note the report.

**Introduction:**

1. The council has three complaints procedures; one for Adult Social Care, one for Education and Children's Services and one for all other council services. The procedures for dealing with complaints about children's and adult social work services are set out in statute. The corporate complaints procedure (covering all other council services) is based on best practice. This report gives an overview of complaint management for all three procedures.
2. Adult Social Care and Education and Children's Services produce separate annual reports where more detailed information and analysis about the types of complaints received and outcomes and improvement actions can be found.
3. The Local Government and Social Care Ombudsman (LGSCO) is the final point for complaints about councils and some other organisations providing local public services. Customers can refer their complaint to the LGSCO for external independent investigation if they remain

unhappy; normally once they have completed the council's complaints procedure.

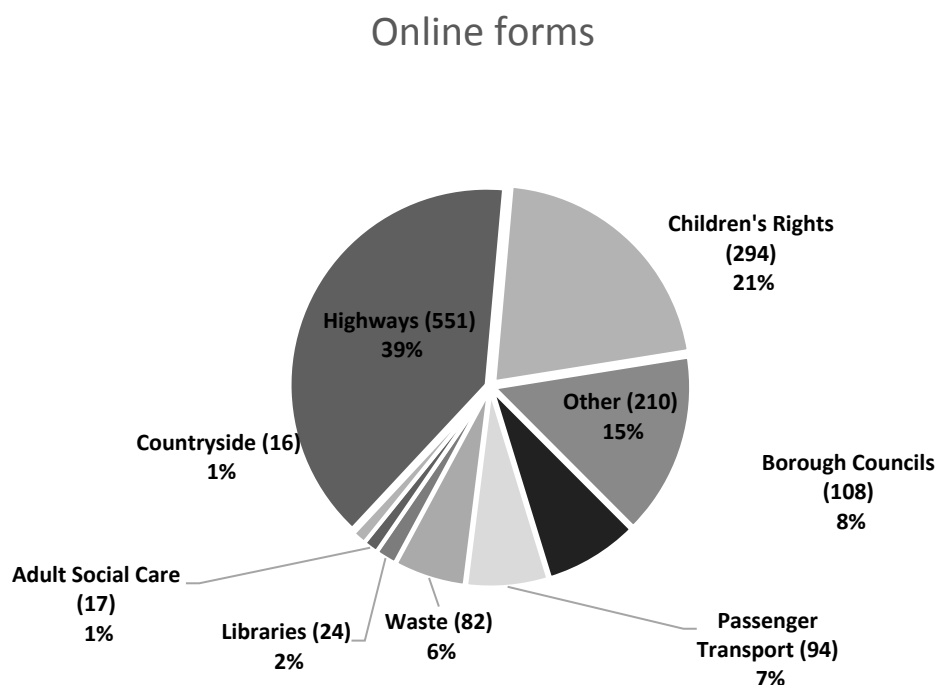
4. This report also sets out LGSCO findings on complaints about Surrey County Council. The LGSCO's figures included in this report are based on those in the LGSCO's Annual Review letter, issued on 24 July 2019.
5. This year, we are also reporting for the first time on complaints made about Surrey County Council's Pensions Service. As well as Surrey County Council, the service administers the pensions function for other local authorities; East Sussex, Hammersmith & Fulham, Hillingdon, Kensington & Chelsea and Westminster. Pension complaints are dealt with through a separate complaints procedure and have a separate Ombudsman; The Pensions Ombudsman. The Pensions Service also provides separate reports on complaints received to the respective Pensions Funds.

#### **Background to complaints handling in Surrey County Council:**

6. The council recognises that effective complaint handling is critical to delivering good customer service and good outcomes for our residents. As well as putting things right when they go wrong, every complaint presents a potential opportunity to learn and improve and rebuild trust.
7. The volume of complaints does not in itself indicate quality of council's complaint handling performance. The council encourages complaints as it aims to be an open, learning organisation that is responsive to feedback. Low complaint volumes can be a sign that an organisation is not open to receiving feedback.
8. Escalation rates and uphold rates are a better measure of performance, as these indicate where we have been unable to resolve complaints at service level and where fault has been found.
9. Where fault is found improvement actions are put in place to resolve the complaint for the customer and to make sure we improve our service. Specific examples are highlighted in Annex 1.
10. Even if a complaint is not upheld, there is always the opportunity to learn about why the customer has made a complaint, and a need to understand their motives and feelings.
11. Where there is an alternative route for resolution e.g. legal recourse or formal appeal, such matters are not handled under the complaints procedure. For example; data breaches, Special Educational Needs (SEN) tribunals and school transport appeals panel.
12. It is important to capture a balanced view of services and to recognise and learn from good service, which is why compliments received by customers are also recorded and referenced in this report. Examples are given in Annex 2.

13. The council has a self-service online complaints form to make it easy for customers to contact us. We also receive a number of service requests through this route, as well as residents commenting on policy decisions. Corporately, we operate an early intervention approach. This means that we assess all feedback received to make sure any enquiries are properly routed to the person or service best placed to help or respond, as well as evaluate whether what the customer has asked for can be achieved without the need to go through the complaints procedure.
14. The team proactively works with services to prevent issues escalating where the required advice, information or preferred outcome can be provided quickly outside the complaints procedure. This is to provide a proportionate and resolution focused service; it is not designed to prevent complaints being made. This approach helps distinguish complaints from service requests quickly and makes sure they are properly routed with minimum delay. **1396** customers used this on-line form option in 2018/19.
15. Customers used these online forms to provide feedback on a wide range of subjects. The majority of customers used this option for highways issues (551), with the most frequent topic being parking. This was followed by potholes, and then vegetation problems. The next most frequent contact related to Children’s Services (294), then Passenger Transport (94), mainly concerning bus services and bus passes. Waste (82) was next, mainly relating to community recycling centres. We also received a number of enquiries relating to services provided by district and borough councils; the majority relating to residential waste collection. Where appropriate, customers were signposted to the responsible authority.

**Figure 1: Online complaint forms**



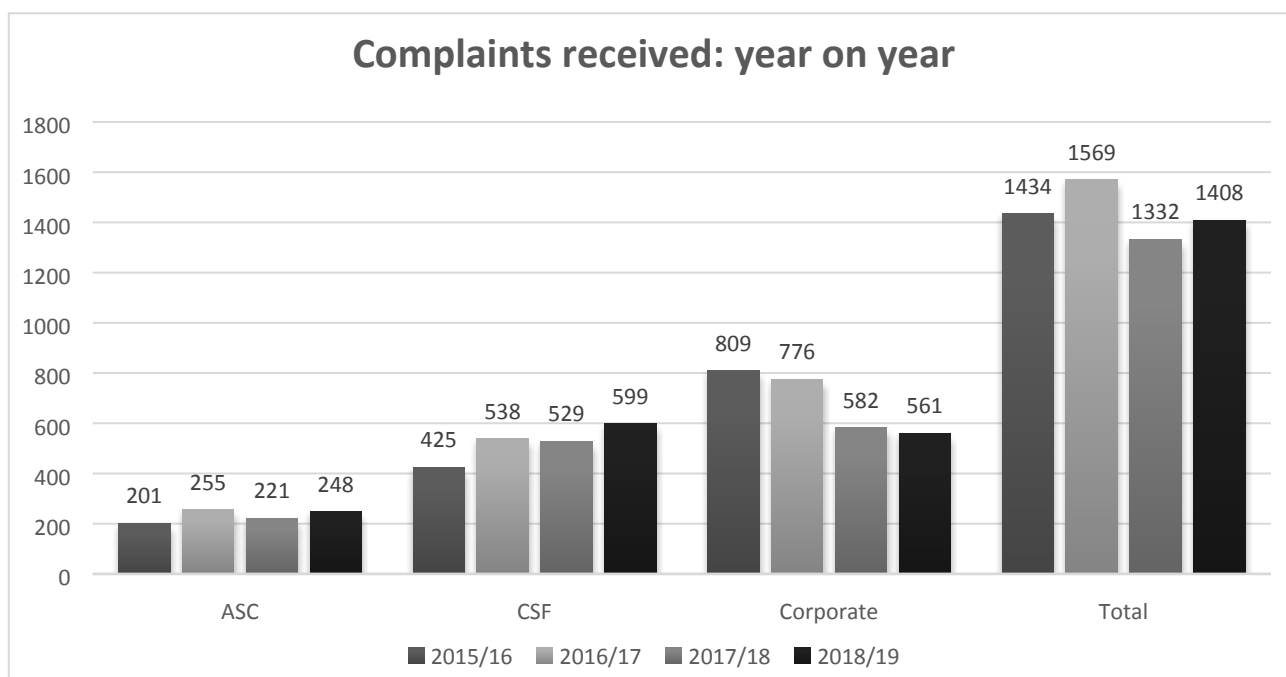
16. **16%** of these contacts were unable to be resolved through early intervention and escalated to the complaints procedure. This was an increase from 9% the previous year.
17. Some of the regular issues reported through the online complaints form, included:
  - Traveller sites and associated concerns about litter, antisocial behaviour etc
  - Waste charges
  - Countryside car parking charges
  - District & Borough Council matters e.g. missed bin collections, street cleaning, neighbour issues
  - Bus services – changes to routes / operators, timetables etc
  - Inconsiderate parking / commuter parking
  - Grass cutting
  - Application issues e.g. bus passes, van permits etc
  - Disabled Bus Pass – changes to times
  - Road closures
  - Insurance claims

#### **Complaint handling performance in 2018/19:**

18. During the year 2018/19, the three complaint teams within Surrey County Council received **1,408** complaints; a 6% increase across the board from the previous year (1,332).
19. Breaking this down into the three complaints procedures, Adult Social Care saw a 12% increase, Children's Social Care and Education a 13% increase and all other services a 4% decrease. This reduction suggests the early intervention approach adopted in this area has been successful in preventing the unnecessary escalation of complaints. It also reflects the continuing demand for social care and education services.
20. The increase in complaints relative to Children's Services and Education provision was not unexpected given the changes in thresholds for intervention, specifically in regard to Children with Disabilities.



**Figure 2: Total complaints received**



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

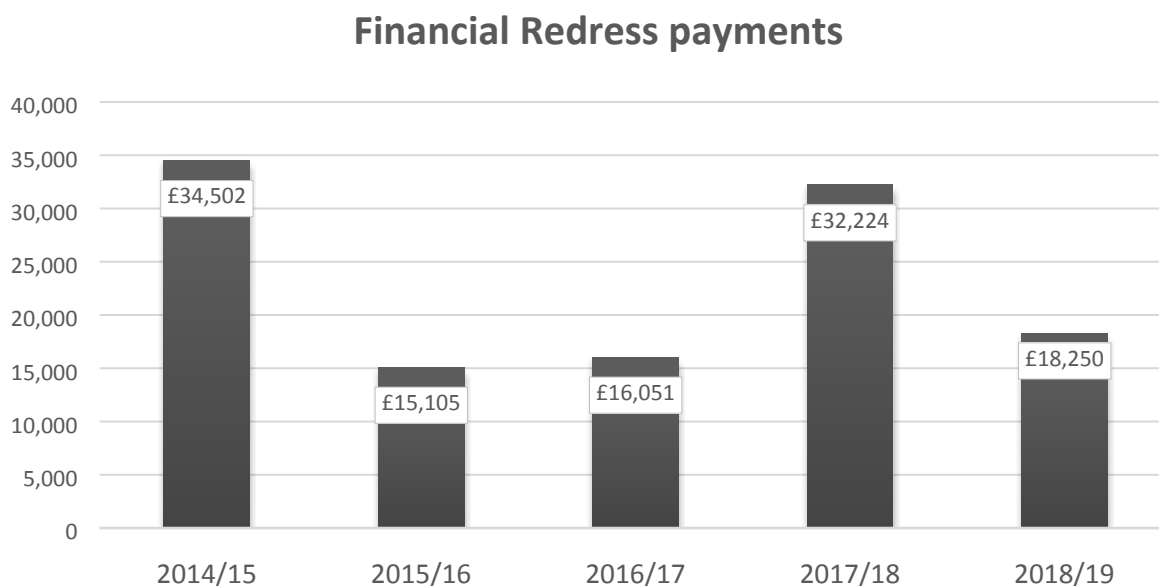
**Figure 3: Complaint categories 2018/19**

<b>CORPORATE</b>	<b>CHILDREN, SCHOOLS &amp; FAMILIES</b>	<b>ADULT SOCIAL CARE</b>
Roadworks	Unsatisfactory communication	Service quality
Lack of contact	SEND children out of school with gaps in education provision	Financial/funding
Vegetation	Disagreement with decisions against applications for decelerated schools admissions	Dissatisfaction with assessment process
Resurfacing	Transport to and from school for children with Education, Health and Care Plans	Staff behaviour
Other works (pavements, bollards)	Disagreement with outcomes of ICPC	Decision making

### Complaint trends & performance:

22. A breakdown of complaints received by Surrey County Council and response times per service for 2018/19, compared to 2017/18, can be found in Annex 3 to this report.
23. The top area of complaint for the council for 2018/19 related to Children's Social Care Services. Previously, the Highways Service traditionally attracted the highest number of complaints due to the high demand on Surrey's roads. Complaints fell in this area in 2018/19, largely due to the early intervention approach and more proactive communications around highway works.
24. An average of 82% of complaints were responded to within timescale across the three procedures, consistent with performance in 2017/18.
25. The complexities of complaints in Children's Social Care continue to impact on their ability to respond within the statutory timescales.
26. Where the council is found at fault, financial redress can be recommended where appropriate. All financial awards are approved by the relevant Head of Service and, if greater than £1,000, in consultation with the relevant Cabinet Member. The Ombudsman can also recommend financial redress if they find fault following an investigation.
27. There was a decrease in the amount of financial redress paid in 2018/19 compared to 2017/18. Financial redress payments by year are shown in Figure 5.

**Figure 5: Financial Redress year-on-year**



**Figure 6: Financial Redress breakdown 2018/19**

<b>COMPENSATION 2018/19</b>	
Adult Social Care	£1,200
Children, Schools & Families	£17,035
Corporate	£15
<b>Total</b>	<b>£18,250</b>

28. The three highest payments were:

- £3,750 to compensate for lost provision of 15 school months; restricting communications without good reason, and time and trouble.
- £3,700 to compensate for a child with special educational needs being without a school place for half the school year and for any necessary catch up provision including occupational therapy and speech and language therapy.
- £2,990 to compensate for the costs of occupational therapy, education psychology and speech and language reports for a child with special educational needs, as well as compensation for time, trouble and distress.

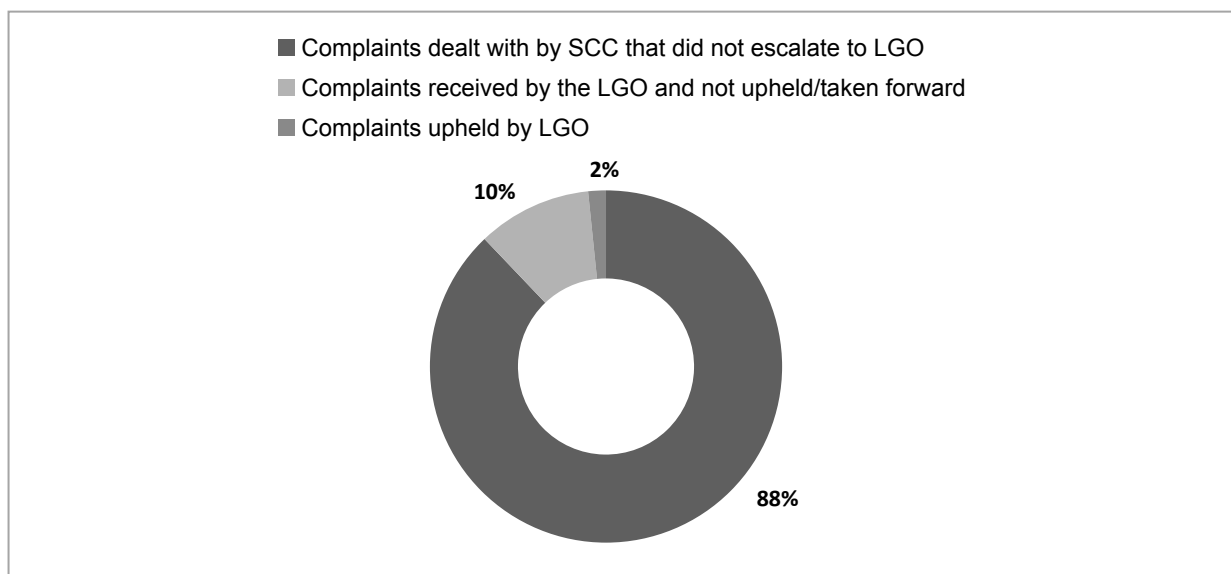
**Complaint Escalation:**

29. We aim to resolve complaints satisfactorily at the earliest opportunity; however customers can escalate their complaint, both to the next stage of the council’s complaints process (where this option applies) and to the LGSCO for external independent investigation. Escalation rates are a good indicator of how successfully complaints are being handled at point of service.
30. **22%** of complaints (124) escalated to Stage 2 of the council’s corporate complaints procedure in 2018/19; a 5% increase from the previous year. Due to their complexity, a number of complaints have been taken on straight at stage 2 to avoid further frustration for customers. The higher percentage escalation to Stage 2 is also likely to be a feature of our early intervention approach, as more of the feedback being dealt with early would otherwise have ended at Stage 1.
31. Escalation to Stage 2 within Children, Schools and Families increased to **6%**, an increase of 3% from the previous year. This was not unexpected as thresholds for intervention have been realigned as part of the move to the new Family Resilience Model, which focuses on Early Help.
32. Adult Social Care is required by statute to have a one stage complaint procedure. This means that there is not the opportunity to compare escalation rates in Adult Social Care with Education and Children’s Social Care and corporate complaints.

## Escalation to the Local Government & Social Care Ombudsman

33. In 2018/19, the Ombudsman received **168** complaints and enquiries about Surrey County Council; 12% of the total number of complaints received by the council. This was a slight increase from 2017/18 (10%); however escalation rates remain broadly consistent. Of the complaints investigated by the Ombudsman, **26** were upheld (2% of the total number of complaints received by the council).

**Figure 6: Escalation to the Ombudsman 2018/19**



34. Where the Ombudsman has upheld a complaint, this indicates fault on the part of the council in delivering its services and can negatively impact the council's reputation. It is important to learn from complaints upheld by the Ombudsman to identify what went wrong and to put in place measures to make sure a similar situation does not happen again.
35. A breakdown of complaints upheld by the Ombudsman can be found in Annex 4 and Annex 5 to this report; benchmarking of Ombudsman escalation rates with other similar county councils at Annex 6 and examples of upheld and not upheld complaints at Annex 7. The Ombudsman annual statistics are a good benchmarking tool as it is a consistent, independent measure for complaint escalation for all local authorities in England and the Ombudsman is the same final stage for all complaint procedures.
36. As shown in Figure 6, the escalation rate to the Ombudsman was 12% and the uphold rate 2%. The three most common categories of complaint to the Ombudsman were Education and Children's Services, Adult Care Services, and Highways & Transport. 2018/19 saw an increase in the number of complaints the Ombudsman received about Education and Children's Services and it was the top category of complaint about the council.

37. Financial redress was recommended in **54%** of cases upheld by the Ombudsman, a decrease from 59% the previous year.
38. The council had a 100% compliance rate with Ombudsman recommendations and an uphold rate (where the Ombudsman found fault) of 60%. This compared to a national average for county councils of 64%.
39. This year the Ombudsman issued two public reports about Surrey County Council; both related to Special Education Needs and Disabilities (SEND). In his annual letter, he also raised concerns about a lack of timely and full responses to Ombudsman investigations. This has been a particular challenge for Education and Children's Social Care complaints, which are complex in nature. Improvement actions are already underway to address this, which has included a restructure of the Children's complaints team.
40. To improve elected member oversight of Ombudsman complaints, a process has been put in place to notify relevant Cabinet Members about LGSCO cases and decisions. A quarterly anonymised report is also provided to the Monitoring Officer.

### Pensions Complaints

41. Figure 7 (below) shows the complaints received for the year 2018/19 for Surrey County Council's Pensions Service.
42. There were no recorded cases of complaints being referred to The Pensions Ombudsman.

**Figure 7: Pensions Complaints 2018/19**

Fund	Communication	Service Quality	Service Delay	Other	2018/19 Total	2017/18 Total
Hammersmith & Fulham	2	5	8	0	15	19
Hillingdon	3	3	8	0	14	15
Kensington & Chelsea	6	3	7	0	16	16
Surrey	9	18	20	6	53	41
Teachers	0	0	1	0	1	1
Westminster	0	1	0	0	1	12
Westminster/East Sussex				2	2	2
<b>Total</b>	<b>20</b>	<b>30</b>	<b>44</b>	<b>8</b>	<b>102</b>	<b>106</b>

43. Most complaints received were about Surrey County Council's Pension Fund and the main reason for complaint across all the Funds was service delay. Overall, the total number of complaints received was slightly less than the previous year.

## Learning from complaints

44. Every complaint presents an opportunity to put things right for the complainant and also for the council to learn and improve. An individual complaint may result in a single action to put that situation right, or multiple complaints about the same issue could indicate a need to more widely review a process or how a particular service is delivered. Specific examples are given in Annex 1.
45. We also implemented 9 service improvements following Ombudsman investigations; these included reviewing a number of procedures.

## Compliments:

46. It is important to present a balanced view of services and recognise and learn from good service. Throughout the year Surrey residents and customers have taken the time to contact the council to compliment the standard of service they have received. In 2018/19, the council recorded **1980** compliments about its services; 143 for Education and Children's Services; 701 for Adult Social Care and 1136 for all other council services.
47. We are working to ensure more consistency in recording of compliments e.g. through a standard definition. The Children's complaints team is in particular are looking at ways to ensure compliments are routinely logged when received, which is being promoted and supported by senior leadership. Extracts from compliments received are in Annex 2.

## Conclusions:

48. What are we doing well?
  - a) Providing 'soft skills' training for staff to manage difficult conversations and customer complaints.
  - b) Regular reporting on customer relations activity across the three areas to respective leadership and management teams. This has increased transparency and informed changes in service delivery.
  - c) Providing high quality advice and support on general complaint handling across all three areas.
  - d) Focusing on early intervention – corporate Customer Relations team triaging online complaint enquiries to prevent unnecessary complaint escalation.
  - e) Children's customer relations team is developing closer working ties with Quality Assurance Managers both in SEND and Children's Services with a view to informing change in practice and/or service delivery.

- f) Giving guidance on the management of challenging behaviours to help with the delivery of unwelcome messages and to prevent relationships with customers deteriorating.

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

- a) Providing timely and full responses to Ombudsman enquiries. Central guidance has been rolled out, proactive prompting of deadlines is in place and workshops are planned to help set clear and consistent standards and expectations across the organisation in terms of both the quality of information and level of engagement required from services to enable effective responses to the Ombudsman.
- b) Roll-out of a new electronic casework management system for complaints and other customer feedback across all services. This will enable improved self-serve options for customers and will allow the council to capture customer feedback across all services within a single system. The ambition is for this to also include MP and Councillor enquiries.
- c) Sharing of complaints information to enable full responses whilst meeting confidentiality requirements and ensuring the safeguarding and wellbeing of vulnerable people. We continue to work with Information Governance to ensure our approach is appropriate and proportionate.
- d) The Children's Customer Relations Team will:
- work with the new Safeguarding Partnership Board to agree on a revised process for escalating and monitoring disagreements and dissents from both parents and colleagues around Child Protection
  - work with quality managers in SEND and quality assurance officers within the service, sharing learning from complaints to inform change in the future and assist the delivery of support for children and young people
  - work with Admissions & Transport in the light of clearer guidance for families relative to decelerated admissions for school

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

50. Payment of financial redress (as outlined in paragraphs 27 and 28 of this report and shown in Figures 5 and 6) is the financial implication of complaint handling. Responding to complaints quickly and getting issues resolved early ensures complaints do not escalate unnecessarily through the process and minimises the requirement to pay financial redress.

### **Equalities and Diversity Implications**

51. Ensuring we maintain good complaint handling processes enables our service to remain accessible to all. We continually review ease of access to all three complaints procedures to ensure particular groups are

not disadvantaged. Should an Equality and Diversity issue be identified through a complaint investigation, this will be addressed with the service concerned.

### **Risk Management Implications**

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

<b>Next steps:</b>
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53. The Audit & Governance Committee to receive information on operation of the council's complaints procedures on an annual basis.
- 

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**Annexes:**

1. Improvements from Customer Feedback
2. Extracts of compliments
3. SCC Complaint Handling performance
4. SCC Complaints upheld by LGSCO
5. SCC Complaints breakdown – referrals to LGSCO
6. Benchmarking of LGSCO complaints
7. Example case studies of LGSCO decisions (upheld vs not upheld)

**Sources/background papers:**

- Surrey County Council complaints database, Adult Social Care Customer Relations Team, Children’s Customer Relations Team.
- Local Government & Social Care Ombudsman Annual Review Letter 2018/19 for Surrey County Council - available on their [website](#)
- Decision Notices available on LGSCO [website](#)

## Annex 1: Examples of learning identified through customer feedback

1. **Customers said:** A family member complained about the handling of a telephone call by the Emergency Duty Team.  
**We did:** The Adult Social Care Directorate recognised that the call was rushed and lacked empathy. The manager addressed the issue through a reflective practice session, supervision and customer service training.
2. **Customers said:** A service user complained that the care worker visits were unpredictable, did not arrive at the preferred time and were not considerate of his Parkinson's disease.  
**We did:** The manager partially upheld the complaint with a case review and contacted the provider to report the concerns and request they reviewed the practice of the care worker concerned. The care worker was changed to accommodate the preferred call times and a request was made for the new provider to supply the service users with a weekly schedule of the times of their calls and who would be visiting.
3. **Customers said:** A family member complained regarding the choice of a nursing home and the way this had been communicated. She also felt the assessment did not capture her mother's anxiety.  
**We did:** Learning from the complaint was incorporated into training for the staff concerned and into best practice e.g. a telephone call for urgent matters and offering to include additional information from family members in the assessment.
4. **Customers said:** They were unhappy with a delay in amending Education Health and Care Plans (EHCP).  
**We did:** Arranged training for Special Education Needs staff to make sure they are aware that they must amend EHCPs that are out-of-date in line with statutory timescales rather than assuming a child's need are met because he or she attends a specialist school.
5. **Customers said:** They were unhappy with the way the EHCP was dealt with during the transition to post 18 education  
**We did:** Revised the paperwork to be completed at review meetings to improve how the views of contributors are reflected; Clearly explain in writing the reasons for a Council's proposed placement differing from that of the young person or their parents, with a follow up by SEND case workers to discuss the decision in more detail and explain options in terms of possible next steps.
6. **Customers said:** There was a lack of clarity about responsibility for maintenance of trees on town paths.  
**We did:** A new process was agreed for handling enquiries regarding trees on town paths to make sure the enquiry gets to the appropriate team as quickly as possible.

## Annex 2: Extracts of compliments received

I cannot thank everyone in the Guildford team who helped look at my husband enough. All the staff treated him and myself, as well as they'd treat their own families.

I would like to say a BIG thank you to all the staff that work in Social Services in Tandridge. Your time and support has been brilliant and it has enabled dad to have the care that he needed over the past year or so. The team have been incredible, so helpful and always mindful of dad's needs and ours as a family when we needed to communicate with them.

Thank you very much for all the support you have offered to L, and to our family, We are sorry that L has not engaged with you more positively, but we felt nobody could have tried harder to offer her support...As a family we thank you for your professionalism and care that you have given to us.

....a few lines to highlight A's exemplary practice on this case, following the Looked After Children review yesterday. As you are aware, X's placement came to a very abrupt end following concerns raised in relation to the previous carer. A has supported X through what has been his second foster placement breakdown and also engineered a very positive transition to an emergency placement which has now been extended towards a possible placement within extended family , at the end of the current academic year. Throughout above, A has liaised closely with X, his family and school.

My husband and I would like to take this opportunity to write to you so that we may express our heartfelt thanks to A, B, C and D over the past 3 years. Our son Y, received a diagnosis of ASD at 5 years old. Overwhelming psychological distress, sensory hypersensitivity and very high levels of anxiety prevented him from accessing his education in a school environment for the majority of his school years. In 2016 after the breakdown of yet another education setting, A offered us the option of a Personal Budget for Y. We didn't know what this was, we didn't know how it would work, we didn't know if we would even be capable of running a Personal Budget. What we did know though was that we were desperate for Y to access an education that would enable him to study towards and sit iGCSE exams opening up a pathway to college and his hopes of a future career being realised. Agreeing to a Personal Budget for Y allowed us to work directly with you and together we formed a partnership that achieved something truly amazing for our son. ... We just wanted to take some time to say thank you. Thank you for listening to us, for advising us, for allowing us the opportunity of working so closely with you through the Personal Budget, but most of all thank you for believing in Y as much as we do and for giving him this amazing opportunity which we are sure will enable him to become a self-sufficient, independent, confident young man, ready to take up his place in society.

Thank you so much to the staff at Slyfield Recycling Centre who retrieved my keys for me this morning when I idiotically threw them into the bin with my old washing line, not realising they were still in my hand. Apparently this happens a lot. They were very kind and it was much appreciated.

My daughter has individual singing lessons with Surrey Arts. As she is a Young Carer (because her younger brother is autistic), she receives these lessons for free. She loves singing and it has boosted her self-confidence tremendously, to the extent that she successfully auditioned for the lead role in her school's production ...

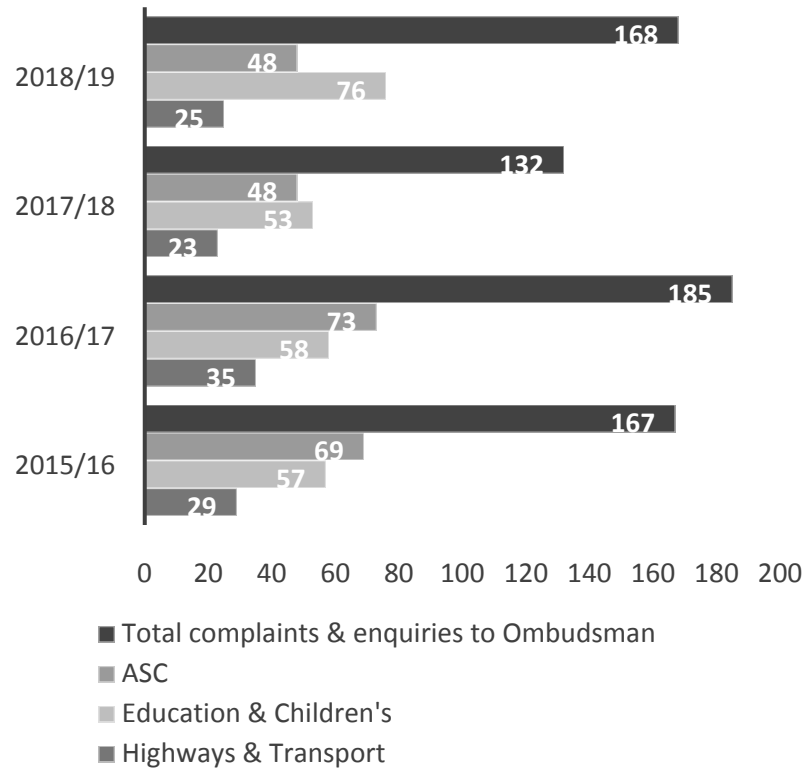
I wanted to write and say a heartfelt thank you to you both for making Rhyme Time the safe and enjoyable environment it is for both mums and their babies. I have attended regularly with both my children now, and cannot thank you enough for being there every week with a song and a smile for us. With both children I suffered with PND, and there were periods of time (which I don't even remember too well) when I would find it difficult to get out and about with my baby doing any "normal" activities as I was so anxious. It was so lovely to know I could turn up to Rhyme Time in any state and you would be there, a familiar setting and face for both me and baby. My kids absolutely love coming to the library now, thanks to you!

Dear Runnymede roundabout improvement team. A big thank you to all concerned for this successfully completed improvement, which has removed a major bottleneck. We are regular users of this roundabout and have watched progress with interest. As soon as the works started the traffic actually seemed to flow better, in spite of construction works being in progress. The completed scheme appears to be working really well and is a huge improvement on the previous conventional roundabout which was sometimes really scary to enter.

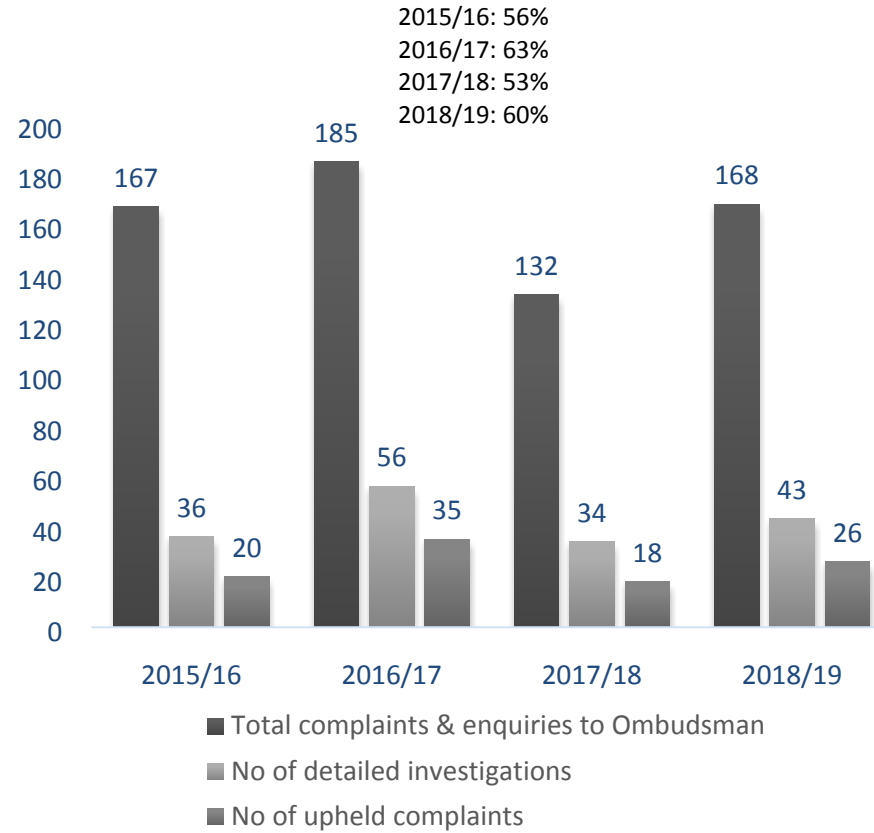
### Annex 3: SCC complaint handling performance comparing 2017/18 and 2018/19

Area	Response target	2017/18			2018/19		
		Complaints received	Performance against response target	Escalation rate	Complaints received	Performance against response target	Escalation rate
Corporate	90% in 10 working days	582	83%	17%	561	83%	22%
Adult's Social Care	90% in 20 working days (or longer by agreement)	221	97%	N/A	248	94%	N/A
Schools & Learning and Services to Young People	80% in 10 working days (extendable to 20 if necessary)	121	50% (within 10 working days) 75%(within 20 working days)	3%	147	47% (within 10 working days) 78%(within 20 working days)	6%
Children's Social Care	80% in 10 working days (extendable to 20 if necessary)	408	38%(within 10 working days) 55% (within 20 working days)		452	50%(within 10 working days) 73% (within 20 working days)	
<b>Total/ weighted average</b>		<b>1, 332</b>	<b>83%</b>		<b>1, 408</b>	<b>82%</b>	

### Annex 4: Breakdown of SCC Ombudsman complaints



### Uphold rates against a county council average of 64%:

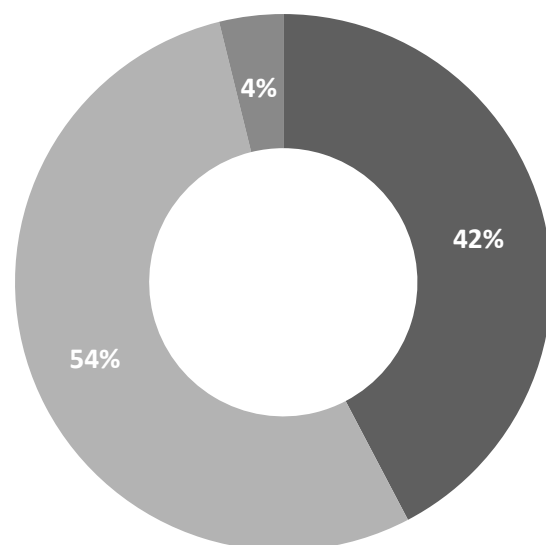


## Annex 5: Breakdown of LGSCO Upheld complaints

### Complaints upheld by LGO: 26

ASC: 11, Education & Children's: 14, Highways: 1

■ ASC ■ Education & Children's ■ Highways



### General areas where the Ombudsman found fault:

#### ASC:

- Adult Safeguarding – investigation did not follow statutory guidance
- Delays in social care / Occupational Therapy assessments
- Direct payments – failure to provide / inappropriately stopped / delays
- Domiciliary Care – inadequate provision / standards
- Lack of clarity around assessment of need / eligibility for assistance
- Failure to communicate outcome of care and support plan review
- Failure to arrange urgent review of care needs
- Residential care – staff not adequately trained in medication provision
- Care home placement – fault with how a placement was arranged

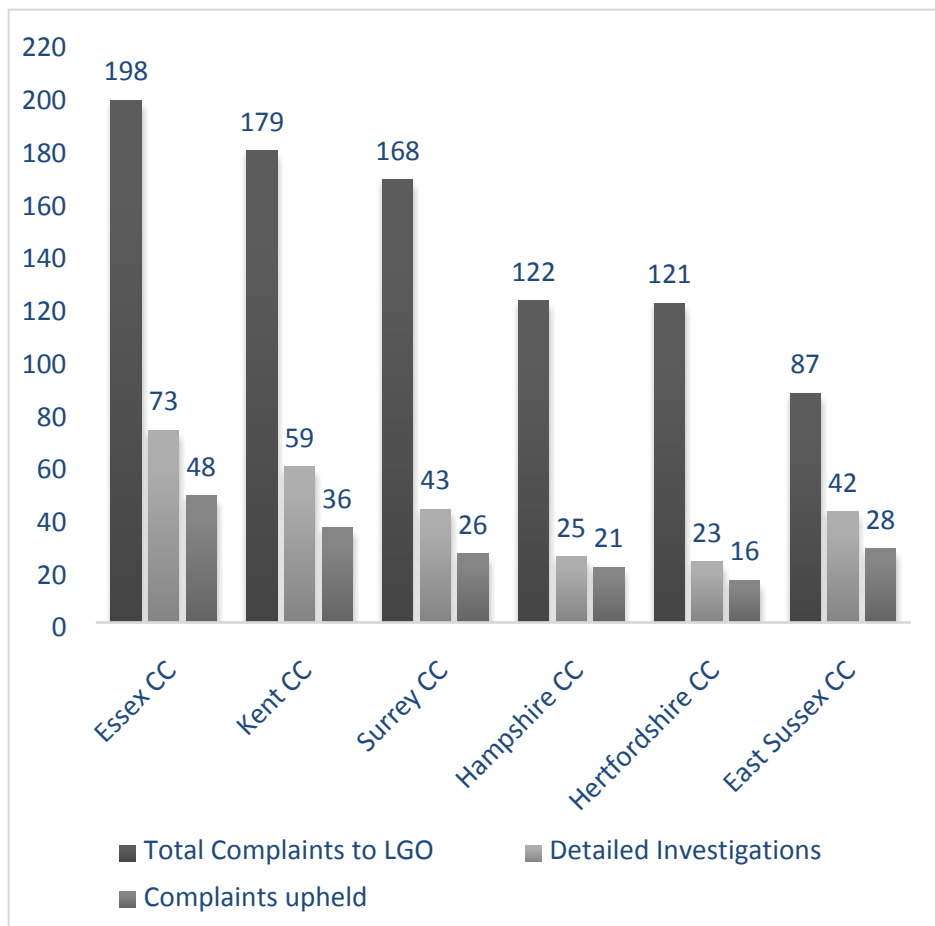
#### Education and Children's (included 2 public reports):

- SEND – failure to ensure proper provision to meet assessed needs
- SEND – home to school transport
- SEND – transition to post-18 education
- Education, Health & Care Plans (EHCPs) - delays
- Child Protection – lack of communication / information about process
- Complaints handling – statutory children's procedure not followed

#### Highways & Transport:

- Vehicle crossover (VCO) – failure to advise of time limit to accept agreement to carry out remedial works.

## Annex 6: Benchmarking of Ombudsman complaints 2018/19



### Points to note from benchmarking:

- SCC had the lowest uphold rate of the sample (60%) and performed better than the national average of 64% for county councils. This was, however, an increase from the previous year (53%). Hampshire County Council had the highest at 84%.
- Top areas of complaint for county councils are: Adult Social Care, Education & Children’s social care and Highways and Transport.
- Education & Children’s social care was the top area of complaint for all benchmarked authorities (complex and emotive), with the exceptions of Essex and East Sussex whose top subject of complaint was Adult Social Care. This year saw an increase in Education & Children’s complaints referred to the Ombudsman for SCC.
- Opportunities to offer early resolutions for Ombudsman complaints should be more actively explored (where appropriate) – SCC did so in only 4% of cases, compared to a national county council average of 9%
- East Sussex had the highest % of complaints progressing to detailed investigation (48%). SCC performs consistently against its peers in this area and was third lowest at 25%.
- SCC had a 100% compliance rate with Ombudsman recommendations (against a national county council average of 99%) and implemented 9 service improvements.
- The Ombudsman raised concerns with SCC, Essex CC and Kent CC about a lack of timely and full responses to LGSCO investigations – this has been a particular challenge for Education & Children’s Social Care complaints and improvement actions have been implemented.



**Adult Social Care: Upheld**

18 010 777: Mrs X complained that the Council assessed her needs and agreed she had a need to access the bath, but had not provided the required equipment or adaptations to enable her to do this. This had affected her health and wellbeing. The Ombudsman found that the Council was at fault. There was a lack of clarity in how it assessed her needs and eligibility for assistance. This had caused Mrs X confusion and uncertainty. The Council agreed to complete a reassessment of her needs, and pay her £100 to acknowledge the confusion and uncertainty. It also agreed to review its occupational therapy assessment procedures

**Adult Social Care: Not upheld**

18 002 889: Mr A complained for his daughter Ms B that Surrey County Council did not enable access to advocacy services for Ms B, removed services from Ms B's care package without conducting a review and failed to communicate adequately with NHS services about Ms B's care. The Ombudsman found that there was appropriate advocacy support for Ms B at reviews and assessments and the Council carried out a review before revising her care package and so it acted in line with sections 67 and 27 of the Care Act 2014. The Ombudsman was satisfied there was appropriate liaison with the NHS. The Ombudsman did not uphold this complaint.

**Education & Children's: Upheld**

17 014 479: Mrs X has complained about how the Council has dealt with her son's Education, Health and Care Plan (EHCP). She says the Council did not finalise the plan within the statutory timescale, failed to properly assess her son and did not ensure the provision detailed in the plan was in place. Mrs X also complained about how the Council has dealt with her complaint and says it has taken over a year to respond to her concerns. The Ombudsman found there had been fault by the Council as it did not complete Y's plan in line with the statutory timescale, failed to put in place the provision in Y's EHCP for September and October. Y has suffered injustice because of the Council's fault as he did not receive the therapies he needed for over a month. Mrs X was also put to time and trouble to make sure her son received the provision he was entitled to. The Ombudsman also found failings in the way the complaint was handled. To remedy the injustice caused, the Council has agreed to apologise to Mrs X and pay her £100 for the time and trouble she has been put to, and to pay £300 to compensate for the missed provision between September and October 2016

**Education & Children's: Not upheld**

18 013 267: Mrs W complained the Council failed to offer home to school transport to her youngest child, C, even though her older child, B, received it. She appealed the Council's decision but was unsuccessful in achieving the outcome she wanted. The Ombudsman found that there was no evidence of fault by the Council.

### **Highways & Transport: Upheld**

18 003 917: Mr X complained the Council failed to honour an agreement to carry out works to an existing vehicle crossover outside of his and his neighbour's property. The Ombudsman found that the Council had failed to advise Mr X there was a time limit to accept the agreement. To remedy the injustice caused to Mr X, the Council agreed to honour its original offer

### **Highways & Transport: Not upheld**

17 006 554: Mrs S complained that the Council had not resolved problems with highway drainage that have caused her front garden to flood. Mrs S said that after rain, the highway drainage was not good enough and caused a patch of water in her front garden. The Ombudsman found that, when told of the flooding, the Council has carried out more jetting, spoken to the water authority, investigated the cause of the wetspot and planned to carry out more investigation as one of the drains was not emptying correctly. It has also previously offered to put a lip on Mrs S's drive to stop water running down, which Mrs S has refused. The Ombudsman said that they appreciated Mrs S remained dissatisfied, as the Council had said the further investigation was a low priority and there may not be funds to carry out further works. The Ombudsman accepted that Councils has limited resources and has to prioritise which works to carry out. They concluded that there had been minor delays but that the Council has kept the drains clear according to its maintenance schedule and taken appropriate action in response to the reports of flooding. The complaint was not upheld.



## **Audit & Governance Committee**

26 September 2019

### **Risk Management Report**

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

This risk management report provides an update on the council's strategic 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 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 Scrutiny Committee.
3. Note the upcoming independent review of the strategic risk management arrangements.

#### **Strategic risk register**

4. The strategic risk register is now reported as part of the quarterly performance report to CLT and members. The latest risk register is at Annex A and shows:
  - A new risk (S10) 'location and ways of working change';
  - Addition of residual risk scores i.e. risk levels following mitigation.
5. There are future plans to add to the strategic risk register to ensure that additional planned actions and mitigations are identified to further reduce residual risk scores where necessary.

## Risk management arrangements

6. CLT have commissioned an independent review of strategic risk management to focus on the risk assurance framework and raising the profile of risk across the organisation. This work will inform the future strategic risk arrangements and a further update will be provided to the next committee meeting.

## Implications

### Financial and value for money implications

7. 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

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

### Risk Management Implications

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

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Strategic Risk Register			Annex A		
Risk Ref.	Risk Description	Risk Owner	Inherent risk score	Control measures	Residual risk score
S10	<b>Location and ways of working change</b> The volume and pace of change required for staff moves from County Hall and shift to agile ways of working leads to disruption to service operations and users, and/or failure to deliver savings plans.	Executive Director of Transformation, Partnerships and Prosperity	H	Alignment with the wider transformation agenda and clear prioritisation led by CLT Alignment with key service change Introduce ways of working change incrementally and as early as possible without disruption in order to have most staff comfortable with the bulk of change prior to location moves Leverage other initiatives to help push and embed ways of working change (Culture and people change, other transformation programmes) Put in place business change managers and governance to protect service continuity and help prepare and manage for change	M
S1	<b>Financial Resilience</b> Failure to develop sustainable medium term financial plans leads to increased levels of external censure and reactive service reductions.	Executive Director of Resources	H	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.	M
S2	<b>Delivery of Savings Plans</b> Failure to deliver savings plan lowers the council's financial resilience and leads to reactive service reductions.	Executive Director of Resources	H	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.	M
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.	Executive Director of Transformation, Partnerships and Prosperity	H	Transformation Support Unit (TSU) in place providing: - Project/programme management - Allocation of Accountable Executives and project/programme managers to each project/programme - Resource and funding to support additional capacity required and accelerate delivery of projects/programmes.  Transformation Programme risk register maintained by TSU and regularly reviewed by Transformation Board.  Clear, consistent and timely communications to staff through an effective Transformation Programme communications and engagement plan.	M
S3	<b>Brexit</b> Brexit impacts significantly on the ability of the council and its partners to deliver services.	Executive Director of Resources	H	Brexit working group in place to review and monitor specific risks. Ongoing communication and engagement with key stakeholders.	M
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.	Executive Director of Transformation, Partnerships and Prosperity	H	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.	M
S7	<b>Children's Safeguarding (Ofsted rating)</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	Executive Director - CFLC	H	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 the end of March 2019. Monitoring of change across Children's services to ensure performance of service delivery is maintained.	M
S8	<b>Provider Market</b> Lack of availability of provider market leads to inability to maintain services.	Executive Director - ASC and Executive Director - HT&E	H	Development of an effective commissioning strategy and market shaping plan with the support of the Social Care Institute for Excellence [SCIE] will identify the priority areas.  Continued engagement with providers at various forums to ensure issues of availability and sustainability are heard and addressed where possible.  Continued monitoring of critical contracts and agreed contingency and resilience processes in place.  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.	M
S9	<b>SEND</b> Lack of transformation of SEND services at scale and pace required leads to inability to control the council's budget.	Executive Director - CFLC	H	A senior leader has been sourced to provide additional capacity to drive the transformation. Significant activities are underway to transform the strategic and operational delivery of SEN including: - A new operating model of early help across the directorate with a full scale restructure. - Developing finance and business processes (e.g. a commissioning gateway to resources) - Additional capacity from Property, HR and Finance being sought to accelerate change. Strengthened governance arrangements to provide oversight and assurance via: o SEND Partnership Board chaired by the Executive Director CFLC o SEND Transformation Programme Board (chaired at Director level). o Revised children and young people partnership o Weekly phone calls with Health partners to progress activities at pace o A new Cabinet Members task group has been proposed to provide additional scrutiny. Developing robust programme communication.	M
S5	<b>Workforce</b> Insufficient capability and competency to deliver and cope with the change needed leads to reduction in staff capacity and resilience.	Executive Director of Transformation, Partnerships and Prosperity	H	Pastoral and wellbeing support for staff in place.  Culture Change approach developed including: - Cultural shift toolkit for managers - Council values and working principles	M

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**Audit & Governance Committee**  
26 September 2019

**EXTERNAL AUDIT PERFORMANCE REPORT 2018/19**

**Purpose of the report:**

This report provides the Audit & Governance Committee with details of Grant Thornton's performance during the last 12 months against the Key Performance Indicators (KPIs) previously agreed and approved by this Committee in September 2018.

**Recommendations:**

It is recommended that the Audit & Governance Committee consider the contents of the report in Annex 1.

**Introduction:**

1. As part of the performance management framework between the Council and Grant Thornton, a set of key performance indicators are maintained and updated annually. These indicators are approved by this Committee in advance, monitored throughout the year and formally reported in the September meeting of the Audit & Governance Committee each year.
2. The report in Annex 1 details Grant Thornton's performance against the twelve agreed indicators, covering the following areas:
  - response time
  - achievement of planned input
  - reporting arrangements
  - quality assurance.

**Performance against key performance indicators:**

3. The report in Annex 1 sets out the performance of Grant Thornton against the KPI targets as agreed with the Council in September 2017. It concludes that the targets were predominately met, except on the Client Satisfaction Score. Officers and Grant Thornton are working together to identify the areas for improvements in future years.

**Key performance indicators for the 2019/20 audit**

4. Grant Thornton have reviewed their provision of performance KPIs and will no longer be providing these for future years.

**Conclusions:**

5. The 2018/19 KPIs and performance review are presented in Annex 1 for discussion.

**Financial and value for money implications**

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

**Equalities and Diversity Implications**

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

**Risk Management Implications**

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

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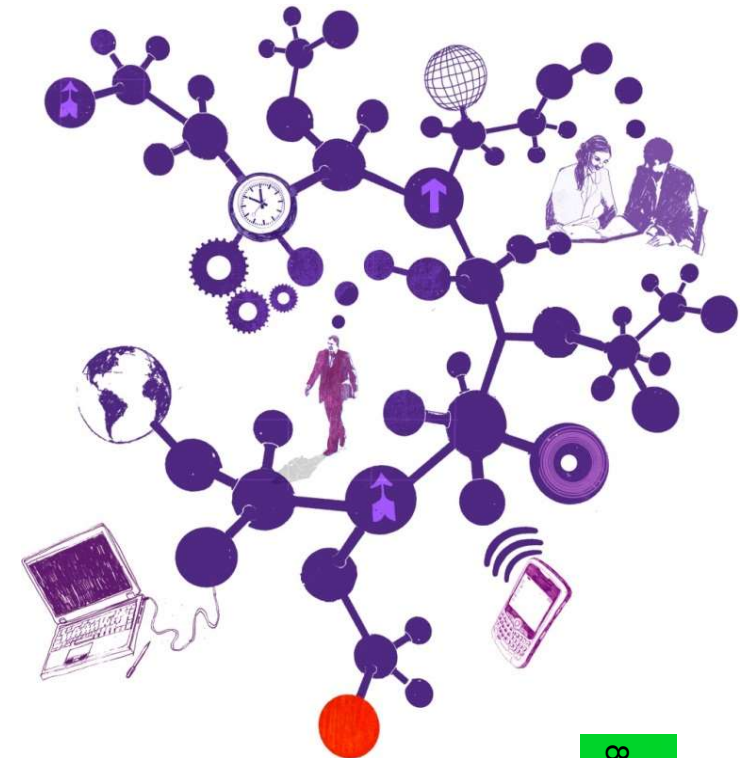
# 2018/19 Performance Management Framework - Surrey County Council

September 2019

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# Performance management framework

## Performance against Key Performance Indicators (KPIs)

We set out below performance against our KPIs. The indicators below were agreed with the Audit and Governance Committee in September 2018. We welcome any comments on the assessment below as well as on potential changes to indicators for 2018/19.

Area	Agreed service level and indicator	Target	Actual Performance – Assessment at September 2019
Response time	<ul style="list-style-type: none"> <li>We will provide an initial response to all major enquires or requests for assistance within 5 working days, with full responses within 15 working days.</li> </ul>	100%	100%
	<ul style="list-style-type: none"> <li>We will ensure all requests for information from third parties are made by the end of the first week the audit and we will notify the Finance team if third parties do not respond within 3 weeks.</li> </ul>	100%	100% No issues arising.
	<ul style="list-style-type: none"> <li>We will ensure requests for downloads of large datasets from SAP are made by the end of the first week of the final audit.</li> </ul>	100%	100% Achieved. No issues arising.
Achievement of planned input	<ul style="list-style-type: none"> <li>The total approved audit fee will not be exceeded, except by prior approval by the Director of Finance.</li> </ul>	100%	We have proposed a number of additional fees to the Director of Finance reflecting additional work required during the audit and will obtain formal agreement prior to raising of invoices relating to these variations.
	<ul style="list-style-type: none"> <li>In light of the National Audit Office's approach to Value for Money, we will agree in advance the areas of focus in 2018/19 with the Director of Finance.</li> </ul>	100%	100% An additional matter was subsequently brought to our attention regarding the PFI Eco park which resulted in a further VFM risk and communicated as soon as practicable.

# Performance management framework (continued)

Area	Agreed service level and indicator	Target	Actual Performance – Assessment at September 2019
Achievement of planned input	<ul style="list-style-type: none"> <li>We will provide monthly updates on audit progress to the Finance Manager (Assets and Accounting) and Principal Accountant and, during the final accounts process, meet weekly to discuss emerging issues and agree our approach to tackling them</li> </ul>	100%	100% The Audit Manager and the Strategic Finance Manager (Corporate) for SCC met on a weekly basis throughout June and July in order to enable detailed monitoring of audit progress. This was a critical factor in ensuring successful meeting of the 31 July target date for signoff.
Reporting arrangements	<ul style="list-style-type: none"> <li>We will ensure that reports are made available to Audit &amp; Governance Committee members 7 working days before the Audit and Governance Committee meeting</li> </ul>	100%	100% No issues arising
	<ul style="list-style-type: none"> <li>We will provide a final list of any proposed amendments to the financial statements before the relevant Audit &amp; Governance Committee reports deadline</li> </ul>	100%	A preliminary disclosure issues checklist was received by management on 16 July prior to Audit & Governance Committee on 29 July. A subsequent version of the accounts with all amendments made was received by the audit team on 25 July. A final disclosure issues schedule was received by management on 30 July.
	<ul style="list-style-type: none"> <li>We will report progress against recommendations previously raised to each Audit &amp; Governance Committee, and by exception, the effectiveness of any remedial action taken</li> </ul>	100%	N/A



# Performance management framework (continued)

Area	Agreed service level and indicator	Target	Actual Performance – Assessment at September 2019
Quality assurance	<ul style="list-style-type: none"> <li>We will report to the Audit &amp; Governance Committee the results of any internal or external quality reviews of Grant Thornton</li> <li>Client satisfaction score (people indicating how satisfied they are with their audit service on a scale of 0 – 10 where 10 is very satisfied)</li> <li>When requested, we will perform an informal training session to the Audit &amp; Governance Committee or finance staff on our audit approach and responsibilities</li> </ul>	<p>100%</p> <p>9 or above</p> <p>100%</p>	<p>See FRC website for details of their May 2019 inspection report on the firm’s commercial audit practice.</p> <p>7 out of 10 We are working closely with management to improve this satisfaction score to achieve the target of ‘9’ in 2019/20.</p> <p>N/A</p>



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## Audit & Governance Committee

26 September 2019

### ANNUAL AUDIT LETTER 2018/19

**Purpose of the report:**

The Council's external auditors, Grant Thornton, are presenting their Annual Audit Letter in respect of the audit year 2018/19 (Annex 1). This report summarises the key messages and findings arising from the work carried out at the Council for the year ended 31 March 2019.

**Recommendations:**

The Audit & Governance Committee is asked to note the contents of the Annual Audit Letter (Annex 1).

**Introduction:**

1. The Annual Audit Letter summarises the key findings arising from the work carried out by Grant Thornton for the year ended 31 March 2019.
2. The Annual Audit Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public.
3. A more detailed report outlining the detailed findings from the audit work completed on the financial statements, to those charged with governance was included in the Audit Findings Report which was shared with this Committee on 29 July 2019.

**Conclusions:**

4. The Annual Audit Letter of the external auditors is attached at Annex 1 for consideration by this Committee.
5. The report confirms that in respect of the audit of the Surrey County Council 2018/19 financial statements:
  - Grant Thornton issued an unqualified opinion on the Council's accounts and the group accounts on 31 July 2019, in line with the national deadline.
  - The Council made the accounts available for audit in line with the agreed timetable, and provided a good set of working papers to support them.

6. The report confirms that Grant Thornton has issued an adverse 2018/19 value for money conclusion due to :
  - weaknesses in the resilience of the council finances, and
  - the results of Ofsted reports into children's services.
  
7. The report confirms that in respect of the audit of the Surrey Pension Fund financial statements:
  - Grant Thornton issued an unqualified opinion on the Pension Fund financial statements on 31 July 2019, in line with the national deadline.
  
8. The report also confirms that Grant Thornton cannot:
  - provide an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report until the Annual Report is complete. The deadline for this is 1 December 2019
  - formally conclude the audit and issue an audit certificate in until work is completed on the Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2019.

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

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

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

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

#### **Risk Management Implications**

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

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# The Annual Audit Letter for Surrey County Council

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30 August 2019



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## Section

- 1. Executive Summary
- 2. Audit of the Financial Statements
- 3. Value for Money conclusion

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## Appendices

Reports issued and fees

# Executive Summary

## Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Surrey County Council (the Council) and its subsidiaries (the group), and the Surrey Pension Fund for the year ended 31 March 2019.

This Letter is intended to provide a commentary on the results of our work to the group and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit & Governance Committee as those charged with governance in our Audit Findings Report on 29 July 2019.

## Our work

## Respective responsibilities

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

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

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

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<b>Materiality</b>	We determined materiality for the audit of the Council's financial statements to be £30 million (£30.1 million Group), which is 1.5% of the Council's gross revenue expenditure. We determined materiality for the Pension Fund audit to be £40 million based on 1% of net assets in the fund.
<b>Financial Statements opinion</b>	We gave an unqualified opinion on the group's financial statements on 31 July 2019. We gave an unqualified opinion on the pension fund financial statements on 31 July 2019.
<b>Whole of Government Accounts (WGA)</b>	We completed work on the Council's consolidation return following guidance issued by the NAO.
<b>Use of statutory powers</b>	We did not identify any matters which required us to exercise our additional statutory powers.

# Executive Summary

**Value for Money arrangements** We were not satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources because of weaknesses in resilience of council finances and results of Ofsted reports into children's services provided by Surrey County Council.

We therefore issued an adverse value for money conclusion in our audit report to the Council 31 July 2019.

**Certification of Grants** We also carry out work to certify the Council's annual 'EOYC' Teacher's Pensions claim. Our work on this claim is not yet complete and is anticipated to be completed in Autumn 2019. We will report the results of this work to the Audit & Governance Committee separately as necessary.

**Certificate** We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2019. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2019. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

## Working with the Council

During the year we have delivered a number of successful outcomes with you:

- An efficient audit – we delivered an efficient audit with you in July, delivering the financial statements by the statutory deadline of 31 July
- Understanding your operational health – through our value for money work we have provided you with assurance on your operational effectiveness

- Sharing our insight – we provided regular audit committee updates covering best practice. We also shared our thought leadership reports
- Providing training – we provided your teams with training on financial statements and annual reporting via our annual local government accounts workshop

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

**Grant Thornton UK LLP**  
August 2019

# Audit of the Financial Statements

## Our audit approach

### Materiality

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

We determined materiality for the audit of the group financial statements to be £30 million, which is 1.5% of the group's gross revenue expenditure. We determined materiality for the audit of the Council's financial statements to be £30.1 million, which is 1.5% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the group and Council's financial statements are most interested in where the group and Council has spent its revenue in the year.

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

### The scope of our audit

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

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

We also read the remainder of the financial statements and the narrative report and annual governance statement published alongside the financial statements to check it is consistent with our understanding of the Council and with the financial statements included in the Annual Report on which we gave our opinion.

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

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

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

# Audit of the Financial Statements

## Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Valuation of land and buildings</b></p> <p>The Council revalues its land and buildings on a rolling basis to ensure that carrying value of assets is not materially different from current value. This represents a significant estimate by management in the financial statements due to the size of the numbers involved (£1.09 billion in the prior year) and the sensitivity of the estimate to changes in key assumptions.</p> <p>Additionally, management are required to address the risk that the carrying value of assets not revalued as at 31 March 2019 in the Council financial statements may be 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 have:</p> <ul style="list-style-type: none"> <li>• reviewed management’s processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li> <li>• considered the competence, expertise and objectivity of any management experts used;</li> <li>• discussed with the valuer the basis on which the valuation is carried out and challenge of the key assumptions;</li> <li>• reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding;</li> <li>• tested revaluations made during the year to ensure they are input correctly into the Council’s asset register,</li> <li>• reviewed significant asset valuation movements against movements in indices relating to land and building values since the most recent previous valuation for reasonableness, and challenged these when necessary;</li> <li>• evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value, including evaluation of management’s paper on assets not revalued against the requirements of the CIPFA code;</li> <li>• engaged our own external auditor’s expert to support our assessment of the valuer’s work in preparation of valuation figures for the purposes of the financial statements as at 31 March 2019; and</li> <li>• challenged management to support the valuation of the Eco Park PFI development in assets under construction.</li> </ul> <p>As identified above, it was determined through analysis of the significant movements in valuation of land and buildings this year that it was necessary for the audit team to engage their own external valuer to assist in reviewing the valuation methodology and assumptions employed by the Council’s external valuer.</p>	<p>Our work identified material corrections to be made to the financial statements in respect of historical valuations of land &amp; buildings. This matter was reported in our ISA 260 audit report.</p> <p>Aside from the above adjusted misstatement our audit has not identified any issues in respect of valuation of land &amp; buildings.</p>

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# Audit of the Financial Statements

## Significant Audit Risks - continued

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Valuation of net pension liability</b></p> <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 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 have:</p> <ul style="list-style-type: none"> <li>• updated 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>• evaluated the instructions issued by managements to their management expert for this estimate and the scope of the actuary's work;</li> <li>• assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund liability;</li> <li>• tested 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; and</li> <li>• undertaken 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> <p>The Court of Appeal ruled in December 2018 that there was age discrimination in the judges and firefighters pension schemes where there were transitional protections given to scheme members. The Government's application to the Supreme Court for permission to appeal was rejected in June 2019. The legal ruling around age discrimination also has implications for other pension schemes where they have implemented transitional arrangements on changing benefits, including the Local Government Pension Scheme (LGPS).</p> <p>In addition, the High Court ruled that defined benefit pension schemes must remove any discriminatory effect that guaranteed minimum pension entitlements have had on members benefits. GMPs must be equalised between men and women and past underpayments must be corrected. This will lead to increased costs for sponsors of defined benefit schemes (ie the LGPS) that were contracted out of the State Second Pension in the period from 17 May 1990 to 5 April 1997.</p> <p>These matters have been considered by the audit team. Management have agreed to adjust the accounts based on the revised IAS19 valuation report from the Actuary.</p>	<p>Our work identified material corrections to be made to the financial statements in respect of the McCloud judgment's impact on the pension liability. This matter was reported in our ISA 260 audit report.</p> <p>Aside from the above adjusted misstatement our audit has not identified any issues in respect of valuation of net pension liability.</p>

# Audit of the Financial Statements

## Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Management override of internal controls</b></p> <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 have:</p> <ul style="list-style-type: none"> <li>evaluated the design effectiveness of management controls over journals;</li> <li>analysed the journals listing and determined the criteria for selecting high risk unusual journals;</li> <li>tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration by appropriate evidence;</li> <li>gained an understanding of the accounting estimates and critical judgements applied by management in preparation of the accounts and considered their reasonableness with regard to corroborative evidence; and</li> <li>evaluated the rationale for any changes in accounting policies or significant unusual transactions.</li> </ul>	<p>Our audit did not identify any issues in respect of management override of controls.</p>



# Audit of the Financial Statements

## Pension Fund Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Valuation of level 3 investments</b></p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>We have identified the valuation of Level 3 investments as a risk requiring special audit consideration.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>gained an understanding of the Fund's process for valuing level 3 investments and evaluate the design of the associated controls;</li> <li>reviewed 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 all investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreed these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2019 with reference to known cash movements in the intervening period.</li> </ul>	<p>Our audit did not identify any issues in respect of level 3 investments.</p>
<p><b>Management override of controls</b></p> <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 have:</p> <ul style="list-style-type: none"> <li>Evaluated the design effectiveness of management controls over journals</li> <li>Analysed the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>Gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence</li> <li>Evaluated the rationale for any changes in accounting policies or significant unusual transactions.</li> </ul>	<p>Our audit did not identify any issues in respect of management override of controls.</p>

# Audit of the Financial Statements

## Audit opinion

We gave an unqualified opinion on the group's financial statements on 31 July 2019.

We gave an unqualified opinion on the Pension Fund financial statements on 31 July 2019.

## Preparation of the financial statements

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

## Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Audit & governance Committee on 29 July 2019.

## Annual Governance Statement and Narrative Report

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

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

## Pension fund accounts

We gave an unqualified opinion on the pension fund accounts of Surrey Pension fund on 31 July 2019. We also reported the key issues from our audit of the pension fund accounts to the Council's Audit & Governance Committee on 29 July 2019.

## Whole of Government Accounts (WGA)

We are in the process of carrying out work on the Council's Data Collection Tool in line with instructions provided by the NAO for bodies above the audit threshold. We anticipate that we will issue our assurance statement in respect of this matter in early September 2019.

## Other statutory powers

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

No such powers have been exercised in respect of the audit for 2018/19.

## Certificate of closure of the audit

We are unable to certify that we have completed the audit of the financial statements of Surrey County Council until we resolve the issues set out on page 4 relating to the review of the Pension Fund annual report and issue of WGA assurance statement.

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# Value for Money conclusion

## Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

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

## Key findings

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

The risks we identified and the work we performed are set out overleaf.

As part of our Audit Findings report agreed with the Council in July 2019, we agreed recommendations to address our findings.

## Overall Value for Money conclusion

Because of the significance of the matters we identified in our work, we were not satisfied that the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

# Value for Money conclusion

## Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p><b>Financial resilience</b></p> <p>In November 2018 we provided a report to the Council on Review of financial Health Arrangements. This review summarised the additional work we undertook to support our delayed VfM conclusion for 2017/18, specifically in regard to the Council’s financial health. The review considered the significant financial challenges facing the Council and the implications for financial sustainability in the short to medium term.</p> <p>As noted in that report, the Council has taken robust steps to address the significant financial challenge that it faces. The Council’s new senior management team acted promptly and effectively to strengthen arrangements to manage and deliver the planned savings. However, at the time of review further work was underway to develop savings and transformation plans to full business case stage so they could be implemented. We indicated that it would be important to track progress on delivering these over the medium term.</p>	<p>For the 2018/19 VfM conclusion, we have reviewed the progress made towards restoring financial sustainability since November 2018. We found that significant progress has been made and financial resilience has been improved, but there remains significant further work to do to achieve a sustainable financial position.</p>	<p>The Council’s MTFS published in January 2019 projects a savings gap of £133.8m to be closed by 2023-24. This assumes that the second tranche of planned savings in its financial improvement programme deliver a further £82m by the end of 2019/20. The financial challenge therefore remains acute and it will be important that the momentum gained in 2018/19 is maintained. We will continue to monitor progress against savings target for 2019/20.</p>
<p><b>Eco Park PFI scheme</b></p> <p>The Gasification facility was due to be operation by 7 November 2017 and is not yet operations, so it is significantly delayed. The “longstop” date, which would allow the Council to terminate the contract without fault falls 18 months after the target completion date, so in respect of the facility was 7 May 2019. We understand that if the Council does not exercise its termination rights it retains the right to do so at a later date.</p> <p>Management have stated that the project delays to 31 March 2019 have been associated with the management of the construction project, not failure of the gasification technology. While the Council is aware that other facilities using similar technology have experienced reliability issues, the Eco Park has not yet reached the point of operation or commissioning.</p>	<p>The audit team have held discussions with management regarding the scheme and reviewed value for money analysis undertaken by the Council in October 2013 considered both the quantitative and qualitative aspects of proceeding with the contract variation for the development for the Eco Park.</p>	<p>Following project delays the Council updated its VfM assessment in April 2015. This assessment confirmed the earlier assessment that the development of the Eco Park remained the best value solution for the public.</p>
<p><b>Ofsted inspection</b></p> <p>In June 2015 Ofsted published a report on services for children in need of help and protection, children looked after and care leavers in Surrey, based on their inspection visit in November 2014. The overall judgement was that children’s services were inadequate.</p> <p>Ofsted subsequently issued a follow-up inspection report in May 2018 based on their February 2018 inspection visit, in which the inadequate rating remained in place. Ofsted stated in the report that “Senior leaders and elected members in Surrey have been far too slow to accept and act on the findings and recommendations of the 2014 inspection, and to respond with the required urgency to the findings of several subsequent monitoring visits. Too many of the most vulnerable children in the county are being left exposed to continuing harm for long periods of time before decisive protective actions are taken”.</p>	<p>Following the 2018 inspection report the Council had two monitoring visits from inspectors in September 2018 and January 2019. The audit team have reviewed the results of these inspections.</p>	<p>Overall during 2018/19 there remains evidence of weaknesses in proper arrangement for understanding and using appropriate and reliable financial and performance information to support informed decision making and performance management and planning, organising and developing the workforce effectively to deliver strategic priorities.</p>

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# Reports issued and fees

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

## Reports issued

Report	Date issued
Audit Plan	8 April 2019
Audit Findings Report	23 July 2019
Annual Audit Letter	30 August 2019

## Fees (excluding VAT)

	Planned £	Actual fees £	2017/18 fees £
Statutory audit – Surrey County Council & Pension Fund	130,286	151,786	169,203
<b>Non-Audit fees:</b>			
CFO Insights Subscription	12,500	12,500	12,500
Certification of Teachers' Pensions Returns (SCC and Surrey Choices)	7,500	7,500	7,500
<b>Total fees</b>	<b>150,286</b>	<b>171,786</b>	<b>189,203</b>

## Audit fee variation

As outlined in our audit plan, the 2018-19 scale fee published by PSAA of £130,286 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table.

All fee variations are subject to PSAA approval.

Area	Reason for variation	Fee proposed
<b>Assessing the impact of the McCloud ruling</b>	See description on page 7 of this report. As part of our audit we have reviewed the revised actuarial assessment of the impact on the financial statements along with any audit reporting requirements.	£3,000
<b>Pensions – IAS 19</b>	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this.	£3,000
<b>Pensions – IAS 19 letters</b>	A number of local auditors in Surrey wrote to us as auditors of the Surrey County Council Pension Fund in order to request assurances in connection with their audits. Under the PSAA framework the costs of drafting and providing these assurances should be charged to the administering authority pension fund.	£5,000
<b>PPE Valuation – work of experts</b>	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	£3,000
<b>PPE Valuation – engagement of auditor's expert</b>	As part of our work on the valuation of PPE we were required to engage our own valuers in respect of Surrey County Council's PPE valuations. We were also required to perform additional audit work to respond to the results of the valuer's work.	£5,000
<b>PFI Eco Park work</b>	The PFI Eco Park scheme required additional consideration as part of our audit, including the accounting and Value for Money implications of the scheme.	£2,500
<b>Total</b>		<b>£21,500</b>



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## Audit & Governance Committee

### 26 September 2019

### Internal Audit Progress Report – Quarter 1 (01/04/19 – 30/06/19)

#### **SUMMARY AND PURPOSE:**

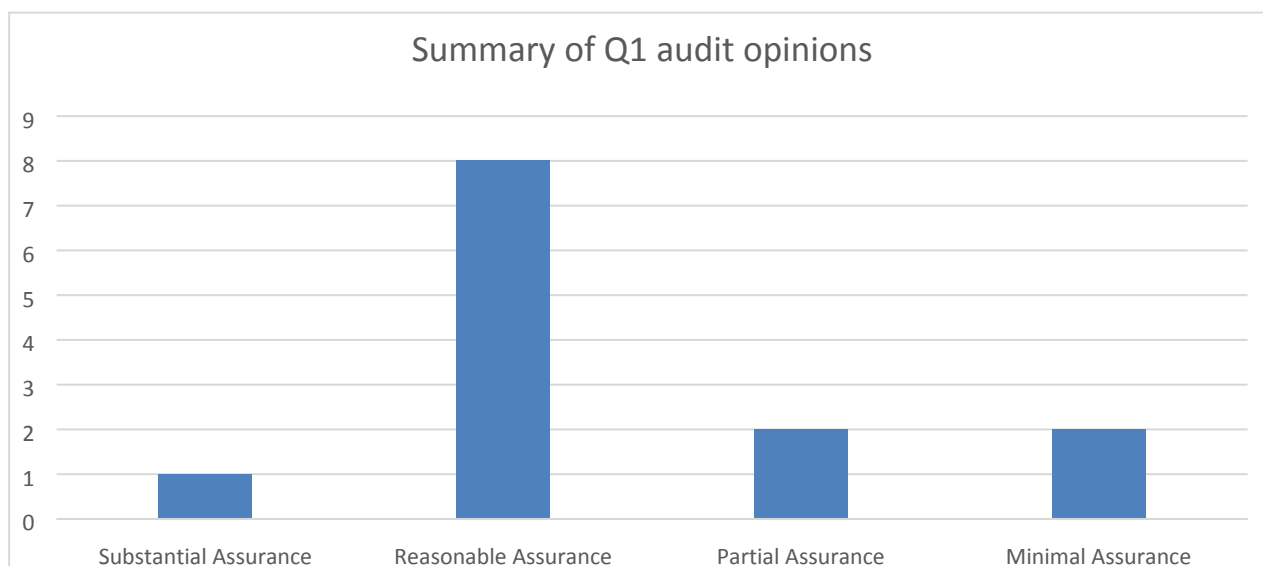
1. The purpose of this progress report is to inform members of the work completed by Internal Audit between 1 April 2019 and 30 June 2019.
2. The current annual plan for Internal Audit is contained within the Internal Audit Strategy and Annual Plan 2019-20, which was approved by Audit and Governance Committee on 8 April 2019.

#### **RECOMMENDATIONS:**

3. The Committee is asked to note the report and consider any further action required in the response to issues raised.

#### **BACKGROUND:**

4. Key audit findings from final reports issued during Quarter 1 are summarised in Appendix A.
5. Reviews completed in this quarter included a mixture of planned and unplanned audits, grant certification work, and irregularity work. Overall, of the 13 formal audits finalised during the quarter (excluding grant and irregularities), 1 received 'substantial assurance'; 8 received 'reasonable assurance', 2 received 'partial assurance' and 2 were rated as 'minimal assurance'.



6. Formal follow up reviews continue to be carried out for all audits where 'minimal assurance' opinions have been given and for higher risk areas receiving 'partial assurance'. There were no follow-up reviews completed in quarter one of 2019/20.
7. Members will recall that flexibility was built into the audit plan to allow resources to be directed to any new and emerging risks. We continue to liaise with departments to identify these, and also bring them to the attention of the Corporate Leadership Team. Details of those reviews added and removed from the plan so far this year are set out at the end of Appendix A.
8. Appendix A also provides details of counter fraud investigations completed, information on the tracking of high priority actions and progress against our performance targets.

#### **IMPLICATIONS:**

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

#### **WHAT HAPPENS NEXT:**

11. See Recommendations above.

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**REPORT AUTHOR:** Russell Banks, Orbis Chief Internal Auditor  
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**Sources/background papers:** Internal Audit Strategy and Annual Audit Plan 2019/20.



# Internal Audit and Counter Fraud Quarter 1 Progress Report 2019/20

## CONTENTS

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

## 1. Summary of Completed Audits

### Review of PAMS Income

- 1.1 Income due from all properties owned and leased out by the council should be recorded in the Property Asset Management System (PAMS) after receipt. The objectives of this review were therefore to ensure that:
- The council is able to effectively manage and recover income from properties it owns and leases;
  - That all properties generating income are recorded in PAMS along with all of the relevant contractual paperwork; and that
  - Property Services reviews all of the details held in PAMS to maintain accurate data in order to maximise income collected
- 1.2 Our audit identified areas where the control environment in which the PAMS system operates could be strengthened, including:
- Improving the quality of master data in the system, including that associated with contractual agreements and credit balances on customer accounts;
  - Delays in the implementation of PAMS in-year, combined with shortage of staffing resources;
  - Improving the formal guidance and procedure notes in key areas, to encourage more consistent practice; and
  - Introducing process enhancements to positively impact upon effective debt management and recovery.
- 1.3 We were only able to draw an opinion of **Partial Assurance** as a result of our review. We have agreed an action plan with management to address the issues identified within a timely manner.

### Surrey Fire & Rescue Service (SFRS) Cultural Compliance

- 1.4 The objective of this audit was to ensure that the delivery of the SFRS is supported by effective use of corporate processes, and compliance with all appropriate council policies and procedures. Testing was undertaken focusing on compliance with basic internal controls to inform the audit opinion on the culture of compliance within the service.
- 1.5 Overall, in the majority of the areas reviewed we found sufficient evidence of compliance with appropriate council policies and procedures, including the checking of assets, recording of annual and sick leave, travel and expenses claims, gifts and hospitality records and recruitment controls.
- 1.6 In addition, we identified a number of areas in which further improvements could be made, and therefore agreed appropriate actions with management to address these. The areas included:

- Reviewing the use of paper based or outdated IT systems, which limits the availability of management information. Particular areas of focus include the systems for fleet management, time recording, and petty cash handling;
- Strengthening performance management arrangements, and associated record keeping, particularly for uniformed staff.

1.7 Based on the work carried out, we were able to give an overall opinion of **Reasonable Assurance** in this area.

### Surrey Pension Fund Administration

1.8 This audit followed a previous review in 2017/18 that concluded with a partial assurance opinion. This subsequent review, which formed part of the 2018/19 audit plan, included a follow up to assess the extent to which the previously agreed actions had been addressed by management.

1.9 Despite a new management team being in place, the impact of the legacy issues within this service remains significant and consequently little progress has been made in implementing improvement actions arising from our previous audit. As a result, we have only been able to provide **Minimal Assurance** that appropriate controls are in place within this area of activity.

1.10 A summary of some of the significant issues the audit identified includes:

- A lack of key documents such as the Pension Administration Strategy, Business Plan, and Service Level Agreement, which help ensure staff are compliant in their practices whilst also enabling management to monitor and manage effective service delivery;
- High levels of case backlog in tasks (circa 57k across all managed funds, with circa 22k for the Surrey Pension Fund);
- Data quality issues in the Altair system relating to scheme members, with resourcing issues adversely affecting plans to cleanse the data;
- An working culture that maintains inefficient ways of working, including the use and maintenance of paper filing records;
- More than 60% of the service’s key performance indicators are not being met, and none of the performance statistics presented to scrutiny committee are validated, which reduces the assurance that can be placed on them; and
- Delays in employer contributions are not tracked, and their reconciliations are not completed in a timely manner.

1.11 As a result of our work, we have once again agreed a detailed set of actions with management, the implementation of which are now being monitored through new Board, which includes officers from within Finance, Internal Audit and the Pensions Administration Team.

- 1.12 Finally, it has been agreed with the council's S151 Officer and the Pension Team Manager that an independent Controls Assurance Report (known as an ISAE 3402 report) will be commissioned by the council in autumn 2019 for the pension administration function ahead of a follow-up audit. This report can be requested by any admitted body whose funds are managed by Surrey.

### Payroll (2018/19)

- 1.13 Our audit of this key financial system was scoped to provide assurance over the major controls operating within it, which include (but are not limited to):
- Starters are properly approved, calculated and paid from the correct dates;
  - Leavers are removed from the Payroll in a timely manner and paid correctly and accurately to the correct dates;
  - Permanent variations to pay are properly approved, calculated and paid from the correct dates;
  - Pay runs and BACS transmissions are correct and authorised;
  - Payroll data is regularly reconciled to the General Ledger;
  - Temporary payments (including additional hours, expense claims and payment to casual staff) are correctly authorised prior to processing;
  - Changes to Standing data are reviewed, accurately input and authorised; and
  - Guidance and documentation is available to support key processes.
- 1.14 We were able to provide assurance that these key controls were in place and operating as expected within the system. As a result we were able to give an opinion of **Reasonable Assurance**.
- 1.15 We agreed with management four actions to further improve the control environment, including strengthening the reconciliation of payroll suspense accounts, ensuring the accuracy of input relating to overtime and casual work payments, maintaining audit trails for authorisation and strengthening guidance relating to the Working Time Directive.

### Accounts Receivable (Order to Cash) (2018/19)

- 1.16 Our audit of this key financial system was scoped to provide assurance over the major controls operating within it, which include (but are not limited to):
- All income generating activities are identified and accurately raised to customers;
  - A customer account maintenance process is in place and operating effectively;
  - Amendments to invoices are correct and authorised;
  - Collection and debt recovery is managed efficiently and effectively;
  - Writes offs are processed accurately and correctly authorised;

- Payments are received and recorded against the correct debtor account in a timely manner;
- Reconciliations between the local debtors system and the General Ledger are undertaken on a regular basis; and
- Debt recovery performance is monitored and reported.

1.17 We were able to provide assurance that these key controls were in place and operating as expected within the system. As a result we were able to give an opinion of **Reasonable Assurance**.

1.18 We agreed with management a number of low and medium priority actions associated with managing aged debt, maintaining effective debt management targets and updating both local procedures and the council’s Financial Regulations for write-offs and debt recovery.

**IT Asset Management**

1.19 IT & Digital provides information and technology services to approximately 8,000 staff and members. The council has, through the Modern Worker Vision, implemented a project to refresh core technologies to support officers with the technology and associated devices to work in partnership with others. As of January 2019, the council had in excess of 24,000 end user devices (laptops, desktops, mobile phones, etc.) either deployed, held as stock or awaiting disposal.

1.20 The purpose of this audit was to provide assurance that controls are in place to meet the following objectives:

- Appropriate governance arrangements are in place for the procurement and disposal of hardware assets;
- There are robust arrangements in place for the recording and monitoring of hardware assets;
- Robust arrangements exist to record the transfer of hardware assets or submission into central IT stores when employees leave or move posts; and
- Appropriate security arrangements are in place for the storage of hardware assets.

1.21 Overall, we found that the majority of expected key controls were in place and operating effectively, resulting in the provision of **Reasonable Assurance** t over the control environment.

1.22 We agreed a number of medium and low priority actions with management where further improvements to the control environment were possible. These covered policies and procedures for each stage of the hardware asset lifecycle, removing the use of ‘generic’ team

accounts in the asset management system and strengthening separation of duties in relation to the handling of hardware assets.

### Third Party IT Service Providers (Non-Corporate)

- 1.23 Third party IT systems refer to those provided by a third party IT supplier, where the services are hosted outside of the council's network infrastructure and fall outside of the control of the IT & Digital Service (IT&D). In such instances, there is a risk to the security of data held in these systems, as well as to system availability, which can potentially impact upon service provision.
- 1.24 The purpose of the audit was to provide assurance that key controls were in place to meet the following objectives:
- There are adequate governance processes in place to ensure all systems are reviewed and approved by IT&D;
  - System access is restricted to appropriately authorised individuals and the permissions provided to those users are in line with business requirements and this is kept up to date with role changes;
  - Leavers are promptly and consistently removed from all systems;
  - Access to council data is held in accordance with relevant legislation and data is sufficiently protected by the service provider;
  - A process or agreement is in place for externally hosted systems in order to identify and manage vulnerabilities as they arise. This could include patches and other system updates being applied in a timely manner; and
  - Service providers have sufficient disaster recovery and business continuity arrangements in place.
- 1.25 From sample testing of a range of third-party systems used at SCC (from hundreds in operation), we were satisfied that appropriate key controls are in place. This includes the existence of technical and robust risk assessments by IT&D ahead of implementation, appropriate access permissions being in place, data recovery and back-up plans existing, along with business continuity plans, and appropriate controls over updates to the system.
- 1.26 One main area of weakness identified was a lack of awareness of the role of system owner and the responsibilities this entails. We have therefore agreed an action plan with management to address this weakness, and in so doing have mitigated the risks of:
- Significant changes taking place to systems without IT&D involvement;

- Inappropriate access to systems and data due to password security not following good practice;
- Responsibilities of the system provider not being known or monitored due to formal contracts not being available for all systems; and
- Business continuity plans not being available in the event that systems suffer an outage.

1.27 Overall, we were able to provide an opinion of **Reasonable Assurance** in this area.

**GDPR (General Data Protection Regulations) Compliance**

1.28 As part of the 2018/19 annual audit plan, Mazars Public Sector Internal Audit were commissioned to review the council’s key controls and processes to help ensure compliance with the GDPR. In doing so, adherence to the provisions of the existing Data Protection Act 2018 (DPA) were also assessed. The audit followed a previous audit of the council’s preparedness for GDPR, which resulted in an opinion of partial assurance.

1.29 Overall, this most recent review concluded that whilst there was generally a control framework in place, there remained numerous areas of non-compliance or specific gaps in the control environment which needed to be addressed. As a result, **Partial Assurance** was the overall opinion given.

1.30 Based on an assessment of the council’s arrangements against the ‘12 Steps Towards GDPR Compliance’, as published by the Information Commissioners Office (ICO), the review identified several areas where further improvements continue to be required. The most significant of these include:

- Reducing the substantial Subject Access Request (SAR) backlog;
- Updating the SCC website to clearly present the right to lodge a complaint, which is one the rights of a Data Subject;
- Updating the Data Breach Notification procedure to reference the 72-hour time limit to inform the ICO; and
- Increasing Data Protection training for all staff and communicating its importance on a regular basis.

1.31 In all cases, the identified actions have been agreed with management and will be subject to a formal follow up review by Internal Audit is due course.

## Schools Safeguarding Arrangements

- 1.32 We audited an element of school safeguarding arrangements, specifically the role of the School Safeguarding Team and how their role contributed to the overall assurance picture.
- 1.33 We identified that the work undertaken by this team was lacking in a number of key control areas, meaning that we were unable to provide higher than **Minimal Assurance** that their work would contribute effectively to the council fulfilling its duty of safeguarding under Section 175 of the Education Act 2002.
- 1.34 Specifically we identified that:
- Procedure notes had not been developed to clearly set out the roles and responsibilities of the team;
  - Historical records prior to 2017 relating to assurance activity had not been retained, greatly reducing cumulative information known about educational settings;
  - In the financial year reviewed (2018/19) no assurance has been obtained by the team through their self-assessment process, mainly due to poor response rates in the past;
  - Whilst plans for a new IT platform are currently underway which will enable schools to provide information, data and evidence, of their safeguarding arrangements, the project was still awaiting IMT approval;
  - We identified that there had been contact with 107 schools as at February 2019 but that there was no high level summary available to indicate the type of contact/issue raised for each school; and
  - A high proportion of schools that had experienced safeguarding related incidents in recent years were also those that had not submitted the last self-assessment questionnaire.
- 1.35 Since the audit, we have been informed that an online tool has been purchased and a bespoke audit built ready for roll out to all education providers on 2 October 2019 for a self-evaluation of safeguarding arrangements. The tool is currently in the final testing phase with SCC staff and 3 volunteer schools.
- 1.36 The information will be collected biennially, with the first full collection in May 2020 (with data collections each school term starting in December 2019). In the academic year 2020/2021 there will be moderation and quality assurance activity. A Communication plan is in place and education providers are due to receive a letter in September to formally introduce the audit.
- 1.37 A follow-up review by Internal Audit will be scheduled after the implementation dates agreed to seek assurance that the agreed actions and changes above are embedded.



## Treasury Management (2018/19)

- 1.38 This annual key financial system audit was undertaken to provide assurance that specific key controls were operating effectively within the Treasury Management system, including providing assurance that:
- The council has established an appropriate Treasury Management Policy & Investment Strategy;
  - All lending and borrowing decisions are based on robust cash flow forecasting over the short, medium and long term;
  - Investments are made with approved counterparties within approved limits, are correctly paid, authorised and are repaid by counterparties with the correct amount of interest;
  - Borrowings are made only from approved organisations, are correctly authorised and repaid to counterparties with the correct amount of interest;
  - There is regular and independent reconciliation between the Treasury Management record, the Bank Account and the General Ledger; and
  - Officers and elected Members receive regular and informative training and performance monitoring information.
- 1.39 Based on the audit work carried out, we were able to provide **Reasonable Assurance** over the Treasury Management system control environment. In addition, we agreed actions for further improvement with management focussing on reconciliation of interest payments due and the authorisation of supporting documents for recent investments.

## Surrey Commercial Services Cultural Compliance

- 1.40 Commercial Services provide support services to schools and other council-owned buildings. There are around 1200 staff working in approximately 450 locations around the county, mainly in the provision of over 55,000 daily school meals.
- 1.41 The objective of this audit was to ensure that the delivery of these commercial services is supported by effective use of corporate processes, and compliance with all appropriate council policies and procedures. Testing was undertaken focusing on compliance with basic internal controls to inform the audit opinion on the culture of compliance within the service..
- 1.42 Overall, in the majority of areas reviewed we found sufficient evidence of compliance with appropriate council policies and procedures including recruitment and induction, DBS checks, probation arrangements, pay, overtime and allowances, leave and attendance. Consequently, we were able to provide **Reasonable Assurance** over the control environment.
- 1.43 Due to the nature of the services provided, only a very small proportion of Commercial Services staff have regular access to IT systems resulting in a greater proportion of paper based processes, requiring manual completion. In such circumstances, processes are less efficient and

have a greater risk of error. This is an area we have highlighted with management with a view to increasing the use of technology where this is possible and beneficial.

- 1.44 All actions to further improve the control environment have been agreed with management as part of a formal action plan.

### General Ledger (2018/19)

- 1.45 This annual key financial system audit was undertaken to provide assurance that specific key controls were operating effectively, including that:
- The main accounting system operates in accordance with the Code of Practice on Local Authority Accounting and council regulations;
  - Suspense accounts are reconciled and cleared in a timely manner;
  - Bank reconciliations are performed daily and are adequately controlled;
  - The coding structure within the general ledger supports the requirements of the council;
  - All journals posted into the account have been entered accurately into the accounts and for a legitimate reason; and
  - Accruals are processed in accordance with local authority accounting requirements, ensuring that financial accounts accurately report income and expenditure within the year that it relates to.
- 1.46 For the most part we were able to provide assurance that the expected key controls were in place and operating as expected. As a result, we were able to give an overall opinion of **Reasonable Assurance**.
- 1.47 As part of the audit we agreed a number of improvements of medium and low priority with management, including updating of the Master Data Policy Document, improving the process for management of uncleared cheques, ensuring the timely clearance of non-material balances on a sample of suspense accounts and the need to realign some cost centres where the identified responsible officers were no longer working for the authority.

### Academy Transition Arrangements

- 1.48 Our audit considered the risks and mitigating controls associated with the academy conversion process to provide assurance that controls are in place to meet key objectives. This included ensuring that the council has sufficient time and capacity to support the academy conversion process, that key risks and issues are identified, prioritised, and acted upon appropriately, that

an up to date register and programme of works regarding aspects of conversion is maintained and that the council's exposure to financial risk is minimised.

- 1.49 Overall, we were able to give an opinion of **Substantial Assurance** in this area. Our review confirmed that the council's arrangements for transferring schools to academies, which are clearly documented and followed, have evolved over time and it is evident that lessons learnt from previous conversions have been used to strengthen the current process. There was effective coordination between services (for example, between CFLC and Legal and Property Services) and transfers of land and assets were managed appropriately.

## 2. Counter Fraud and Investigation Activities

### Proactive Counter Fraud Work

- 2.1 Internal Audit deliver both reactive and proactive counter fraud services across the Orbis partnership. Work to date has focussed on the following areas.

### National Fraud Initiative Exercise

- 2.2 The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The council is required to submit data every two years, and matches are sent back to the council for investigation. The results from the 2018 exercise were received on 31 January 2019 and have been prioritised for review over the coming months. Periodic updates on any outcomes from this work will be provided as part of future internal audit progress reports.

### Counter Fraud Policies

- 2.3 Each Orbis partner has in place a Counter Fraud Strategy that sets out their commitment to preventing, detecting and deterring fraud. Internal Audit are in the process of reviewing the sovereign strategies to align with best practice and to ensure a robust and consistent approach to tackling fraud. A refreshed Counter Fraud Strategy will be reported to Audit Committee in December.

### Fraud Risk Assessments

- 2.4 Fraud risk assessments have been consolidated to ensure that the current fraud threat for the council has been considered and appropriate mitigating actions identified.

### Fraud Response Plans

- 2.5 The Fraud Response Plans take into consideration the results of the fraud risk assessments and emerging trends across the public sector in order to provide a proactive counter fraud programme. These include an increased emphasis on data analytics. The Fraud Response Plans will set out the proactive work plan for Internal Audit in 2019/20. Areas identified include:
- Conflict of Interest
  - Gifts and Hospitality
  - Payments to GPs and Pharmacies
  - Purchasing and Fuel Cards

### Fraud Awareness

- 2.6 The team has been refreshing eLearning content to provide engaging and current material available to the whole organisation. This will be run in conjunction with fraud awareness workshops to help specific, targeted services identify the risk of fraud and vulnerabilities in their processes and procedures. An awareness campaign is planned to coincide with Internal Fraud Awareness Week in November.

### Reactive Counter Fraud Work - Summary of Completed Investigations

#### Employee Misconduct

- 2.7 Internal Audit provided support to management following allegations that a member of staff had privately sold their work mobile phone. The officer resigned whilst the investigation was ongoing with the cost of the handset recovered from their final salary payment.

#### Cash loss

- 2.8 An audit review was undertaken following an allegation of cash loss from a Primary School. The audit identified a range on internal control weaknesses at the school all of which will be addressed through the implementation of the actions agreed following our visit.

### 3. Action Tracking

- 3.1 All high priority actions agreed with management as part of individual audit reviews are subject to action tracking. As at the end of quarter 1, 95% of high priority actions due had been implemented.
- 3.2 We have received assurance from management that the three high priority agreed actions that are not fully implemented (relating to past audits of Traffic Management Signals, Schools Safeguarding Arrangements and Pension Fund Administration) remain on target to be completed by the end of quarter two.

3.3 We have agreed an extension of the due dates for high priority actions in two audits, from the end of quarter 1 to the end of quarter 2: the audits in question are for CFL Assessment and Care Plan Management, and SFRS Modified Pension Scheme. In both cases the original timeframe set by management proved unachievable given the complexity of the work required and the length of time to resolve the issues.

**4. Amendments to the Audit Plan**

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

- Virtual Schools (procurement assurance focus)
- Waste Contract PFI ('lessons learned' exercise)
- IMAGINE (Interreg NW European grant)
- Linden Farm (capital project review)

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

**5. Internal Audit Performance**

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

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April	<b>G</b>	Approved by Audit Committee on 8 April 2019
	Annual Audit Report and Opinion	By end July	<b>G</b>	2018/19 Annual Report and Opinion approved by Audit Committee on 29 July 2019
	Customer	90% satisfied	<b>G</b>	100%

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
	Satisfaction Levels			
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	<b>A</b>	21.5% completed to draft report stage by end of Q1 (against a Q1 target of 22.5%)
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	<b>G</b>	May 2019 – self-assessment by Orbis Internal Audit against PSIAS standards gives an opinion of ‘Generally Conforms’ – the highest of three possible rankings
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	<b>G</b>	No evidence of non-compliance identified
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions	<b>G</b>	95%
Our staff	Professionally Qualified/Accredited	80%	<b>G</b>	85% <sup>1</sup>

<sup>1</sup> Includes 1 part-qualified staff

## Audit Opinions and Definitions

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

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## Audit & Governance Committee

26 September 2019

### GOVERNANCE REVIEW: CHANGES TO SCRUTINY

#### **SUMMARY AND PURPOSE:**

The Committee is asked to review the new structure and arrangements for scrutiny committees from the County Council Annual General Meeting in May 2019, as agreed in Annexes 1 and 2.

#### **BACKGROUND:**

The Audit & Governance Committee has an important role in facilitating the oversight of the Council's Select Committees and observing the overall direction of the overview and scrutiny function, to help ensure the effective operation of policy development.

There is a need for the greater consideration of governance in this Committee and as a key member of the Select Committee Chairmen and Vice-Chairmen's Group, the Chairman of the Audit & Governance Committee has raised the issue there.

#### **RECOMMENDATIONS:**

The Committee to consider their position on the new structure and arrangements of the scrutiny committees and their implications for governance.

---

**Lead/Contact Officers:** Amelia Christopher, Democratic Services Assistant  
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**Sources/background papers:** None

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## COUNCIL REPORT

### CHANGES TO THE COUNTY COUNCIL'S OVERVIEW AND SCRUTINY FUNCTION

#### **KEY ISSUE/DECISION:**

The changes to the arrangements for the operation of overview and scrutiny at the County Council were agreed by Council in May 2019.

#### **BACKGROUND:**

- 1 While there have been regular changes to the structure and operation of the scrutiny function at the council, there is a need to make further amendments to support the changes taking place in the organisation as a whole, in particular the transformation programme.
- 2 Article 7 of Part 2 of the Constitution sets out the terms of reference and specific remits for each of the select committees, and states that the number of committees will vary from time to time as agreed by the Council. Democratic Services has reviewed the existing arrangements in conjunction with Group Leaders, the Chief Executive, and others, and this report sets out proposed changes for the Council's approval.

#### **PROPOSED CHANGES**

- 3 The proposed changes seek to achieve a scrutiny model that aligns with the senior officer and Cabinet structure. In addition, the proposals link the select committees to the outcomes in the Council's Vision for 2030.

- 4 The key changes to the current arrangements are as follows:

**(a) Reduction in the number of select committees**

Under this proposal, the number of select committees would reduce from six to four. This brings the county council in line with other county councils in the South East, where an average of four select committees exists, and complies with the independent review of Northamptonshire County Council's scrutiny arrangements, which advocated fewer committees and a simpler structure. To offset the impact of an overall reduction in seats as a result of fewer committees, the proposals assume that membership of each select committee will increase from 10 to 12, with additional outside representation where appropriate.

**(b) Enhanced role for the Select Committee Chairmen and Vice-Chairmen's Group**

The informal Select Committee Chairmen and Vice-Chairmen's Group will comprise the chairmen and vice-chairmen of all the select committees and will set the direction for strategic scrutiny and general oversight of the scrutiny forward work

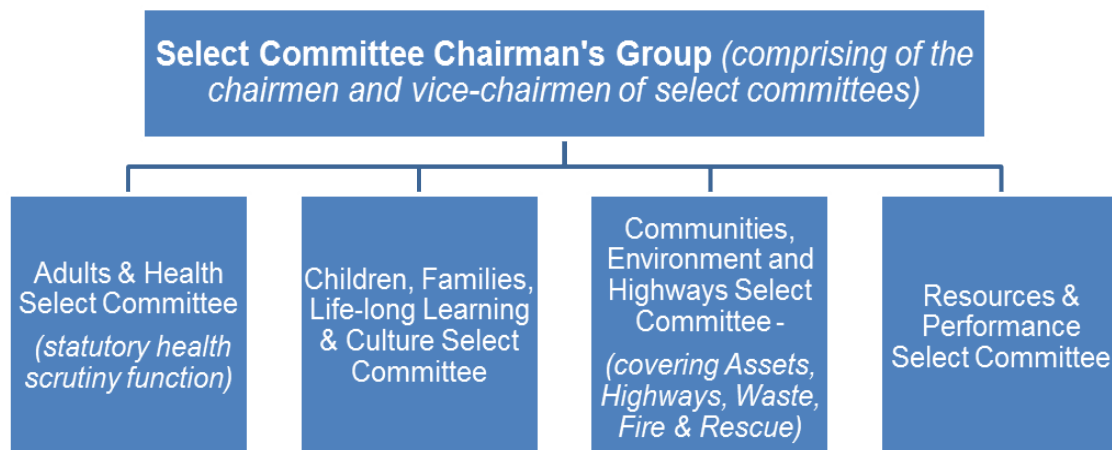
programmes and task and finish groups. The draft terms of reference for the group are attached for information at Annex A.

**(c) An increase in the number of select committee vice-chairmen**

It is proposed that each select committee will appoint informal task and finish groups to undertake specific, focused and time-limited reviews linking to areas within their remit. The effectiveness of these groups will be key to improving the overall impact and effectiveness of the scrutiny function.

It is anticipated that each select committee will have a maximum of two task and finish groups in operation at any one time. The expectation is that such groups will operate in noticeably different ways to committees and may meet informally and frequently, involving residents and external partners in their work. In order to sustain this intensive work, it is proposed that each select committee appoints two vice-chairmen, so that each can lead on one of the committee's task and finish groups.

- 5 The diagram below shows the proposed new structure. The remits of the new select committees are intended to align more closely with the Cabinet portfolios, and titles have been chosen which more clearly reflect the areas of work for which they are responsible, as well as the council's transformation agenda. Details of the services within the remit of each Select Committee are set out in the annex to the Articles, published elsewhere on this agenda.



- 6 The number of members to be appointed to each of the committees is proposed to be as follows:

Select Committee	Number of Members
Resources & Performance Select Committee	12
Adults & Health Select Committee	12 plus 3 co-optees
Children, Families, Lifelong Learning & Culture Select Committee	12 plus 4 co-optees
Communities, Environment and Highways Select Committee	12

The Chairman and Vice-Chairman of the Council will remain ex officio members of all the committees.

The allocation of seats on the select committees will be considered under an item elsewhere on this agenda.

#### **REASONS FOR CHANGE**

- 7 The current scrutiny model does not support the way the organisation is changing and in particular is not sufficiently aligned to the transformation programme to allow for meaningful scrutiny. The structure proposed reflects current thinking on best practice in scrutiny, which has moved away from a service-specific focus towards a thematic approach based on required outcomes.
- 8 A Members' working group led by Councillor John O'Reilly also discussed the current select committee model and developed suggestions for a new scrutiny model along very similar lines to those proposed.
- 9 The effectiveness of scrutiny at Surrey has been criticised by three external public bodies, with the scrutiny annual review from 2017/18 identifying that select committees made recommendations on only 19 of the 55 items it considered during that time.

#### **TRANSFORMATION SCRUTINY**

- 10 The Transformation Programme has been mapped against the proposed scrutiny structure to show which select committee would scrutinise which project, as follows.

Select Committee	Business cases
Adults and Health	Accommodation with Care and Support Practice Improvement ASC Market Management Health & Social Care integration
Children, Families, All Age Learning and Culture	Libraries and Cultural Services All Age LD (Transitions) Family Resilience SEND transformation

Communities, Environment and Highways	Waste Fire Improvement Place Strategy Highways, Transport and Environment Transformation
Resources and Performance	Customer Experience Finance Transformation Fees & Charges Digital Agile Workforce Performance Management/MI Insights Spans of Control Orbis VFM Commissioning

**NEXT STEPS:**

- 11 Subject to approval by the Council, the new arrangements will be implemented with immediate effect. A structured programme of induction and training, including chairing skills training and an all-Member briefing on effective scrutiny, has been developed by Democratic Services to support the introduction of the new arrangements, and officers will work with the Select Committee Chairmen's Group to review the effectiveness of the process over the coming year.
- 12 The Committees will continue to have responsibility for public scrutiny of Cabinet Members and officers, and the rights of Members to request items for inclusion on an agenda will be unaffected. In addition, Members will be encouraged to bring forward items from select committees and/or their task and finish groups for consideration at Cabinet or Council meetings.

**RECOMMENDATION:**

That the revised structure for overview and scrutiny in the County Council set out in paragraph four of the report, was agreed by Council in May 2019.

**Contact:** Geoff Wild, Director of Law & Governance  
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**Sources/background papers:** None

## SELECT COMMITTEE CHAIRMEN AND VICE-CHAIRMEN'S GROUP

### TERMS OF REFERENCE

#### Purpose

To exercise oversight of the Council's Select Committees and to set the overall direction for the overview & scrutiny function ensuring that scrutiny focuses on key strategic issues, adds value, holds decision-makers to account, and contributes effectively to policy development.

The Group will be a forum for sharing good practice, collective problem solving and the identification of training needs. The group will further act as the liaison point between overview & scrutiny and the executive.

#### Membership of the Group

- The Chairmen of the four select committees;
- The Vice-Chairmen of the four select committees; and
- The Chairman of the Audit & Governance Committee

There will be no deputies.

#### Roles/Functions

1. To facilitate liaison between the Select Committees, by sharing information, good practice and innovative approaches, and to generally oversee improvements to scrutiny practices and procedures.
2. To develop effective links with the Cabinet and Corporate Leadership Team, including ensuring appropriate and timely input in budget-setting and policy development processes.
3. To champion the role of scrutiny and raise the profile of Select Committee work, both internally and externally and sign-off the annual report presented to Council.
4. To evaluate the effectiveness and impact of select committees individually and collectively against objectives identified in committee forward work programmes and task group scoping documents.
5. To explore issues or difficulties in relation to the provision of information to overview and scrutiny, or with the implementation of recommendations from their work.
6. To critically assess the skills and knowledge of Committee members to identify gaps and training solutions including making recommendations for inclusion of topics on the Member Seminar programme.
7. To monitor the availability of staff and financial resources for Select Committee work.
8. To serve as a support group for Chairmen and/or Vice-Chairman wishing to share issues of concern or difficulty.

## **Frequency of Meetings and Chairing Arrangements**

The Group will meet six times a year, including six-monthly meetings with the Leader and Chief Executive.

The Chairman of the Group will be an opposition group member and will serve until the end of the Council or until such time that they are no longer in post.

Officer support will be provided by the Committee Business Manager from Democratic Services.

NOTE: The Select Committee Chairman's Group is not a formally constituted group, and therefore the functions listed above do not take precedence over any conflicting provisions contained in the Constitution.