

## Notice of Meeting

# Audit & Governance Committee



**SURREY**  
COUNTY COUNCIL

**Date & time**

Thursday, 1 October  
2020  
at 10.30 am

**Place**

Remote

**Contact**

joss.butler@surreycc.gov.uk

**Chief Executive**

Joanna Killian

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

**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) and Mrs Helyn Clack (Vice-Chairman of the Council)

## **AGENDA**

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

### **2 MINUTES OF THE PREVIOUS MEETING - 28 AUGUST 2020**

(Pages 1  
- 6)

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 (*25 September 2020*).
2. The deadline for public questions is seven days before the meeting (*24 September 2020*).
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

### **5 RECOMMENDATIONS TRACKER**

(Pages 7  
- 12)

To review the Committee's recommendations tracker.

- 6 STATEMENT OF ACCOUNTS 2019/20** (Pages 13 - 42)
- To inform the Committee of the result of the external audit of the council's 2019/20 Statement of Accounts, to receive the external auditor's Audit Findings Report and to approve the council's letter of representation from the Executive Director of Resources.
- Annexes:
- Annex 1 – SCC Statement of Accounts 2019/20 (Revised Draft)  
 Annex 2 - 2019/20 Audit Findings Report –SCC **(to follow)**  
 Annex 3 - Letter of Representation
- 7 ANNUAL COMPLAINTS PERFORMANCE REPORT** (Pages 43 - 66)
- The purpose of this report is to give the Audit & Governance Committee an overview of the council's complaint handling performance in 2019/20 and to demonstrate how feedback from customers has been used to improve services.
- 8 INTERNAL AUDIT PROGRESS REPORT – QUARTER 1 (01/04/20 – 30/06/20)** (Pages 67 - 92)
- The purpose of this progress report is to inform members of the work completed by Internal Audit between 1 April 2020 and 30 June 2020.
- 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 22 May 2020.
- 9 RISK MANAGEMENT UPDATE** (Pages 93 - 102)
- To introduce our strategic risk partner and their project approach to enable the committee to meet its responsibilities for monitoring the development and operation of the council's risk management arrangements.
- 10 EXCLUSION OF THE PUBLIC**
- Recommendation:** That under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information under the relevant paragraphs of Part 1 of Schedule 12A of the Act.
- PART TWO – IN PRIVATE**
- 11 PENSIONS ADMINISTRATION TURNAROUND PROGRAMME** (Pages 103 - 118)
- This report shares the Programme structure, plan and the governance framework for the Pensions Administration Turnaround Programme
- Confidential: Not for publication under Paragraph 3, 4**  
 Information relating to the financial or business affairs of any particular person (including the authority holding that information)  
 Information relating to any consultations or negotiations, or contemplated

consultations or negotiations, in connection with any labour relations matter arising between the authority or a Minister of the Crown and employees of, or office holders under the authority.

**12 DATE OF NEXT MEETING**

The next meeting of Audit & Governance Committee will be on 10 December 2020.

**Joanna Killian  
Chief Executive**

Published: 23 September 2020

**MINUTES** of the meeting of the **AUDIT & GOVERNANCE COMMITTEE** held at 10.30 am on 28 August 2020 at Remote Meeting.

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

**Elected Members:**

\*in attendance

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

**23/20 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]**

Apologies were received from Stephen Cooksey.

**24/20 MINUTES OF THE PREVIOUS MEETING (22 MAY 2020) [Item 2]**

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

**25/20 DECLARATIONS OF INTEREST [Item 3]**

There were none.

**26/20 QUESTIONS AND PETITIONS [Item 4]**

There were none.

**27/20 RECOMMENDATIONS TRACKER [Item 5]**

**Witnesses:**

David John, Audit Manager

**Key points raised during the discussion:**

1. In regards to action A2/19, the Audit Manager confirmed that the report had been published and had received reasonable assurance. The Committee agreed that the action could be marked complete.
2. In regards to action A2/18, Member highlighted that, in light of changes to business due to the COVID-19 pandemic, it was now an appropriate time to request a report outlining the council's process to support business continuity.

**Action/Further information to note:**

A20/20 - Committee Manager to discuss with key officers an appropriate time for the Committee to consider a report on business continuity which takes into account situations which affect home working.

**RESOLVED:**

The Committee noted the actions tracker.

## **28/20 RISK MANAGEMENT UPDATE [Item 6]**

### **Witnesses:**

Anna D'Alessandro, Director – Corporate Finance

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

1. The Director – Corporate Finance introduced the report and provided Members with a brief overview. It was noted that risk management consultants, Gallagher Bassett, had carried out a Baseline Review of the Council's Strategic Risk Management arrangements at the end of 2019 and a number of recommendations were made. The council procured a strategic risk partner to support the implementation of the recommendations with the aim of raising the profile, impact and effectiveness of the council's approach to risk management and ensuring clear policies were in place, adequately resourced and had full engagement across the Council. The contract for this work was awarded to Ernst & Young (EY) and details of their approach were outlined in the report.
2. Members sought financial details of the contract awarded to EY. Officers stated that financial information was confidential and agreed to circulate details outside of the meeting.
3. The Committee agreed to invite EY to the next meeting on 1 October 2020 to provide an overview of their approach and details of next steps.

### **Action/Further information to note:**

1. A21/20 - The Committee agreed to invite EY to the next meeting on 1 October 2020 to provide an overview of their approach and details of next steps.

### **RESOLVED:**

The Committee considered the contents of the report and confirm they were satisfied with the next steps.

## **29/20 INTERNAL AUDIT & COUNTER FRAUD ANNUAL REPORT AND OPINION 2019-20 [Item 7]**

### **Witnesses:**

David John, Audit Manager

Russell Banks, Chief Internal Auditor

Anna D'allessandro, Director – Corporate Finance

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

1. The Audit Manager introduced the report and provided Members with a brief summary. Members noted that the purpose of the report was to give an opinion on the adequacy of the council's control environment as a contribution to the proper, economic, efficient and effective use of resources. The report covered the audit work completed in the year from 1 April 2019 to 31 March 2020 in accordance with the Internal

Audit Strategy for 2019/20. Officers stated that this year an overall opinion of reasonable assurance had been given which was an improvement on the previous year. Members note that Pensions Administration and Health and Safety would continue to be a focus for the service.

2. Members of the Committee stated that they were happy with the content of the report and that it was positive the council was moving in the right direction.
3. The Committee sought further information on the situation around Pensions Administration and the actions which had been taken. The Director – Corporate Finance confirmed that the service was now within her remit and provided a brief overview. Members noted the complexity of the situation as the pension service dealt with six funds and therefore a lot of work needed to be done to make positive changes. Sonia Sharma had been engaged to act as Programme Manager and currently managed five to six different streams of work to turnaround the service. The Committee agreed to invite the Programme Manager to the next meeting to brief Members on work undertaken on Pensions Administration and the agreed approach. Further to this, Members noted that a follow up audit on Pensions Administration would likely be held in quarter four of 2021.
4. Members of the Committee had a discussion based on the details of antifraud and corruption which were outlined in the report. Officers stated that 19 allegations were not an unusually high number and that work was ongoing to ensure the services were aware of the right processes to follow when dealing with a potential antifraud or corruption situation.
5. Members noted that some internal audits had received ‘no opinion’ and asked for additional information of why no opinion was given. Officers stated that as a service, Internal Audit were doing more proactive work to support the council by providing advice to services and therefore a formal opinion would not be appropriate. Officers further stated that this would be clearer in future reports and they may potential change ‘no opinion’ to something outlining ‘advice only – no formal opinion’.
6. Members stated that it may be beneficial to better promote the work of Internal Audit internally and externally. Officers stated that this was an area being investigated by the Counter Fraud team as it would be positive for their work to raise awareness.
7. Members said there was a need to use clear and easy-to-understand language within the report.

**Action/Further information to note:**

A22/ 20 - The Committee agreed to invite the Programme Manager to the next meeting to brief Members on work undertaken on Pensions Administration and the agreed approach.

**RESOLVED:**

The Audit and Governance Committee:

- (i) Noted the work undertaken and the performance of Internal Audit in 2019/20 and the resultant annual opinion of the Chief Internal Auditor; and
- (ii) Did not there were any matters that the Committee wished to draw to the attention of the Cabinet or full Council;
- (iii) Consider whether the Council's arrangements for internal audit have proved effective during 2019/20

### **30/20 2019/20 TREASURY MANAGEMENT OUTTURN REPORT [Item 8]**

**Witnesses:**

Anna D'Alessandro, Director – Corporate Finance

Haley Woollard, Manager - Treasury Centre of Expertise for Orbis

**Key points raised during the discussion:**

1. The Manager - Treasury Centre of Expertise for Orbis introduced the report and provided Members with a brief summary. It was noted that the report was an outturn report for 2019 / 2020 which outlined the council's performance against indicators which had previously been agreed by the Audit and Governance Committee. Members noted that all indicators had been met throughout the year. Full details were noted and can be found from pages 57 of the agenda.
2. The Committee noted that joint treasury management training with the Resources and Performance Select Committee would be taking place at the end of the year.
3. Members noted that the future of the strategy was uncertain however, Arlingclose, the council's treasury advisors, would continue to consider the appropriateness of the council's treasury strategy.

**Action/Further information to note:**

None.

**RESOLVED:**

The Committee noted the content of the Treasury Management Outturn Report for 2019/20 and compliance with all Prudential Indicators.

### **31/20 ANY OTHER BUSINESS [Item 9]**

**Witnesses:**

Ciaran McLaughlin, Grant Thornton

Anna D'Alessandro, Director – Corporate Finance

**Key points raised during the discussion:**

Surrey County Council and Pension Fund External Audit Verbal Update – Grant Thornton



1. Ciaran McLaughlin, Grant Thornton, provided Members with an update on the council and pension fund external audit. Members noted the following details:
  - Almost all areas of the audit were in progress, and all samples had been selected. There were minor disclosures where work needed to be commenced. Audit aim to turn around all sample testing in the next two weeks.
  - The audit was subject to a 'hot review' by Grant Thornton's audit technical team – there was so far nothing ground-breaking coming out of the review compared to others
  - A small number of minor amendments and some disclosure points had been proposed and agreed by the council. There were no material adjustments to the accounts at this stage.
  - In regards to journals, sampling had been completed. There were 24 manual journals to test and evidence had been received from Council
  - In regards to Property, Plant and Equipment (PPE), methods for the council's valuations had been reviewed by Grant Thornton's internal expert, Gerald Eve, with one key item highlighted with regards to the valuer's methodology of using a rating manual for build costs.
  - In regards to surplus assets, in the draft accounts the council had moved £11m of properties from Surplus Assets to Investment Property which was the result of an exercise through which the council re-assessed the portfolio. As there was no clear in-year change of use that is required under IAS40 for such a transfer management considered reversing the transfer. Grant Thornton were considering this matter.
  - That the bulk of the work was completed on pension liabilities.
  - In regards to Minimum Revenue Permission (MRP), the Panel concluded that while the Council's approach was not explicitly unlawful it did lead to potentially imprudent MRP charge in the year. Grant Thornton recognise that this was at odds with the views of officers. Grant Thornton's view was that the council's approach to MRP with regard to third party loans and loans to purchase equities assumed that the loans could be repaid in full or the assets could be sold at full value to allow the council to repay the debt. In the current economic environment, Grant Thornton believe that this cannot be guaranteed, and this represents a risk to the local council taxpayers. Further to this, the panel agreed that Grant Thornton should comment on this in the audit findings report to those charged with governance and should ask the Audit Governance Committee to confirm that they were satisfied that the Council's approach results in a prudent MRP being recognised in the year. It was also recommend that the Council reviewed and considered revisions to the policy.
  - Subsidiary audits had been signed off.
  - In regards to Collection Fund Disclosures, there had been a delay in documentation received from the Districts.
  - In regards to Value for Money, the existing qualification regarding children's services would remain due to no OFSTED update.
  - Regarding the Pension Fund, IAS19 letters had been sent by both internal and external auditors, with their specific requests requiring additional testing, which was in progress. Internal review processes remain to be completed and conclusion of some national discussions around McCloud and Goodwin cases, among others.

2. The Committee asked if, hypothetically, the council had chosen to adopt a MRP that Grant Thornton were advocating, what the financial difference would be. Officers stated that the financial implication suggested would be £2.5 million. Members further noted that the council had changed the policy in February 2019 and that there was an intention to review the policy once the external audit had completed. Officers stated that they still maintain that they believed the policy was prudent at the time.
3. The Committee agreed to hold a pre-meeting prior to the next meeting to receive a briefing on the council's accounts.

**Action/Further information to note:**

None.

**32/20 DATE OF NEXT MEETING [Item 10]**

The date of the meeting was noted as 1 October 2020

Meeting ended at: 12.10 pm

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**Chairman**



Audit & Governance Committee  
1 October 2020

**ACTIONS TRACKER**

**PURPOSE OF REPORT:**

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

**INTRODUCTION:**

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

**RECOMMENDATION:**

The Committee to note the actions tracker attached as Annex A.

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**REPORT CONTACT:** Joss Butler, Committee Manager  
[joss.butler@surreycc.gov.uk](mailto:joss.butler@surreycc.gov.uk)

**Sources/background papers:** None

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## Audit &amp; Governance Committee Action Tracking

## 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> <p><b>August 2020 - Committee Manager to discuss with key officers an appropriate time for the Committee to consider a report on business continuity which takes into account home working.</b></p>

### Audit & Governance Committee Action Tracking

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
A15/19	26/09/2019	Select Committee meetings – Members to attend	When possible, Members to attend and/or watch the webcast of the four select committee meetings as part of their governance review over scrutiny.	Members	<p>October- The Chairman and Mr Hawkins attended the Resources and Performance Select Committee.</p> <p>December – the Chairman attended the Resources and Performance Select Committee and the Children, Families, Lifelong Learning and Culture Select Committee. Mr Szanto attended a Task Group of the Resources and Performance Select Committee</p> <p>January - David Harmer, Edward Hawkins and Peter Szanto confirmed that they had attended Select Committees since the last meeting. Comments provided by Members are outlined in the 29 January 2020 meeting’s minutes.</p> <p>May – The Chairman request that Members of the Committee were resent details of upcoming select committees.</p>
A17/19	17/12/19	Action Tracker	The Committee Manager to circulate confirmation on whether a non-Select Committee Member was able to join a Select Committee’s Task Group.	Committee Manager	<p>Confirmation was circulated to Members that non-Select Committee Members are able to join Task Groups although it is at the discretion of the Task Group Chairman.</p> <p>29/01/20 – The Chairman asked that this action remain on the Actions Tracker.</p>

## Audit &amp; Governance Committee Action Tracking

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

A2/19  (reinstated)	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	<p>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 in due course.</p> <p>18/11/2019 - The Audit Manager to update the Committee.</p> <p>17/12/2019 - Audit Manager informed the Committee that the follow-up audit was in its draft phase and officers hoped to circulate a final version by February or March 2020. Members noted that there had been improvements in the service and that the follow-up audit was expected to be positive. The Chairman asked that the action remain on the Actions Tracker.</p> <p>29/01/20 - the Audit Manager confirmed that the report was underway and was likely to receive reasonable assurance. It was expected to be circulated in February 2020.</p> <p>May 2020 - Audit Manager informed Members that managers had not yet signed off the follow-up audit but that it was expected to receive reasonable assurance which would be a great improvement.</p> <p>August 2020 – the Audit Manager confirmed that the report had been published and had received reasonable assurance. The Committee agreed that the action could be marked complete.</p>
A18/19	22 May 2020	Risk Management Baseline Review	The Committee asked that an update and final proposals following the Risk Management Baseline Review are considered by	Director – Corporate Finance	Officers provided an update at the Committee meeting in August 2020.

### Audit & Governance Committee Action Tracking

			Members in a formal or informal Audit and Governance Committee meeting.		
A21/20	28/08/20	Risk Management Update	The Committee agreed to invite EY to the next meeting on 1 October 2020 to provide an overview of their approach and details of next steps.	Committee Manager	Completed.
A22/20	28/08/20	Internal Audit & Counter Fraud Annual Report And Opinion 2019-20	The Committee agreed to invite the Programme Manager to the next meeting to brief Members on work undertaken on Pensions Administration and the agreed approach.	Committee Manager	Completed.





Audit & Governance Committee  
1 October 2020

### Statement of Accounts 2019/20

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

To inform the Committee of the result of the external audit of the council's 2019/20 Statement of Accounts, to receive the external auditor's Audit Findings Report and to approve the council's letter of representation from the Executive Director of Resources.

#### **Recommendations:**

It is recommended that the Committee:

1. Approve the 2019/20 Statement of Accounts , as attached in Annex A, for publication on the council's website and in a limited number of hard copies;
2. Consider the contents of the 2019/20 Audit Findings Report in Annex B;
3. Agree the officer response to recommendations of the external auditor;
4. Note the Executive Director of Resources' letter of representation, which is attached in Annex C;
5. Determine if any issues in the Audit Findings Report should be referred to the Cabinet.

#### **Introduction:**

6. The Executive Director of Resources has approved the statement of accounts for 2019/20 as presenting a true and fair view of the county council's financial position as at the 31 March 2020 and its income and expenditure for the year. The accounts are attached at Annex A to this report for Member debate and approval.
7. The auditor has provided a commentary and recommendations on the statement of accounts in their Audit Findings Report (attached as Annex B).
8. The auditor anticipates issuing an unqualified opinion on the financial statements.

### **The Statement of Accounts 2019/20**

9. The Local Audit and Accountability Act 2014 normally requires the Statement of Accounts for 2019/20 to be published by 31 July, and that they are approved, prior to this date, by a non-executive committee of the local authority. For 2020 this deadline has been extended to the 30 Nov in light of the COVID-19 crisis.
10. The s151 officer is responsible for the preparation of Surrey County Council's single entity statement of accounts, the Surrey County Council group accounts, the pension fund statement of accounts and the firefighters' pension fund accounting statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code).
11. The Code is a very prescriptive document, and determines not only the accounting policies to follow, but also the form and content of the statement of accounts. The Code is based on International Financial Reporting Standards (IFRS's) issued by the International Accounting Standards Board. Local authorities have a legal obligation to follow "proper accounting practice", this therefore means that compliance is mandatory.
12. Any significant departure from The Code will normally result in a qualified audit opinion.

### **Accounting Changes 2019/20**

13. The 2019/20 Code of Practice on Local Authority Accounting had no significant changes in accounting policies.
14. Annex A presents the 2019/20 Statement of Accounts. Draft accounts were produced and presented for audit by the end of May 2020.

### **2019/20 Audit Findings**

15. The Audit Findings Report summarises the findings of the 2019/20 audit, which is now nearing completion. It includes the messages arising from the audit of the statement of accounts and the results of the external auditor's work undertaken to assess the council's arrangements to secure value for money in the use of resources.
16. The external auditor's 2019/20 report is presented in Annex B and sets out a summary of the work carried out during the audit of the accounts, the conclusions reached and recommendations.
17. At the beginning of the audit the auditors produce an audit plan, which was reported to the Audit & Governance Committee in April 2020. An update on progress was presented to the Committee by auditors on 28 August 2020. The audit plan identified areas of significant risk of material misstatement. The audit findings report summarises the work completed in relation to these risk areas.
18. Appendix A of the Audit Findings Report identifies changes to the Statement of Accounts.

### **Conclusions:**

19. Following the changes included above, and the results of the audit, the accounts are now presented to this Committee for approval.

**Financial and value for money implications**

20. There are no direct financial implications of this report, all financial implications in the accounts have been made in line with the Code of Practice and any impact on the 2019/20 budget has been considered in the outturn report to the Cabinet.

**Equalities and Diversity Implications**

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

**Risk Management Implications**

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

**Next steps:**

23. The statement of accounts will be published in line with the statutory deadline. The only changes made to the published version will be presentational, with the accounts typeset into a booklet style. A small number of hard copies will be produced. However, a version of the statements will also be posted on the council’s website, and again some of the formatting may change to ensure it complies with the council’s accessibility standards.

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**Report contacts:** Mark Hak-Sanders, Strategic Finance Manager (Corporate)

**Contact Details:** Mark.Haksanders@surreycc.gov.uk

**Sources/background papers:**

2019/20 Financial Outturn Report – Cabinet 26 May 2020.

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20  
CIPFA

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# External Audit Plan

*Year ending 31 March 2020*

Surrey County Council & Surrey Pension Fund  
29 January 2020

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Your key Grant Thornton team members are:

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

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# Introduction & headlines

## Purpose

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

## Respective responsibilities

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

## Scope of our audit

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

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

The audit of the financial statements does not relieve management or the Audit & Governance Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

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

### The Group and Council

### The Pension Fund

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#### Group Accounts

The Council is required to prepare group financial statements that consolidate the financial information of Halsey Garton Property Ltd, Surrey Choices Ltd and South East Business Services Ltd. We have outlined the scope of our work on the Council's subsidiaries on page 5.

Not applicable to the Fund's accounts.

#### Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management Override of Controls
- Valuation of land and buildings
- Valuation of net pension fund liability

- Management Override of controls
- Valuation of Level 3 investments

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

#### Materiality

We have determined planning materiality to be £26m (PY £30.1m) for the group and £25.8m (PY £30m) for the Council, which equates to 1.25% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £1.3m (PY £1.5m).

We have determined planning materiality to be £43.1m (PY £40m) for the fund, which equates to 1% of your prior year net assets. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £2.1m (PY £2m).

#### Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Children's Services
- Financial Resilience
- Waste PFI Eco Park

Not applicable to the Pension Fund's accounts.

Further details is set out on page 13.

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## Introduction & headlines (continued)

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**Audit logistics** Our interim visit will take place in February and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

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**Audit Fees** Our fee for the audit will be £140,415 (PY: £130,915) subject to agreement with management and PSAA, and to the Council meeting our requirements set out on page 15. Our fee for the audit has yet to be confirmed with management (PY: £20,871), and is subject to the Fund meeting our requirements set out on page 15.

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**Independence** We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

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# Key matters impacting our audit of the Council and Fund

## Factors

### The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. or Surrey County Council, there are significant resource pressures arising from drastically reduced central government funding over recent years, as well as other external pressures such as growing expenditure on demand-led services such as adult social care. Central government funding has marginally increased for 2020/21, but similar challenges remain in ensuring financial resilience without reliance on use of reserves.

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain somewhat uncertain. The Council will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery and on its support for local people and businesses.

### Local issue – PFI Eco Park

The Council has engaged with a private partner as part of a PFI scheme to deliver a Waste disposal facility to serve residents of Surrey.

The delivery of anticipated outcomes of the scheme is currently significantly delayed and we will consider the impact of this matter as part of our accounts and Value for money audits for 2019-20

### IFRS 16 Leases

The public sector will implement this standard from 1 April 2020. It will replace IAS 17 Leases, and the three interpretations that supported its application (IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease).

### Financial reporting and audit – raising the bar

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing as detailed in Appendix 1.

Our national work in 2018/19 has highlighted areas where local government financial reporting, in particular around, property, plant and equipment and pensions, needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of local government financial transactions which require greater audit scrutiny.

## Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the group and will review related disclosures in the financial statements.
- We will consider progress against recommendations made in previous audits in respect of Financial Sustainability of the Council.

- We identified a significant audit risk relating to valuation on Land & Buildings – see page 7. As part of the work on the significant risk we will consider the valuation of assets related to the PFI Eco Park scheme.
- We identified a significant VFM risk in relation to the PFI Eco Park Scheme – see page 13.
- We will assess the adequacy of your disclosure about the financial impact of implementing IFRS 16 Leases from 1 April 2020.

- As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fees, as set out in our Audit Plan (see page 15), will be agreed with the Executive Director of Resources and is subject to PSAA agreement.

# Group audit scope and risk assessment

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

Component	Individually Significant?	Audit Scope	Risks identified	Planned audit approach
Surrey County Council	Yes	Comprehensive	<ul style="list-style-type: none"> <li>See page 6 onwards</li> </ul>	Full scope UK statutory audit performed by Grant Thornton UK LLP
Halsey Garton Property Limited	Yes	Component Audit	<ul style="list-style-type: none"> <li>Valuation of Investment property assets as at 31<sup>st</sup> March 2020.</li> </ul>	Full scope UK statutory audit performed by a component audit team.  Instructions to be issued to component audit team as part of the interim audit.
Surrey Choices Limited	No	Analytical Only	None	Analytical review performed by Grant Thornton UK LLP.
South East Business Services Limited	No	Analytical Only	None	Analytical review performed by Grant Thornton UK LLP.

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## Audit scope

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

# Significant risks identified

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

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

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of pension fund net liability</b>	<b>SCC</b>	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£1.19 billion PY) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore have identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls;</li> <li>• Evaluate the instructions issued by managements to their management expert for this estimate and the scope of the actuary's work;</li> <li>• Assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund liability</li> <li>• Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report</li> </ul>
<b>Valuation of land and buildings</b>	<b>SCC</b>	<p>The council re-values its land and buildings on an rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements due to the size of the numbers involved (£1.14 billion PY) and the sensitivity of the estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value of assets not revalued as at 31 March 2019 in the Council financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts ad the scope of their work</li> <li>• Consider the competence, expertise and objectivity of any management experts used.</li> <li>• Discuss with the valuer the basis on which the valuation is carried out and challenge of the key assumptions</li> <li>• Review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding</li> <li>• Test revaluations made during the year to ensure they are input correctly into the Council's asset register</li> <li>• Evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li> </ul>

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of Level 3 investments</b>	<b>SPF</b>	<p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>We have identified the valuation of Level 3 investments as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Gain an understanding of the Fund's process for valuing level 3 investments and evaluate the design of the associated controls;</li> <li>• Review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; and</li> <li>• For a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2019 with reference to known cash movements in the intervening period.</li> </ul>

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2020.

# Other risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>International Financial Reporting Standard (IFRS) 16 Leases – (issued but not adopted)</b>	<b>SCC</b>	<p>The public sector will implement this standard from 1 April 2020. It will replace IAS 17 Leases, and the three interpretations that supported its application (IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease). Under the new standard the current distinction between operating and finance leases is removed for lessees and, subject to certain exceptions, lessees will recognise all leases on their balance sheet as a right of use asset and a liability to make the lease payments.</p> <p>In accordance with IAS 8 and paragraph 3.3.4.3 of the Code disclosures of the expected impact of IFRS 16 should be included in the Council’s 2019/20 financial statements. The Code adapts IFRS 16 and requires that the subsequent measurement of the right of use asset where the underlying asset is an item of property, plant and equipment is measured in accordance with section 4.1 of the Code.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Evaluate the processes the Council has adopted to assess the impact of IFRS16 on its 2020/21 financial statements and whether the estimated impact on assets, liabilities and reserves has been disclosed in the 2019/20 financial statements.</li> <li>Assess the completeness of the disclosures made by the Council in its 2019/20 financial statements with reference to The Code and CIPFA/LASAAC <a href="#">Local Council Leasing Briefings</a>.</li> </ul>
<b>Fraud in Expenditure Recognition</b>	<b>SCC &amp; SPF</b>	<p>Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially an entity is required to meet financial targets.</p>	<p>Having considered the risk factors relevant to Surrey County Council and Surrey Pension fund and the nature of the expenditure at the Council and Fund, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed on page 7 relating to revenue recognition apply.</p> <p>We consider that the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which are considered as part of the standard audit tests below and our testing in relation to the significant risk of Management Override of Controls as set out on page 7.</p> <p>We will:</p> <ul style="list-style-type: none"> <li>Obtain an understanding of the design effectiveness of controls relating to operating expenditure.</li> <li>Perform testing over post year end transactions to assess completeness of expenditure recognition.</li> <li>Test a sample of operating expenses to gain assurance in respect of the accuracy of expenditure recorded during the financial year.</li> </ul>

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We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2020.

# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Council
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions
- We consider our other duties under the Local Audit and Accountability Act 2014 (the Act) and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2019/20 financial statements, consider and decide upon any objections received in relation to the 2019/20 financial statements
  - Issue of a report in the public interest or written recommendations to the Council under section 24 of the Act, copied to the Secretary of State
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act or
  - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

## Other material balances and transactions

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

## Going concern

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

# Materiality

## The concept of materiality

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

## Materiality for planning purposes

### Surrey County Council

We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year. In the prior year we used the same benchmark.

Materiality at the planning stage of our audit is £26m (PY £30.1m) for the group and £25.8m (PY £30m) for the Council, which equates to 1.25% of your prior year gross expenditure for the year. We also design our procedures to detect errors in specific accounts which we consider are material by nature. These consist of Cash, Senior Officers Disclosures, Related Party Transactions, Subsequent Events and Audit Fees.

### Surrey Pension Fund

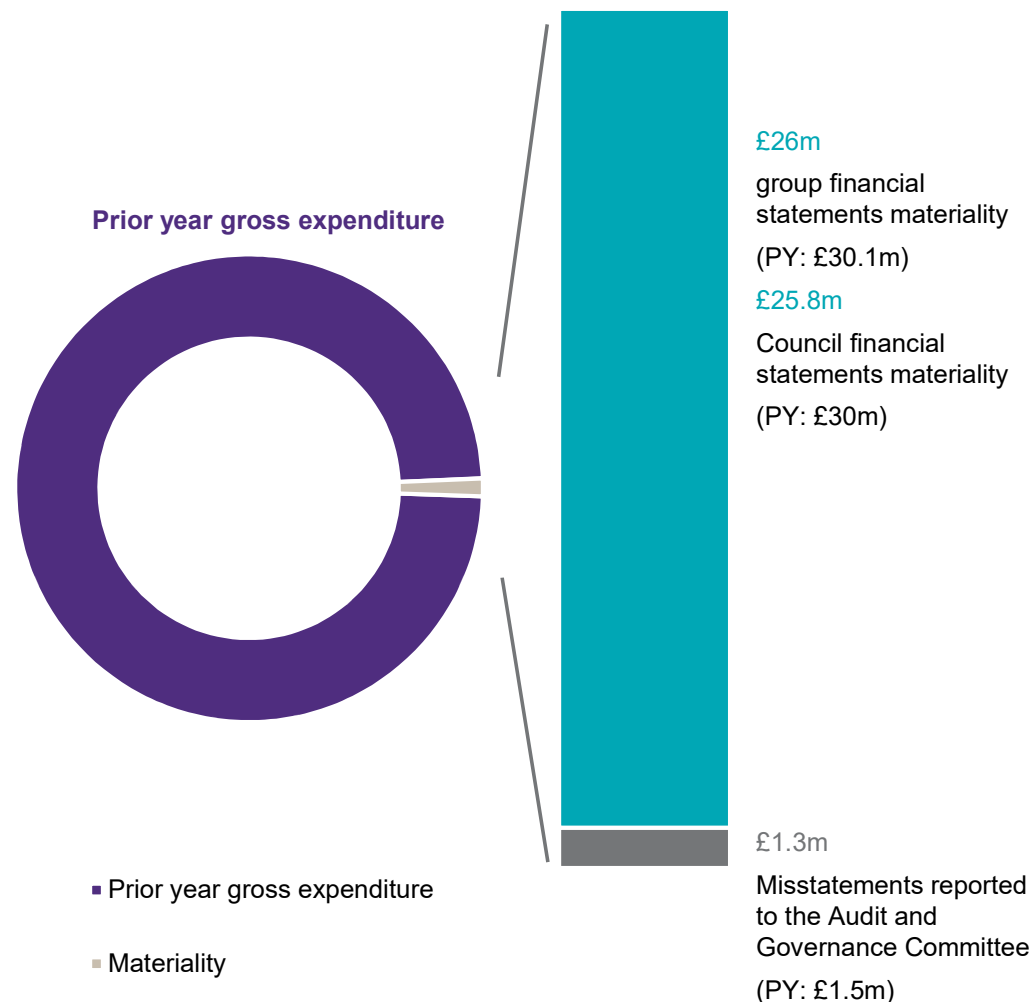
We have determined financial statement materiality based on a proportion of the net assets of the Fund. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is \$43.1m (PY £40m), which equates to 1% of your prior year net assets. We also design our procedures to detect errors in specific accounts which we consider are material by nature. These consist of cash, senior officers disclosures, related party transactions, subsequent events and audit fees.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

## Matters we will report to the Audit and Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.3m (PY £1.5m), this will be set at £2.1m (PY £2m) for the Fund.

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its governance responsibilities.





# Value for Money arrangements

## Background to our VFM approach

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

The guidance identifies one single criterion for auditors to evaluate:

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

This is supported by three sub-criteria, being:

- Informed decision making
- Working with partners & other third parties
- Sustainable resources deployment

## Significant VFM risks

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



### Children's Services

Ofsted issued a critical report on children's services in 2014/15 and the Council has had a number of follow-up reviews over the past few years.

We have issued qualified except for conclusions in recent years due to Department for Education interventions and reports in relation to Children's Services.

Ofsted will undertake a number of monitoring visits during 2019/20. There is a risk that the Council's provision of Children's Services does not achieve Economy, Efficiency, and Effectiveness in use of its resources in 2019/20 as a result of failure to meet required standards. We will review the outcome of relevant monitoring visits occurring during the financial year and the robustness of the Council's response to risks regarding quality of Children's services.



### Financial Resilience

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

Revenue budget outturn for 2018/19 was a £21.8m underspend, with a £0.5m contribution to reserves. Prior to this, the Council had balanced its budgets through utilising drawdowns from reserves for the past four years from 2014/15. Forecast outturn for 2019/20 is currently to achieve breakeven without use of reserves, and the Council have also set a balanced budget for 2020/21 without use of reserves.

There is a risk that the Council may fail to achieve Economy, Efficiency, and Effectiveness in use of its resources in 2019/20 as a result of financial pressures and non-achievement of Transformation plans. We will review your Medium Term Financial Plan, including the robustness of assumptions, savings plans and revenue generating schemes. We will discuss your plans and outcomes with management, as well as reviewing financial outturn reports and how performance was reported to Councillors.



### Eco Park PFI Scheme

The cost of the capital for the Eco Park PFI scheme was originally estimated at around £250million, for which the Council had obtained HM Treasury PFI credits of approximately £80million.

The Gasification facility was due to be operation by 7 November 2017 and is significantly delayed, as it is not currently operating per the original plan. Management have stated that project delays have been associated with the management of the construction project, not be failure of the gasification technology, however the facility has yet to reach acceptable standards per acceptance tests outlined in the contract with the PFI Operator.

There is a risk that the scheme does not achieve Economy, Efficiency, and Effectiveness in use of its resources in 2019/20 as a result of failure to meet required operating standards.

# Audit logistics & team



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### Ciaran McLaughlin, Engagement Lead

Ciaran is responsible for overall quality control; accounts opinions; final authorisation of reports; liaison with the Audit and Governance Committee.



### Tom Beake, Audit Manager

Tom is responsible for overall audit management, quality assurance of audit work and output, and liaison with the audit committee.



### Hal Parke, Audit Incharge

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

*The team is consistent across the Council and the Fund.*

### Client responsibilities

Where clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

### Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

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

# Audit fees

## Planned audit fees 2019/20

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved. We have also identified an increase in the complexity of local government financial transactions. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee for 2019/20 at the planning stage, as set out below and with further analysis overleaf, will be agreed with the Executive Director of Resources and is subject to PSAA agreement.

	Actual Fee 2017/18	Actual Fee 2018/19	Proposed fee 2019/20
<b>Council Audit</b>	£142,098	£130,915	£140,415
<b>Pension Fund Audit</b>	£27,105	£27,871*	£TBC**
<b>Audits of subsidiary companies</b>	£41,500	£44,000	£TBC**
<b>Total audit fees (excluding VAT)</b>	<b>£210,703</b>	<b>£174,286</b>	<b>£TBC</b>

\*Includes cost of providing IAS 19 assurances to auditors of admitted bodies to be charged to the Fund under the PSAA framework (£7,000 2017/18). We would estimate a similar level of fees for 2019/20.

\*\*Subject to further discussions with management.

### Assumptions:

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

### Relevant professional standards:

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

# Audit fee variations (SCC Only) – Further analysis

## Planned audit fees

The table below shows the planned variations to the original scale fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees. In agreement with PSAA (where applicable) we will be seeking approval to secure these additional fees for the remainder of the contract via a formal rebasing of your scale fee to reflect the increased level of audit work required to enable us to discharge our responsibilities. Should any further issues arise during the course of the audit that necessitate further audit work additional fees will be incurred, subject to PSAA approval.

Audit area	£	Rationale for fee variation
<b>Scale fees</b>	109,415	Not applicable – this is the PSAA scale fee for the Council (109,415) and is unchanged from the prior year.
<b>Raising the bar</b>	6,500	The Financial Reporting Council (FRC) has highlighted that the quality and extent of work by all audit firms needs to increase across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.
<b>Materiality</b>	4,000	Reflecting this higher profile, and the expectations of stakeholders, we propose to reduce the materiality level for all major audits. For Surrey this means a change in materiality from approximately 1.5% to 1.25%. This will increase the volume and scope of our testing and reporting to those charged with governance, as well as providing additional assurance in respect of the audit.
<b>Pensions – valuation of net pension liabilities under International Auditing Standard (IAS) 19</b>	4,000	The Financial Reporting Council (FRC) has specifically highlighted that the quality and extent of work around IAS 19 valuations has to increase across local audit. We have increased the granularity, depth, and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting in this area.
<b>PPE Valuation – work of experts (including estimated cost of an auditor’s expert)</b>	9,500	<p>The Financial Reporting Council (FRC) has specifically highlighted that the quality and extent of work around PPE and Investment Property valuations has to increase across local audit. We have responded by engaging our own audit expert (Wilks Head and Eve) and will increase the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations.</p> <p>This fee increase includes an estimate for the fee payable to the auditor’s expert. We estimate that the cost of the auditors expert will be in the region of £5,000.</p>
<b>Group Accounts</b>	4,000	The above factors affecting the nature and extent of our audit work are also relevant to the Group Accounts of Surrey County Council.
<b>Introduction of IFRS 16</b>	3,000	The Council are required to respond effectively to new accounting standards and we must ensure our audit work in these new areas is robust. This year we will be responding to the introduction of IFRS16. IFRS16 requires a leased asset, previously accounted for as an operating lease off balance sheet, to be recognised as a ‘right of use’ asset with a corresponding liability on the balance sheet from 1 April 2020. There is a requirement, under IAS8, to disclose the expected impact of this change in accounting treatment in the 2019/20 financial statements.
<b>Revised scale fee (to be approved by PSAA)</b>	<b>140,415</b>	

# Independence & non-audit services

## Auditor independence

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

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

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

## Other services provided by Grant Thornton

Page 33 For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following other services were identified:

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

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

None of the services provided are subject to contingent fees.

The firm is committed to improving our audit quality – please see our transparency report - <https://www.grantthornton.ie/about/transparency-report/>

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# Appendices

## A. Audit Quality – national context

# Appendix A: Audit Quality – national context

## What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

## Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets Council of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local Council financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.

## What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

## What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the audit committee – which has overall responsibility for governance - and senior management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.



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Grant Thornton UK LLP  
110 Bishopsgate  
London  
EC2N 4AY

01 October 2020

Dear Sirs

### **Surrey County Council - Financial Statements for the year ended 31 March 2020**

This representation letter is provided in connection with the audit of the financial statements of Surrey County Council and its group financial statements for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the group and parent Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

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

#### **Group Financial Statements**

We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

- i. We have fulfilled our responsibilities for the preparation of the group and parent Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the group and parent Council financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and parent Council and these matters have been appropriately reflected and disclosed in the group and parent Council financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and parent Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the group and parent Council financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Council has been assigned, pledged or mortgaged

- c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the group and parent Council financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and parent Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.  
The group and parent Council financial statements are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent Council financial statements.
- xiii. We believe that the group and parent Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group and parent Council's needs. We believe that no further disclosures relating to the group and parent Council's ability to continue as a going concern need to be made in the financial statements.
- xiv. The restatements in respect of comparative information for prior periods recorded in the financial statements are fairly stated in all material respects and related disclosures appropriately reflect the underlying restatements.
- xv. Land and buildings at 31 March 2020 are fairly stated in respect of their valuation and we are satisfied that these valuations are estimated on an appropriate basis. Non-current assets which were not revalued at 31 March 2020 in accordance with the Council's rolling revaluation programme are not materially misstated with regard to their current value at the balance sheet date.

#### Information Provided

- xvi. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the group and parent Council financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xvii. We have communicated to you all deficiencies in internal control of which management is aware.

- xviii. All transactions have been recorded in the accounting records and are reflected in the group and parent Council financial statements.
- xix. We have disclosed to you the results of our assessment of the risk that the group and parent Council financial statements may be materially misstated as a result of fraud.
- xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and parent Council and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the group and parent Council financial statements.
- xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the group and parent Council's financial statements communicated by employees, former employees, analysts, regulators or others.
- xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiii. We have disclosed to you the identity of the group and parent Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent Council financial statements.

#### **Annual Governance Statement**

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

#### **Narrative Report**

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

#### **Approval**

The approval of this letter of representation was minuted by the Council's Audit & Governance Committee at its meeting on 1 October 2020.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of the Governing Body**



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Audit & Governance Committee  
1 October 2020

**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 2019/20 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 22 July 2020.
5. We also report for 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.



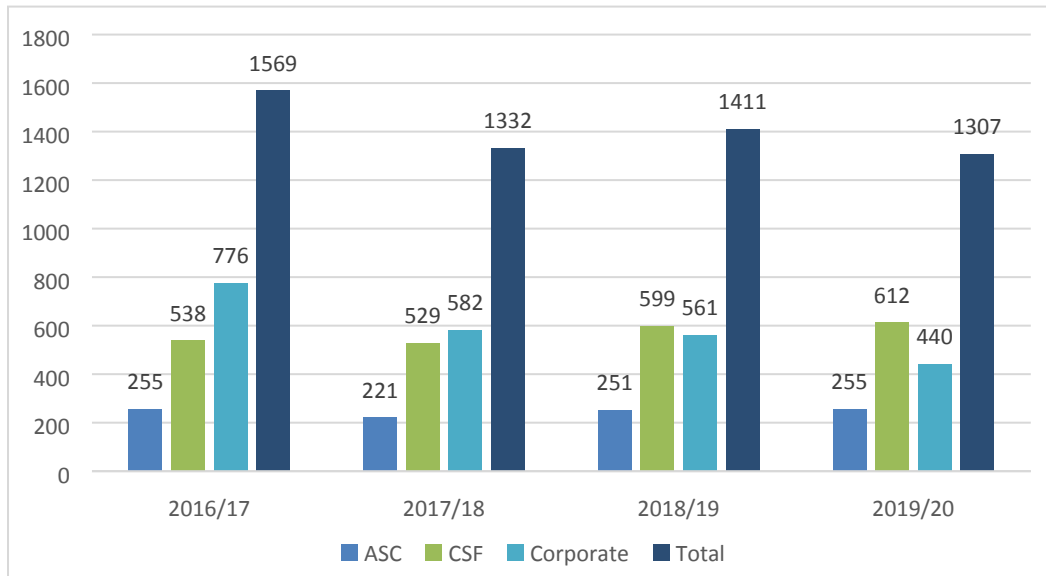
## Early intervention approach

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 Customer Relations 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. Additional work has been undertaken on the website to re-direct complaints that are actually requests for services relating to highways, waste and bus services, and to signpost to district and borough councils (where appropriate eg bin collections) and to the Children's on-line complaint form. As a result of this work, 929 on-line complaint forms were submitted in 2019/20, compared to 1396 in the previous year.
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 (319), with the most frequent topic being potholes, roadworks and parking issues. The next most frequent contact related to Transport (103), mainly relating to bus services, then Waste (93), then Libraries (49). We also received around 83 enquiries relating to services provided by district and borough councils. Where appropriate, customers were signposted to the responsible authority.
16. Some of the regular issues reported through the online complaints form, included:
  - Waste charges
  - Countryside – overgrown footpaths/obstructions
  - Charging for countryside car parking
  - District & Borough Council matters e.g. missed bin collections, street cleaning, neighbour issues, dog fouling
  - Bus services – changes to routes / operators, timetables etc
  - Roadworks/road closures
  - Insurance claims

### Complaint handling performance in 2019/20:

17. During the year 2019/20, the three complaint teams within Surrey County Council received 1,307 complaints; a 7% decrease across the board from the previous year (1,408).
18. Breaking this down into the three complaints procedures, Adult Social Care saw a 1.6% increase, Children's Social Care and Education a 2.2% increase and all other services a 21.6% 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.

**Figure 1: Total complaints received**



19. 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. Over half of the formal complaints (316) were recorded about Children's Services with a further 249 complaints recorded about Education. Figures for formal complaints received has effectively remained stable, there has however been a marked increase in the number of Enquiries received from Cllrs and MPs totalling 848 of which 576 related to Education, primarily SEN. In the previous year we received 799 Enquiries, primarily about SEN. The increase in enquiries reflects customer dissatisfaction with difficult experiences regarding SEN provision.
20. The most frequent subject of complaint for each of the complaints procedures are shown in Figure 2 below. Service specific delivery issues followed by lack of communication were the most frequent complaint categories.

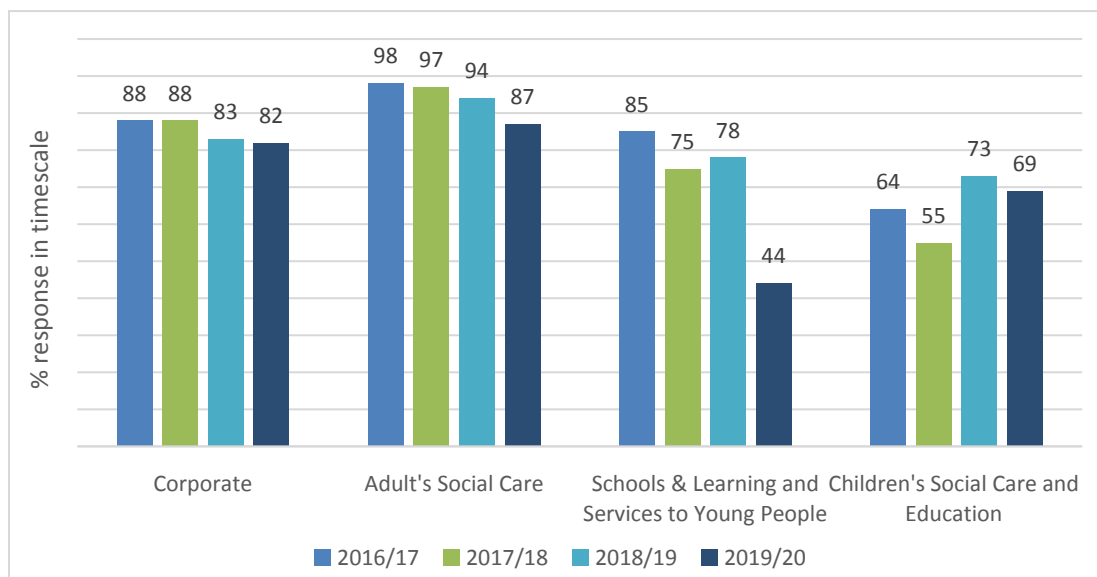
**Figure 2: Complaint categories 2019/20**

CORPORATE	CHILDREN, SCHOOLS & FAMILIES	ADULT SOCIAL CARE
Disruption caused by roadworks	Disagreement with assessment content and outcomes	Dissatisfied with service quality
Overgrown vegetation	Disagreement with contents of court reports	Financial/funding issues
Flooding	Disagreement with outcomes of child protection conferences.	Dissatisfaction with assessment process
Potholes on road surface	Delays in EHCP process/disagreement with content	Poor communication
Parking problems	Children out of education and without alternative provision.	Decision making

**Complaint trends & performance:**

21. The top area of complaint for the council for 2019/20 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 2019/20, largely due to the early intervention approach and the ongoing proactive communications around highway works.

**Figure 3: Performance against response target**

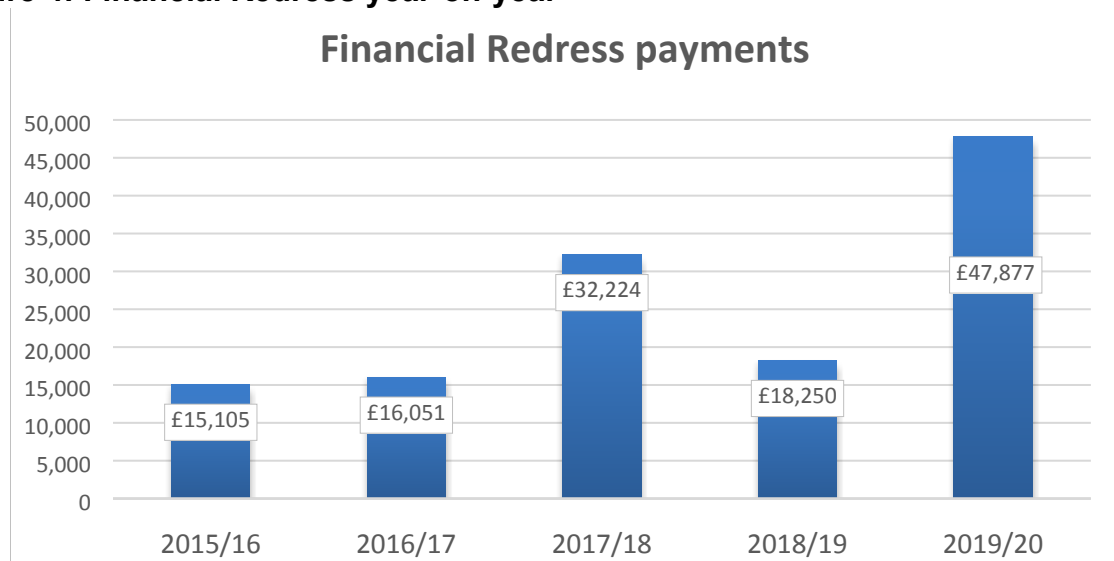


22. For all 3 complaint procedures, the timeliness of responses has declined. For corporate complaints, the target is for 90% of complaints to be

responded to within 10 working days. 82% were responded to within timescale compared to 83% the previous year. For Adults, the target is for 90% response within 20 working days (extension can be agreed) . The figure for this year was 87% compared to 94% in 2018/19. For Children's Schools and Families, the complexities of complaints continue to impact on their ability to respond within the statutory timescales. Their target is to respond to 80% in 10 working days (extendable to 20 if necessary). 44% of School and Learning complaints were responded to in timescale, compared to 78% in the previous year, and for Children's Social Care these figures were 69% within timescale, compared to 73% in 2018/19.

23. Additional resource has been allocated to address the issue within Schools and Learning. A Senior Customer Relations Officer has been assisting the SEN Service in providing timely responses at stage 1 of the process. The impact of this additional resource can be seen in recent months, with over 90 complaints being out of time as at 1 March 2020 and all responses now within timescale (at report date)
24. Where the council is found at fault, financial redress can be recommended where appropriate. All financial awards are approved by the relevant Head of Service and, if greater than £1,000, in consultation with the relevant Cabinet Member. The Ombudsman can also recommend financial redress if they find fault following an investigation.
25. There was a significant increase in the amount of financial redress paid in 2019/20 compared to 2018/19. The majority of the increase was due to the amount of financial redress paid by Childrens.

**Figure 4: Financial Redress year-on-year**



26. For Childrens, the total paid was £41,182.00 of which £30,550 related to SEN. These payments mainly relate to missed education, time and trouble in the pursuit of the complaint and an acknowledgment of the anxiety this will have contributed to. The remedies were in line with LGSCO recommendations and in all of the cases concerned that were

brought to the attention of the LGSCO, the LGSCO agreed that the remedy offered by the Council was reasonable and proportionate and discontinued their investigation. This has reduced the risk of public reports given that in the previous year there were 3 public reports issued naming SEN Services in Surrey. Totals of financial redress payments for are show below (figure 5).

- 27. For Adults, £3,769.72 of the figure (£6695) was a refund of incorrect charges for residential care and paid directly by the provider.

**Figure 5: Financial Redress breakdown 2019/20**

<b>COMPENSATION 2019/20</b>	
Adult Social Care	£6,695
Children, Schools & Families	£41,182
Corporate	£0
<b>Total</b>	<b>£47, 877</b>

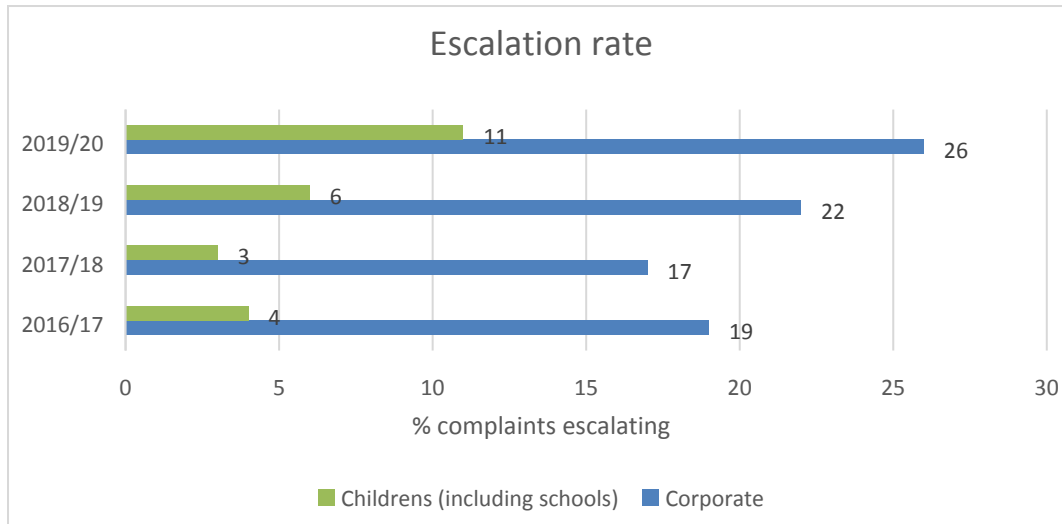
- 28. The three highest payments were:
  - £5,700 Lack of provision and delay in dealing with the complaint, time and travel in pursuit of the complaint and any stress and anxiety that the delay and lack of SEN provision has contributed to
  - £4,500 to for the benefit of Y's education (due to months of missed SALT and OT, and 3 months when no suitable full-time education was provided). £500 for the distress caused to Mrs X.
  - £4,200 In recognition of the faults found by the LGO relative lack of SEN provision and £1200 reimbursement for private tuition.

**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. 26% of complaints (116 out of 440) escalated to Stage 2 of the council's corporate complaints procedure in 2019/20; a 4% increase from the previous year (22%, 124 out of 561). Due to their complexity, a number of complaints have been taken on straight at stage 2 to avoid further frustration for customers.

31. Escalation to Stage 2 within Children, Schools and Families increased to 11% (69), an increase of 5% from the previous year. The majority of these related to the SEN Service which reflected a 14% increase in escalations to the second stage of the process. A significant number of escalations were due to delayed responses at the first stage of the process. This has been addressed with the appointment of a SEN Specialist within the Customer Relations Team who has responded to all stage 1 complaints from March 2020.

**Figure 6: Complaint escalation year-on-year**

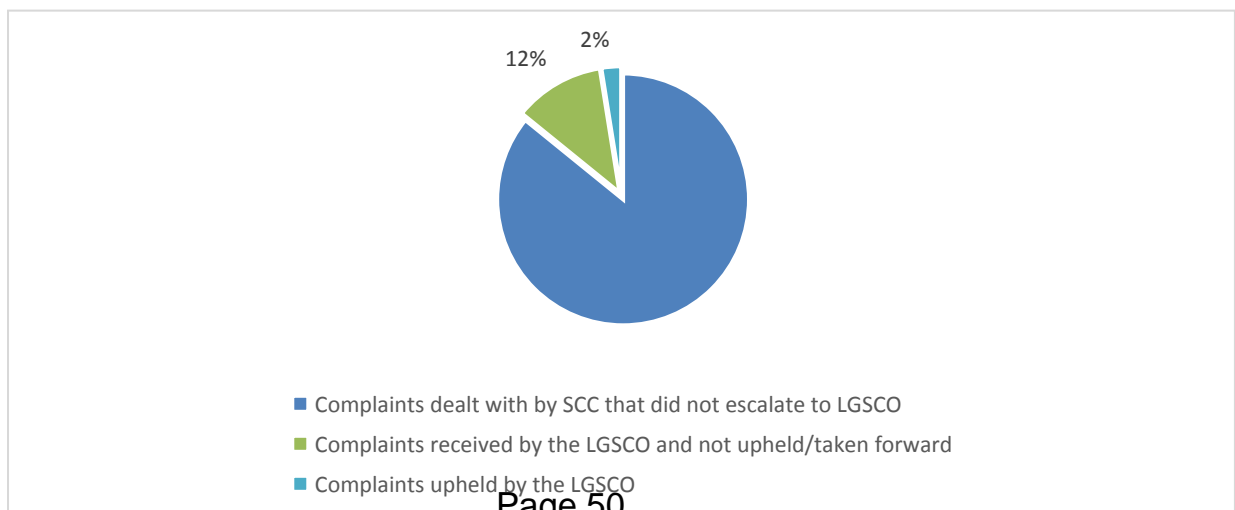


32. Adult Social Care is required by statute to have a one stage complaint procedure. This means that there is not the opportunity to compare escalation rates in Adult Social Care with Education and Children's Social Care and corporate complaints.

#### Escalation to the Local Government & Social Care Ombudsman

33. In 2019/20, the Ombudsman received 185 complaints and enquiries about Surrey County Council; 14% of the total number of complaints received by the council. This was a slight increase from 2018/19 (12%). See Annex 3 for a year on year comparison. Of the complaints investigated by the Ombudsman, 33 were upheld (2% of the total number of complaints received by the council).

**Figure 7: Escalation to the Ombudsman 2019/20**



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. The Ombudsman will uphold complaints when they find some form of fault in an authority's actions, including where the authority accepted fault before the Ombudsman investigation. 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 7, the escalation rate to the Ombudsman was 14%. The three most common categories of complaint to the Ombudsman were Education and Children's Services, Adult Care Services, and Highways & Transport. 2019/20 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 52% of cases upheld by the Ombudsman, a decrease from 54% the previous year.
38. The council had a 100% compliance rate with Ombudsman recommendations and an uphold rate (where the Ombudsman found fault) of 67%. This compared to a national average for county councils of 66%. In 18% of cases, SCC provided a satisfactory remedy before the complaint reached the Ombudsman, compared to a national county council average of 9%. This is positive as, in these cases, it was acknowledged that the Council had done all it could to remedy these complaints before they reached the Ombudsman.
39. This year the Ombudsman did not issue any public reports about Surrey County Council. In his annual letter, he 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.

## Pensions Complaints

41. Figure 8 (below) shows the complaints received for the year 2019/20 for Surrey County Council's Pensions Service.
42. There were no recorded cases of complaints being referred to The Pensions Ombudsman.

**Figure 8: Pensions Complaints 2019/20**

Fund	Comms	Service Quality	Service Delay	Other	2019/20 Total	2018/19 Total	2017/18 Total
Hammersmith & Fulham	2	10	5	0	17	15	19
Hillingdon	2	4	9	1	16	14	15
Kensington & Chelsea	3	6	7	1	17	16	16
Surrey	5	28	20	8	61	53	41
<b>Total</b>	<b>12</b>	<b>48</b>	<b>41</b>	<b>10</b>	<b>111</b>	<b>98</b>	<b>91</b>

43. Most complaints received were about Surrey County Council's Pension Fund and the main reasons for complaint across all the Funds were service delay and service quality. Overall, the total number of complaints have increased from the previous year. This should be seen in the context of the circa 25,000 cases processed in the last 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 15 service improvements following Ombudsman investigations; these included reviewing a number of procedures and staff training.

#### 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 2019/20, the council recorded 1986 compliments about its services: 98 for Education and Children's Services; 480 for Adult Social Care and 1408 for all other services. This is consistent with the 1980 compliments recorded in 2018/19.
47. We are working to ensure more consistency in recording of compliments e.g. through a standard definition. Compliments are now routinely captured on the new Case Tracker system; this is being promoted both



within and outside the Council. Extracts from compliments received are in Annex 2.

### Conclusions:

#### 48. What are we doing well?

- a) Regular reporting on customer relations activity across the three areas to respective management teams. This has increased transparency and informed changes in service delivery.
- b) Providing high quality advice and support on general complaint handling across all three areas.
- c) Focusing on early intervention – corporate Customer Relations Team continue to triage online complaint enquiries to prevent unnecessary complaint escalation.
- d) Children’s Customer Relations Team has developed a specialist training programme for customer service in Children’s and Education following the recent restructure.
- e) Children’s is working to develop closer ties with Quality Assurance Managers both in SEND and Children’s Services with a view to informing change in practice and/or service delivery. This work has included the temporary appointment of a SEN specialist within the Children’s Customer Relations Team to support the management of complaints about SEN at the earliest opportunity, including responding at the first stage of the complaint process.
- f) Children’s are pulling together firm links with Quality Audit teams in the Directorate to add greater focus to learning derived from complaints
- g) Adults Customer Relations Team works very closely with all the teams to ensure good customer care practice for handling complaints and customer feedback.
- h) All teams provide 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 and proactive prompting of deadlines is in place to help set clear and consistent standards in terms of both the quality of information and level of engagement required from services to enable effective responses to the Ombudsman.
- b) Embedding the recently implemented electronic case work management system for complaints and other customer feedback across all services and complaints teams to ensure it is used to its full capacity to facilitate learning from complaints and monitoring of

complaint handling.

7

- c) Developing the reporting functionality of the casework management system to enable consistent reporting across all 3 complaint teams.
- d) The Children's Customer Relations Team will:
- develop a bespoke training package on complaint management focusing on building and maintaining relationships and proactive customer service and improving the timeliness of responses at stage one and to enquiries from the Ombudsman
  - continue to build relationships across the service and improve on performance reporting to ensure learning from complaints is embedded across all services
  - work on use of proactive communications on Surrey webpages including local offer for SEN around any changes in the application of policies and procedures that may affect surrey residents
- e) The Adults Customer Relations Team will:
- Work on improving our methods of communication with service users and their families/carers to ensure information is clear and provided in a timely manner
  - Developing and embedding a culture of improving services as a result of identified learning from complaints.

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

50. Payment of financial redress (as outlined in paragraphs 25 - 28 of this report and shown in Figures 4 and 5) is the financial implication of complaint handling. Responding to complaints quickly and getting issues resolved early ensures complaints do not escalate unnecessarily through the process and minimises the requirement to pay financial redress.

### **Equalities and Diversity Implications**

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.

**Next steps:**

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

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

**Contact details:** 01372 833871, [sarah.bogunovic@surreycc.gov.uk](mailto:sarah.bogunovic@surreycc.gov.uk)

**Annexes:**

1. Examples of learning identified through customer feedback
2. Extracts of compliments
3. Complaint escalation to LGSCO
4. SCC Complaints breakdown – referrals to LGSCO
5. SCC Complaints upheld by LGSCO
6. Benchmarking of LGSCO complaints
7. Example case studies of LGSCO decisions (upheld vs not upheld)

**Sources/background papers:**

- Surrey County Council complaints tracker, Adult Social Care Customer Relations Team, Children's Customer Relations Team.
- Local Government & Social Care Ombudsman Annual Review Letter 2019/20 for Surrey County Council - available on their [website](#)
- Decision Notices available on LGSCO [website](#)

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

**Customer said:** An Adult Social Care service user complained about the lack of support and delay regarding her assessment. A mental capacity assessment should have followed shortly after the review but actions were not followed through when the worker was absent.

**We did:** The team implemented a procedure to ensure all caseloads are reviewed so that any planned activity can be discussed and actions agreed in the absence of the allocated worker. Staff were reminded of the importance of timely communication

**Customer said:** An Adult Social Care service user visited the care home for a tour with a relative but was not asked to sign the visitor's book which resulted in a mix up and confusion about the purpose of the visit.

**We did:** A robust process for signing in is now in place at the care home, to prevent a similar occurrence.

**Customer said:** A parent complained that they felt disadvantaged at not being able to personally present evidence at a school transport appeal hearing

**We did:** We revised our process to ensure that parents are invited to attend in person

**Customer said:** The Eligibility Criteria for accessing support from Children with Disabilities (CWD) Team was confusing and threshold was unrealistic.

**We did:** We revised the eligibility criteria for accessing support from CWD Team and a new document is due to be published.

**Customer said:** The Council's webpages informing on procedures about 'how to complain' the Complaint Process itself were unclear, confusing and 'too many'.

**We did:** We revised the webpages and replaced them with a single page that has appropriate links to third party partnership sites as well as an access point for the on-line complaints form

**Customers said:** A customer complained about delays in the Council issuing a notice for obstructing highway land.

**We did:** Legal and Surrey Highways reviewed how the different Services work together on these issues and agreed procedures for handling of enforcement requests to minimise delays.

## Annex 2: Extracts of compliments received

### ADULTS:

**The Transitions Team:** Thank you for all the hard work you have dedicated to ensuring K's needs are met. Tailfeather was the last piece of the jigsaw, she is happy and benefiting from all of her day services. I am ecstatic as it didn't take long for her to adjust and, knowing she is fulfilled and working towards different projects, rather than stagnating, is such a wonderful feeling.

**Guildford Reablement Team:** We cannot compliment the service enough. Mum was, on discharge from the hospital in a dreadful state, virtually unable to support herself, let alone walk. She has received continuous and courteous care is very grateful for it. Every member of staff who has been involved in her care has been kind and most of all encouraging, helping us to bring her to her present state of health.

**Surrey Heath Integrated Care Team:** I want to thank your team and all your colleagues in social services for all the care, compassion, help and assistance with my dad over the years but especially in the last few months. You guys are the unsung heroes in all these crazy times.

**The Epsom & Ewell Locality Team:** I wanted to say thank you for all the support you have given to the successful launch and running of the Epsom & Ewell Veterans Community Hub. The number of veterans joining us every month are growing rapidly and out of all the hubs and outreaches I attend in the South East, this is definitely the most popular.

**Runnymede Locality Team:** The support that I have received whilst trying to relocate my old friend to a nursing home has been excellent. The worker is very professional, understanding and kind. She listens and then acts which is a quality that is invaluable but often in short supply, and deserves to be recognised for her work.

**Waverley Locality Team:** Words are not enough to thank you for all your help and support during the past many months as we were going through decisions for the care of our dear mother. You have been so patient, caring and supportive, not just towards her but towards us sisters. You have gone well beyond the course of duty to help us with different options and understood every change we had to make. I just wanted to say a big thank you – you are amazing!

### CHILDRENS:

**Occupational Health:** Re bedroom and bathroom adaptation. Again we cannot thank you enough for your efforts and unlimited amount of time and energy you put into this project. You went well above and beyond and it has all been truly appreciated. We wish you all the best

**NW Intervention Team:** I just wanted to say thank you so much for everything you have done for us. I never thought I would say that I would miss a social worker but I have just grown to feel safe and supported just knowing you're there. You have seen me go through the worst time of my life but

because of your positivity I too have learnt to try and see the positive in every situation...however bleak! A life skill that will help me throughout life...I promise I will never give up trying and doing the best for my children.

**Children with Disabilities Team East:** We are a happier family because of this service. Both our children are able to thrive due to this support and it has quite simply been a life saver. Of all the support we receive due to having a disabled child that is out of school, this is by far the most useful and essential service which meets all our child's needs. We are blessed with the most wonderful support worker and are grateful every day to have her touch our lives. Without this service I sometimes wonder if our family would have crumbled under the immense pressure we experience in all areas of our lives on a regular basis. No other service compares to this extremely practical one and I strongly believe it should be extended and more funding input so that other families don't have to suffer alone. Thank you all so much for what you do.

**Day Programme Team HOPE service:** What you do is nothing short of alchemy - you all take the seemingly ordinary and turn it into something extraordinary in a way that really does defy explanation. I realise that X is by no means out of the woods yet, but you have given him what he needs to begin to rebuild his life, delivered with infinite patience, kindness and humour. He's leaving a little older and wiser with the most wonderful skill set.

**NW Adoption Team:** It has been almost a year since our adoption order was granted and I wanted to write to say thank you to your team, especially our assigned social worker X. Our experience of the entire adoption process can only be described as positive and enjoyable. X was outstanding in her interaction with us, making us feel comfortable and creating an environment where we felt able to be honest and open about our lives, relationships, experiences, worries and hopes for our future with regards to adoption. We felt that we were supported throughout and found ourselves looking forward to each meeting and each stage. We feel we can never quite express our thanks enough to X for making what could have been an emotional and challenging period in our lives one that instead we look back on with fondness. It was the most positive start possible to our journey.

**Fostering service:** When X left I was very upset but then you sent me Y and I have to say I couldn't be more pleased. She is such a lovely person, knows so much for such a young person and in the short time I have known her has helped me so much. Last night she sat upstairs with my youngest granddaughter and her social worker and talked to her for ages, (granddaughter had hidden under duvet). Hopefully the outcome will be good today. Please recognise the wonderful work that Y is doing and long may she remain with my family.

## **CORPORATE:**

**CRCs:** Last Wednesday 10th April I took some cardboard boxes to Lyne Recycling Centre. I didn't know but my loose wedding ring had fallen into one of the boxes. By the time I realised what had happened the recycling centre was closed. It was also closed on Thursday and Friday. First thing Saturday morning I turned up and explained what had happened. The staff could not have been more helpful. The JCB was used to move the rubbish until it

unearthed my cardboard box, it was pulled out of the skip and after sorting thru all my rubbish, I finally found my ring. I offered some money to the two guys that helped me, they refused it. They said they were glad to help. A GREAT BIG THANK YOU TO YOU ALL!!!!

**Heritage:** In response to school workshop: Thank you so much for your email and thank you so much for such a super morning at the History Centre. We thoroughly enjoyed the visit and the children (and adults!) learned lots of new information...we have even been down to the war memorial this week to see X name. The time and effort that you had put into the session was very much appreciated.

**Registration:** I attended Camberley registrar office to assist a close friend,, to register the death of his father. We were met by a lady,... From the outset she was extremely sympathetic, helpful and efficient. My friend was dreading the matter and the lady helped him through this difficult and stressful period. Please convey my personal thanks to her for the way that she dealt with the matter.

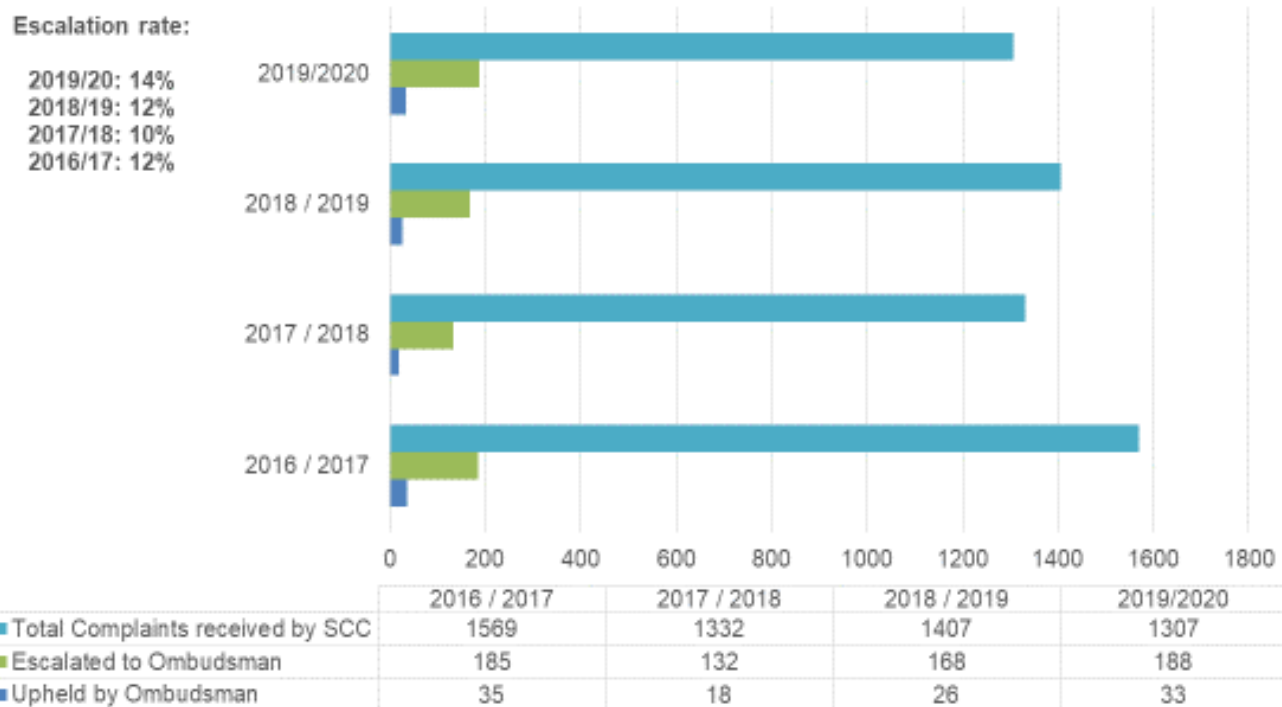
**Highways:** I called the emergency highways number at about 8.30 on Thursday night as I was becoming increasingly worried about a large pot hole which had suddenly appeared in the road where I live. I thought that it might constitute an emergency as it was deep and quite close to houses opposite. I spoke to a lady who took all the details and gave me a reference number. When I got up in the morning, I went to look at it to check that I'd given its details correctly and was amazed to see that it had been filled in overnight. I couldn't believe how quickly and efficiently my call had been dealt with and just wanted to say a big thank you.

**Libraries:** Caterham Valley Library: I love this library! It is the best one I have been in (45 years old and a frequent/weekly library goer). Fantastic choice of books, up-to-date with lots of fresh-out books. Well laid out, with thoughtful displays that are updated and changed regularly.

**Contact Centre:** I contacted the 03456 009 009 and spoke to a very helpful lady called X with regard to support finding out about a streetworks permit. she was professional, supportive and extremely polite! having rang around at least 2 different departments she helped me with progressing my query. in short an absolute pleasure to deal with!



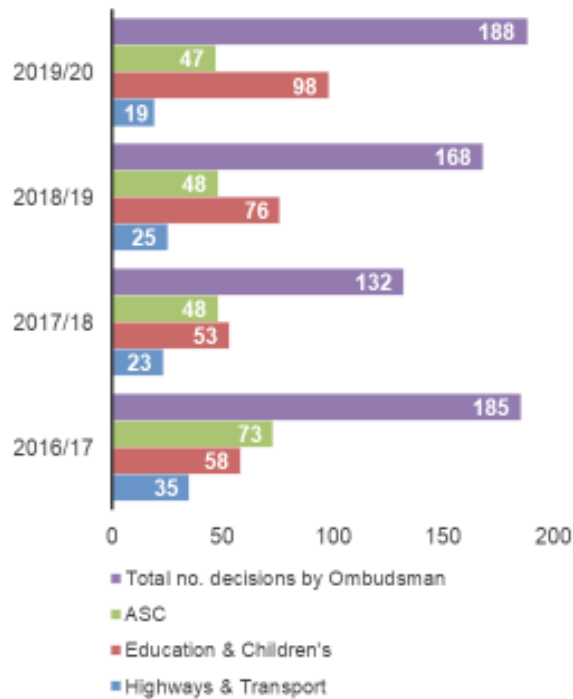
## SCC complaints and escalation to Ombudsman 2016-2020



Annex 4: SCC Complaints breakdown – referrals to LGSCO

# SCC Data Breakdown

**Top 3 areas of complaint to Ombudsman**



**Detailed investigations & upholds**

**Uphold rates** against a county council average of 66%:  
 2016/17: 63%; 2017/18: 53%; 2018/19: 60%  
 2019/20: 67% (of these, 18% had appropriate remedies in place, prior to LGSCO)



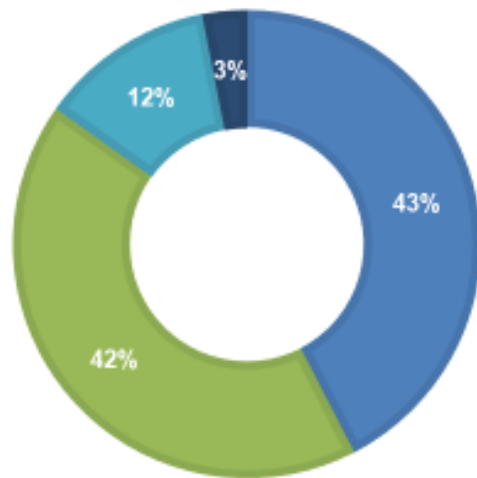
## Annex 5: SCC complaints upheld by LGSCO

# Breakdown of upheld complaints 2019/20

### Complaints upheld by LGO: 33

ASC: 14  
Education & Children's: 14  
Highways: 4  
Corporate & Other Services: 1

■ ASC ■ Education & Children's ■ Highways ■ Corporate



Financial redress recommended in 52% of upheld cases (17 cases)

### General areas where the Ombudsman found fault:

#### ASC:

- Assessment and care plans – inadequacies in reviews of care needs; failures in transition planning
- Charging: overcharging for care; failures in communications
- Direct payments – delay in responding to complaint
- Domiciliary Care – failure to ensure care was delivered in line with eligible needs
- Residential care – failure in the council's handling of safeguarding concerns about the care providers actions..
- Care home placement – fault with how a placement was arranged
- Safeguarding - failure to make appropriate safeguarding referrals

#### Education and Children's:

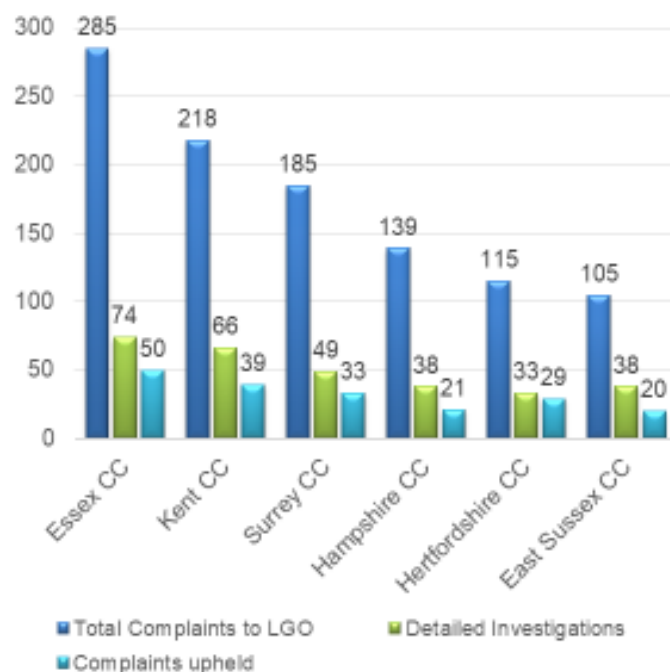
- SEND – failure to provide suitable alternative education; delay in re assessment of needs; delay in issuing EHCP
- Child Protection – lack of communication
- Alternative provision - failure in support
- Complaints handling – failure to follow statutory children's complaints procedure
- Disabled Facilities Grant - failure to take responsibility to resolve problems with works to a family home
- School transport: failure to consider parent and child's needs; failures in decision making on free school transport

#### Highways & Transport

- Poor communication and delays in contact
- Parking review - unable to provide full evidence of decision making

## Annex 6: Benchmarking of LGSCO complaints

# Benchmarking 2019/20



### Points to note from benchmarking:

- Surrey County Council had the uphold rate at 67%, (against a county council national average of 66%). Hertfordshire County Council had the highest at 88%.
- Where complaints had been upheld, Surrey had the highest rate for provision of a satisfactory remedy before the complaint reached the Ombudsman (18%)
- Top areas of complaint for county councils are: Adult Social Care, Education & Children's and Highways and Transport
- Education & Children's was the top area of complaint for all benchmarked authorities, with the exceptions of Essex and East Sussex whose top subject of complaint was Adult Social Care.
- East Sussex had the highest % of complaints progress to detailed investigation (36%). SCC and Essex were the lowest at 26%.

## **Annex 7: Example case studies of Local Government and Social Care Ombudsman decisions 2019/20 (upheld vs not upheld)**

### **Adult Social Care: Upheld**

19 005 901: The complaint concerned failures in the domiciliary care provided by an agency arranged and funded by Surrey County Council. The complaint was: support hours were not delivered; one carer was abusive; the care was terminated by the agency when a complaint was made; the complaint responses were inadequate; staff at the agency prevented Mr D having an advocate at a meeting. The Ombudsman found that the Council had failed to ensure Mr D's care was delivered in line with his eligible needs and recommended that the Council apologise and pay Mr D £1000.

### **Adult Social Care: Not upheld**

19 003 355: Mr B complained on behalf of his friend Ms X that the Council has assessed her as ineligible for care and support. As a result it will not now fund the five hours weekly support which her housing provider previously provided. The Ombudsman did not uphold the complaint, concluding that the evidence showed that the Council had assessed Ms X in line with the guidance, reviewed her needs accordingly and reached a decision based on the assessment and on relevant information from the housing provider.

### **Education & Children's: Upheld**

19 004 969: Mrs X complained the Council failed to provide suitable educational provision for her daughter and delayed in dealing with her complaint. Mrs X said this caused her daughter to fall behind with her education and her behaviour to deteriorate. From the evidence provided, the Ombudsman found fault with the Council as it failed to provide adequate educational provision for Mrs X's daughter. The Council agreed to the Ombudsman's recommendations to remedy the injustice caused.

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

18 014 395: Ms G complained that the Council had failed to make any educational provision for her son, Y, apart from around three weeks online and home tuition since he was permanently excluded from primary school in 2017. The Ombudsman found that there was no fault by the Council in relation to the action it took to provide Y with education between May 2017 and January 2019. The Ombudsman cannot look at education provision from January 2019 because Ms G exercised her right to appeal to the SEN Tribunal at that time.

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

19 010 536: Mr and Mrs X complained about the way the Council handled an issue with a tree on their land. They said the poor communication and delay caused them unnecessary distress and worry. The Ombudsman has found fault with the Council for delaying a site visit. They did not consider this to have caused a significant injustice to Mr and Mrs X.

## Highways & Transport: Not upheld

18 014 797: Mr B complained about the way the Council has handled a drainage problem on Mrs A's land. He said the Council incorrectly installed a drainage pipe and agreed to carry out works to the driveway which it is now refusing to do. The Ombudsman found that officers correctly investigated the issue and Mr B's concerns. Mr B also complained that the Council had said in 2014 that it would undertake some works, but now said that the works would not be done. The Ombudsman concluded that, although it raised Mrs A's and Mr B's expectations by agreeing to carry out the work in 2013-15, the Council is entitled to change its mind. It has explained the reasons for its decision to not carry out the works. The Ombudsman concluded that there are no grounds to criticise that decision.

**AUDIT & GOVERNANCE COMMITTEE**  
1 October 2020

**Internal Audit Progress Report – Quarter 1 (01/04/20 – 30/06/20)**

**SUMMARY AND PURPOSE:**

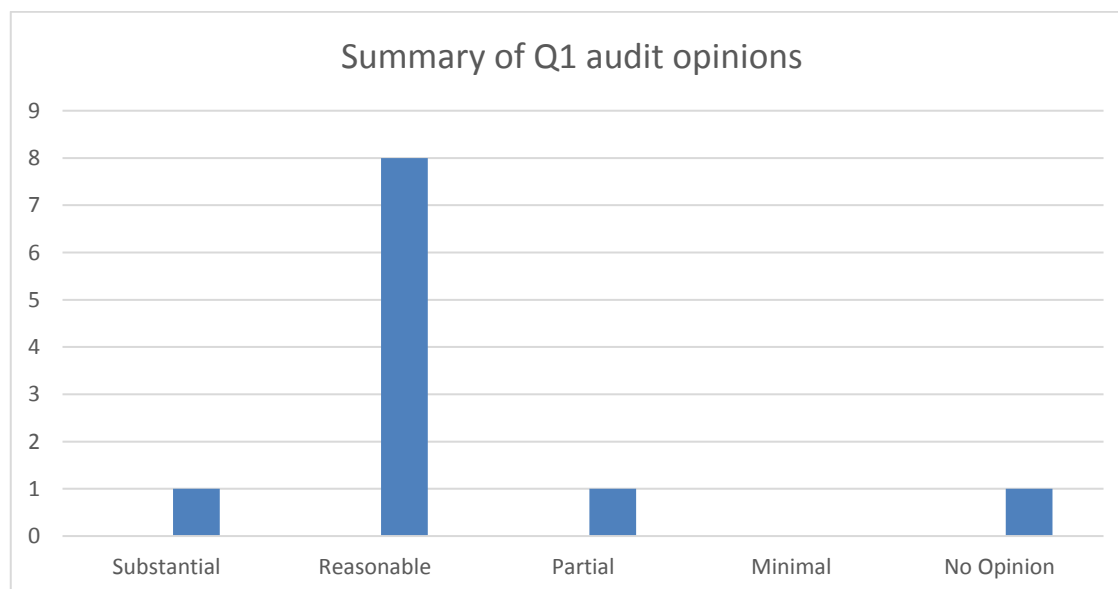
1. The purpose of this progress report is to inform members of the work completed by Internal Audit between 1 April 2020 and 30 June 2020.
2. The current annual plan for Internal Audit is contained within the Internal Audit Strategy and Annual Plan 2019-20, which was approved by Audit and Governance Committee on 22 May 2020.

**RECOMMENDATIONS:**

3. The Committee is asked to note the report and consider any further action required in their 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 11 formal audits finalised during the quarter (excluding grant and irregularities), 1 received 'substantial assurance', 8 received 'reasonable assurance', 1 received 'partial assurance' and 1 was a position statement which did not have an opinion given. Non opinion activities tend to relate to advisory type work where Internal Audit provides input and support to development initiatives or projects and programmes as they are progressing.



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 was one follow-up review completed in quarter one of 2020/21 that looked at Quality Assurance arrangements within Children's Services. We were able to upgrade the opinion from Partial Assurance to Reasonable Assurance following our review.
7. Members will recall that flexibility was built into the audit plan to allow resources to be directed to any new and emerging risks. This has been particularly relevant during the first half of 2020-21 following the impact of the Covid-19 pandemic on the council. This led us to suspend the audit plan for the first two quarters in order to provide alternative support to the council, details of which is provided in Appendix A. We continue to liaise with departments to identify emerging risks as business-as-usual is restored.
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 2020/21.



# Internal Audit and Counter Fraud Quarter 1 Progress Report 2020/21

## 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

### Children's Services Quality Assurance follow-up (2019-20)

- 1.1 Following extensive reorganisation of the CFLC directorate in 2019, and after our original audit of Quality Assurance Arrangements (March 2019), a new structure was implemented within Children's Services for the Quality Assurance function. Our original audit of the function had concluded with an opinion of Partial Assurance, with actions agreed with management to improve processes and controls.
- 1.2 Our follow-up audit identified that a new quality assurance framework had been introduced, reflecting the current ethos and practices of children's social work. In addition, the Quality Assurance function had grown to include a dedicated quality assurance director post, further enhancing the profile and positioning of quality assurance.
- 1.3 Acting upon advice from Internal Audit, the service had developed management reports that effectively report on quality assurance findings and had devised an agreed programme for the delivery of quality assurance activities, which is subject to regular review.
- 1.4 Whilst all agreed actions had been implemented, one new issue was identified relating to the compliance rate for monthly audits of case files (both new and re-evaluated cases), which had fallen below expected target of 80% in the period of our testing. This has partly been the effect of the early period of lockdown, and actions had already been taken by management to improve compliance rates.
- 1.5 Based upon the findings of our follow-up review, we were able to uprate the opinion to Reasonable Assurance.

### Financial Assessment and Income Collection (2019-20)

- 1.6 The Care Act 2014 provided a framework for local authorities to charge for care and support services. The Financial Assessment and Income Collection (FAIC) team is responsible for calculating the charges for residential and community-based services provided by Adult Social Care (ASC) throughout Surrey, assessing the appropriate charge, and providing welfare benefits advice and assistance. Since our previous audit which reported in 2017, the former Financial Assessments and Benefits (FAB) team has been restructured and the income collection process is now undertaken in the same team, the Financial Assessment and Income Collection (FAIC) team.

- 1.7 Overall, we found that there were effective controls and arrangements in place regarding the financial assessment, benefits review and income collection processes for ASC clients. In particular, we noted that:
- Information provided to service users was comprehensive, easily accessible and published on the website;
  - Credit balances were subject to review and approval by the management before they are released to the client; and
  - Individual officer performance is monitored by management to ensure compliance with the outlined financial assessment and income collection processes.
- 1.8 We also identified opportunities to strengthen existing controls in respect of the robustness of key policies, procedures and process documentation, and we agreed an action to improve the effectiveness and efficiency of the action being taken to complete financial assessments, benefits checks, and debt recovery.
- 1.9 We also agreed actions with management to improve the timeliness of financial assessment referrals from the Social Care team to the FAIC team, to strengthen the process around data quality assessments, and to more transparently evidence debt recovery action being taken within the Liquid Logic (LAS) system. Additionally, we identified that permissions in SAP had not changed since the FAIC team restructure, allowing officers to view and potentially edit all debtor accounts held by the council. Again, an action was agreed to address this issue.
- 1.10 Overall, based on our findings, we were able to give a Reasonable Assurance opinion for this system.

**General Ledger (2019/20)**

- 1.11 The council’s General Ledger (GL) is considered a key financial system and as such is subject to an annual audit to provide assurance over the efficacy of controls within it. It is a core component of the SAP Financial Information System, which supports internal accounting and the production of the annual financial statements, and is a fully integrated module of SAP.
- 1.12 The objectives of this audit included providing assurance that comprehensive guidance, procedures and training notes were in place for the operation of the GL and that appropriate controls and processes were in place to cover interfaces with feeder systems, processing of

journals, monitoring and management of suspense accounts and preparation of the bank reconciliation.

- 1.13 We were able to provide Reasonable Assurance over the controls operating within the area under review as key controls were in place and were operating effectively.
- 1.14 We identified that reconciliations with the council's eleven service interfaces are not completed on an annual basis on the understanding that the risk of loss of funds and accountability was managed as all outgoings can only be fulfilled through SAP. We examined two of the eleven interfaces that currently feed into SAP and are able to confirm that adequate controls exist to ensure that information transferred from these systems to SAP is accurate and complete and any exceptions are recorded and followed up.
- 1.15 We also found that some GL accounts included balances dating back to 2013/14. This practice is not consistent with guidance set out in the Master Data Policy Document for the review and clearing of suspense accounts. This is now being addressed as part of a data cleansing exercise, currently underway. Actions were agreed with management for all of the findings within this audit.

### Revenue Budgetary Control (2019/20)

- 1.16 The process of Revenue Budgetary Control is considered a key financial system and as such is subject to an annual audit to provide assurance over the efficacy of controls within it. The purpose of this audit was to provide assurance that key controls are in place to meet the following objectives:
- A properly evidenced and accurate budget is set and approved in accordance within the required timeframes;
  - Budget monitoring reports to senior managers and Members are accurate, consistent and timely;
  - There is an effective budget monitoring process embedded throughout the organisation;
  - Where adverse budget reporting is identified, concerns are escalated and remedial action is taken to enable budgets to be met; and
  - Savings are being delivered in accordance with the plan for that financial year.
- 1.17 We were able to provide Reasonable Assurance over the controls operating within the area under review as key controls were in place as expected and operating effectively.

- 1.18 At the time the audit was being undertaken, the Finance service was in the process of moving towards a new business partner model of delivery. This audit was focused upon processes and the model of delivery in place prior to this change taking place.
- 1.19 We reviewed the budget setting process and found it to be comprehensive, with the budget setting timetable for 2019/20 being adhered to. The council monitors its delegated budgets using the SAP Business Planning Consolidation (BPC) tool, with budgets being assigned a risk level which determines the frequency of review. All budget holders are also required to complete an annual budget accountability statement.
- 1.20 A review of a cross section of finance reports provided some assurance that monitoring took place in line with the agreed timetable. Reports reviewed also provided assurance that material variances and progress towards the achievement of savings targets were being reported at both Directorate level and to the Cabinet. Our testing did reveal that two out of ten cost centres had not been monitored in line with the expected period of review, one of which was for a high risk area. In addition, it was noted that SAP master data for several cost centres reviewed was not current. Action was agreed with management to address all of the issues identified and these will be followed up as part of future reviews in this area.

**Order to Cash (2019/20)**

- 1.21 Order to Cash is a key financial system that ensures the proper management and control of sundry debtors, including the recovery and write-off of outstanding amounts due. It also covers processes involved in raising invoices, processing receipts, monitoring outstanding debt, debt recovery and write-offs. As a key financial system, it is audited annually.
- 1.22 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
  - 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;
  - Write-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.

- 1.23 We were able to provide an opinion of Reasonable Assurance respect of Order To Cash, identifying that most controls were in place and are operating as expected to manage key risks.
- 1.24 Our review provided assurance that the process for the raising of debts and administration of customer accounts was operating as expected with sufficient safeguards in place to prevent any misuse. Recovery of debt through the dunning process was also operating as expected. Management reports from the system are being monitored and acted upon in accordance with procedure and we were assured that debt write-off was in accordance with the stated policy.
- 1.25 We did identify some minor issues, for which we have secured agreed actions with management to improve. Whilst guidance was in place to support staff in their roles, we found work instructions were not available for all key processes. We were also unable to provide assurance on the reconciliation of debtor balances to general ledger codes as this had not been completed at the time of review. Finally, whilst a review of suspense accounts provided assurance that unmatched income is identified and allocated to the correct customer accounts, some suspense accounts had historical balances that dated back a number of years.

### **Overseas Pensioners Life Certification (2019/20)**

- 1.26 The council is the Administering Authority for members of the Surrey Pension Fund (SPF) within the Local Government Pension Scheme (LGPS). There are several arrangements in place to verify that recipients of pension payments from SCC, who are resident in the United Kingdom, are alive and therefore entitled to receive them. However, for pensioners residing overseas, SCC is responsible for undertaking periodic checks to ensure that pension payments remain legitimate.
- 1.27 This exercise had not been undertaken by management for a number of years so it was agreed that Internal Audit would undertake a review as part of our 2019/20 plan in order to provide assurance that:
- Only payments to pensioners, who have a confirmed 'life status', were processed;
  - The life status of the identified cohort of active overseas pensioners aged over 85 was verified; and
  - The Surrey Pension Fund's exposure to financial risk and fraud was consequently minimised.

- 1.28 We identified only a single instance of pension fund overpayment from our testing of a cohort of 52 overseas pensioners. We confirmed the death of the particular individual had occurred seven months prior to our life certificate letters being dispatched and a total of £456.28 has been recovered. Altair (the pension system) records have been updated to reflect this change.
- 1.29 Any changes to pensioner circumstances identified during the audit were referred to the Pension Administration Team for further action, which mostly centred on change of addresses.
- 1.30 At the date of our report, a total of eight responses remain outstanding. These are being actively pursued and information is passed to Pensions Administration Team as they are received. Cases where no response is received will be assessed and administered appropriately by that team.
- 1.31 Overall, we were sufficiently assured by our findings to give an opinion of Reasonable Assurance in this area. Additionally, moving forward, this certification exercise will be owned and run on a periodic basis by Surrey Pension Fund management as part of business as usual processes.

**Local Economic Partnerships (LEP’s) (2019/20)**

- 1.32 Local Enterprise Partnerships (LEPs) are voluntary partnerships between local authorities and businesses to help determine local economic priorities and lead economic growth within their local area. LEPs receive funding from central government and the European Union, which they use to fund projects/schemes that supports their vision and objectives.
- 1.33 At the time of our audit the council was near completion of two LEP major highways and transport schemes and there were six ongoing schemes for which a total of £19.5m LEP funding had been secured. Two new schemes had been proposed for which approximately £6.75m of LEP funding was being sought.
- 1.34 With the expectation that the next round of LEPs funding will be of higher value, the objective of our audit was to provide independent assurance on the adequacy of controls in place to ensure that LEP schemes have strong governance structures and provide sufficient accountability, specifically addressing the following key objectives within Highways and Transport:
  - The service (supported by Finance and Legal Services as applicable) could identify, develop and submit strong bids that puts the council in the best possible position of securing LEP funding;

- Adequate governance, risk and performance management arrangements were in place to ensure that LEP funded schemes are delivered to time and budget; and
- The service adhered to funding conditions issued by the LEP.

1.35 Our audit identified a number areas of good practice and control around the documentation of processes and methodologies in project development; in the short-listing and assessment of potential schemes; in the successful development of business case applications and securing of LEP funding; and in the development of robust governance arrangements for oversight and control of LEP schemes.

1.36 We did, however, identify a number of areas where improvement was possible, which included:

- Better defining the roles and responsibilities of staff involved throughout the LEP process (particularly the roles of project sponsor, and in the delivery team);
- Clarifying and strengthening the terms of reference in respect of some of the key groups within the governance structure (e.g. Transport Infrastructure Assurance Network (TIAN) and Scheme Project Boards);
- Consolidating the highest risks from all major transport projects risk registers into a single risk register for regular monitoring, with a concurrent review of the risk appetite to consider taking more financial risk from the outset by investing more in non-refundable development costs to produce better prepared proposals that carry less risk of slippage in time and budget; and
- To instigate more formal post-project evaluation to learn lessons (if any) on how to run projects better in the future.

1.37 We gave a Partial Assurance opinion at the conclusion of the audit and agreed actions with management to secure the improvements identified above, all of which will be subject to future follow up by Internal Audit.

### Transformation Programme (2019/20)

1.38 Support to, and assurance over, the Transformation Programme was included in the 2019/20 Internal Audit Plan as part of a programme of ongoing work to support the delivery of the programme.

1.39 The coverage within our latest review was designed to provide assurance that controls were in place to meet the following key objectives:



- There is a suitable governance structure that facilitates accountability for programme delivery;
- Risk management arrangements both reflect the changing nature of the programme and support the progress towards delivering programme objectives; and
- There are robust benefits tracking and realisation mechanisms in place to enable effective financial/non-financial benefits monitoring and reporting, thereby supporting management of both the investment in, and savings achieved by, the programme.

1.40 We were able to provide Substantial Assurance over the controls operating in these areas.

1.41 The Transformation Programme continues to progress at a rapid pace and evolve in response to the council’s needs. In line with this, governance arrangements have been strengthened, partly in response to determining the most effective practice, and also to encourage greater accountability and evaluation of project performance. Consequently, areas for improvement previously communicated to programme management have now been addressed.

1.42 As part of our ongoing assurance and advice work, we formed a view on the arrangements underpinning the programme, and our involvement included participation in Shadow Assurance Board (SAB) meetings and attending ‘Transformation Check-ins’. We have also established an ongoing dialogue with the Head of Portfolios to share feedback and provide advice and assurance over the control environment on a regular basis.

1.43 There has been significant development of the programme’s governance structure over the last year. The Transformation Support Unit (TSU) continued to support the programme and the team structure had been realigned to meet the needs of the programme. An updated ‘Assurance and Governance Framework’ had been introduced that included consideration of all key aspects that underpin the programme as a whole, clarifying the assurance expectations for all levels of the programme and sets out revised arrangements that allow for robust scrutiny and challenge.

1.44 The Transformation Programme is now fully embedded into business plans and operations across the council, and the level of engagement from officers at all levels during council-wide transformation meetings reinforces this.

1.45 While services are aware of the risks associated with their own transformation projects, these are not specifically reflected in the most recently available corporate risk registers. However, given the fast-changing nature of projects, continuous updates to the risk registers may not be appropriate and may divert efforts away from project delivery. The current external review of

the council's risk management processes should also improve alignment with transformation risk management. Throughout the year to date we have been party to discussions regarding risk management processes and we are satisfied with the arrangements in place.

- 1.46 In respect of benefit tracking, the monitoring and reporting of financial position has evolved over time, enabling informed decisions to be taken regarding further investment. The success of the programme in achieving efficiencies and cost avoidance is demonstrated not only by the £52m of efficiencies delivered to date, but also by the inclusion of £24m of recurring efficiencies in the 2020/21 Medium Term Financial Strategy.
- 1.47 As the programme continues to progress, the need to develop a mechanism to track non-financial benefits in a consistent manner is being addressed. The reshaping of portfolios as part of the 2020 programme refresh allows clearer links between individual projects and SCC's strategic objectives, including those in the Organisation Strategy and Surrey's Vision for 2030. The TSU has developed a new 'Approach to Outcomes' model that focusses on assessing non-financial outcomes using the relationships between project aims, the impact of changes delivered, and SCC's strategic objectives.
- 1.48 Internal Audit will continue to provide support and assurance over the Transformation Programme as part of our 2020/21 audit plan.

#### **Pension Fund Administration (position statement) (2019/20)**

- 1.49 Our last full audit of Pensions Administration in 2018/19 identified a number of significant weaknesses in the control environment and agreed actions were put in place with management to address these. However, a number of factors, including changes in senior management in the team, re-organisation of the team itself, poor quality of data in Altair (the pensions system), embedding new working practices and a significant level of backlog in caseload, have challenged the timeliness in progressing these agreed actions.
- 1.50 In light of these delays, management had twice requested to extend the timeframe for implementing agreed actions since our original audit reported (from an initial deadline of July 2019 to December, and then again to March 2020). As a result, we had deferred a full follow-up audit, to be completed as part of the 2020/21 plan to allow time for implementation.
- 1.51 Instead, and to act as an early report on progress made so far, we undertook a review in 2019/20 to focus solely on validating the evidence that underpins the implementation of 3 out of the 4

previously agreed high priority agreed actions. The fourth agreed action (implementation of Altair Pension Payroll) was to have been audited in early 2020/21, though this has now been deferred due to the impact of the pandemic on the audit plan.

- 1.52 Consequently, the scope of our audit focused upon evaluating the evidence provided for the work undertaken to date and assessing the progress against these three agreed actions:
- Checking improvements have been made to the quality of data held in Altair and that this data has been used by staff to clear the backlogs of caseload;
  - Ensuring that changes to working practices and procedures within the Pension Administration Service (PAS) have been implemented; and
  - Reviewing the implementation of a full set of procedure notes and process maps to enable new and existing staff to work in a consistent and efficient manner.
- 1.53 Whilst progress has been visible, it has not progressed as expected.
- 1.54 There has been only marginal improvement to Surrey Pension Fund data quality in the Common Data and LGPS Specific Data Categories. This was demonstrated by work undertaken by Heywoods for the council.
- 1.55 Progress to devise and implement full procedure and guidance notes for staff was behind schedule, and at the date of our review the expected improvements in this respect had not occurred. Internal Audit has provided advice to the Pensions Team during the lockdown period with respect to temporary procedure changes (paragraph 2.20 refers).
- 1.56 The work to clear the historic backlog cases spanning all six funds administered by SCC has continued since a 2 year contract was entered into with Jardine Lloyd Thompson (JLT) in April 2019. We note the progress made in this regard, with around 53% of the total volume of backlog cases having been passed to JLT at the date of our fieldwork. However, at the same time we identified a number of issues to management that required attention, including inadequate evidence trails being maintained to check cases had been accurately resolved.
- 1.57 Management has acknowledged the issues identified, but remain confident that the issues highlighted in our Position Statement can begin to be addressed having successfully recruited to key positions to deal with data quality and contract management, and repositioned the service within Finance. Internal Audit will undertake a full follow-up audit of the system in 2020/21 to ascertain the progress made to strengthen the control environment.

## Digital Business & Insights Programme Governance & Risk Management Arrangements (2020/21)

- 1.58 The Digital Business & Insights Programme (DB&I) aims to deliver a transformation programme by either upgrading or replacing the existing SAP system in place at the council. The DB&I Programme will look to implement a new Enterprise Resource Planning (ERP) system that will help the council's drive to deliver efficiencies through their transformation agenda.
- 1.59 The current SAP ERP system was implemented in 2004 and will no longer be supported beyond 2025. The overall cost of the DB&I programme is expected to be £30m with the new system(s) expected to be implemented in 2021.
- 1.60 The programme is divided into two phases: Design and Implementation. This review was carried out during the Design stage, and the Implementation stage should commence in August 2020.
- 1.61 In addition to providing independent support, advice and assurance to the Programme Board and working group meetings, we have identified a number of key focus areas to support the programme. Our audit was designed to give assurance over the governance and risk management arrangements for the programme, with specific regard to the following objectives:
- There has been sufficient purpose, planning and preparation to support the Programme;
  - An appropriate governance structure is in place;
  - Effective quality and cost controls are in place;
  - Risks are appropriately managed and addressed;
  - Reporting and communication during the programme is well managed;
  - Implementation of the programme is effective;
  - The key deliverables of the programme are met; and
  - The closure of the Programme and return to business as usual is well managed.
- 1.62 Given that the DB&I programme is still at an early stage, we were not able to provide assurance over the controls in place for the closure of the programme. We will provide assurance in this regard as the programme progresses. However, we have been able to provide Reasonable Assurance over the controls operating within the area under review.
- 1.63 A robust business case has been developed and received appropriate approval for the DB&I Programme. The document shows a clear purpose for the overall programme, with emphasis on linking programme objectives to the council's strategic priorities. While this is further supported by a comprehensive Programme Definition Document, we found a need for these documents to be kept up-to-date as the programme progresses.

- 1.64 The Programme Board was found to be an effective decision-making body. However, as the programme progresses, the governance structure should be further strengthened to identify the key decision makers and those operating in a supportive role, in order to increase the Board's effectiveness.
- 1.65 Detailed costings for the various proposals have been developed and have been approved, along with the original business case. However, consideration should be given to reviewing these costings to include sufficient contingency to allow for slippage or unidentified risks across the life of the programme.
- 1.66 Good practice has been identified through the engagement of external consultants to support critical aspects of this programme as well as to understand any lessons learnt from other local authorities who have undertaken similar programmes. These have also helped to inform the procurement process with regards to complex legal aspects.
- 1.67 Stakeholder engagement and communication plans have been developed and shared with the Programme Board for approval. Once implemented, it was felt that the proposed arrangements will help identify the right stakeholders to implement the programme and provide effective communication across the entire organisation.
- 1.68 Effective risk management arrangements are in place helping to ensure that appropriate risks have been identified, with these appearing to be well evaluated and managed. This process has identified the impact that the Covid-19 global pandemic could have on the programme, but the Programme Board should also consider the impact this may also have on the potential supplier.
- 1.69 Three medium and one low risk actions were agreed with the Programme Manager in response to our findings and the final report with an opinion of Reasonable Assurance has been presented to the Programme Board.

**Network Security (2019/20)**

- 1.70 Information Technology (IT) systems enable the council to provide their critical services to their customers and are used to collect, process and retain ever increasing amounts of confidential information. The vulnerabilities that exist in these IT systems, as well as the infrastructure that supports them, combined with a perceived lack of awareness regarding security issues, have led to attackers targeting public organisations and may expose the councils to the risk of a cyber-

security attack. Cyber security attacks can be launched from any internet connection and can have a significant financial and reputational impact on the council

- 1.71 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
- Policies and procedures are clearly defined;
  - Regular effective risk assessments are undertaken;
  - Network topology is kept up to date;
  - Access to routers is restricted through network protocols or IP addresses;
  - Separate virtual local area networks (VLANs) are managed for sensitive information assets;
  - Network policies encrypt using Wi-Fi protected access II (WPA2); and
  - Authentication controls used registered certificates and session tokens.
- 1.72 Additionally, the audit sought assurance that approved protocols were used for inward and outward traffic, demilitarised zones (DMZs) had appropriate segregation (front and back facing), third-party security contractual clauses were in line with internal policies and network access controls had been enabled and validated for both wired and wireless networks.
- 1.73 The audit identified that external penetration tests and internal vulnerability assessments were undertaken and supported by executive management. Server operating system (OS) patching was facilitated automatically, active directory domain administrator rights were restricted and password rules set, and virtual private network (VPN) access was restricted to trusted clients. Where applicable, we confirmed that manufacturer default passwords and settings had been changed.
- 1.74 Both specialist and general staff awareness training was overseen and owned by management, and unnecessary server services had been disabled. Recovery action plans were in place for manual operations, understood by key officers, and regularly tested and updated.
- 1.75 We have given Reasonable Assurance over the controls operating for Network Security as we found that high level technical controls are generally in place and operating as expected. However, there are some findings that impact the overall level of control that could make the network vulnerable to attack.
- 1.76 For reasons of security, we are not able to share the detailed finding within the report, however, actions to manage the risks identified have been agreed with management.

**Other audit activity**

Grant claims

- 1.77 In the first quarter of 2020/21 we completed and provided an unqualified certification to two grant claims providing income to the council:
- Blue Badge (New Criteria Implementation Grant) - £28,081
  - Digitourism semester 4 (EU Interreg grant funding) - €11,380 (circa £10,090)

**2. Covid-19 Response Work**

- 2.1 In the case of all of the above activity, our work was based on a review of the control environment before the national response to Covid-19. As such, these findings and the associated assurance do not encompass interim measures implemented by management in response to the pandemic.
- 2.2 The following paragraphs, however, set out details of the work that we have undertaken in providing advice and support to services in response to Covid-19. During the quarter, and as a result of the pandemic, a significant proportion of our planned audit work was paused so that we would not impede service response to the emergency and wherever possible, enable us to provide specific support to this response. In addition, one of our team were redeployed to support other services across the organisation relating to the validation of CE certification for personal protective equipment (PPE). For those staff remaining, in addition to continuing with and completing ongoing audits where this was possible, we refocussed our work on providing advice and support across the council on risk and control issues, especially where services looked to modify their ways of working in response to the pandemic. Many of these related to back office, administrative functions, with some of these historically having a heavy reliance on paper-based processes.
- 2.3 We also reviewed new initiatives, such as the Department for Education (DfE) Laptop Scheme (see below) and were required to certify various additional grants received by the council in respect of Covid-19. This grant work sought to provide assurance that the grants were used in accordance with the relevant terms and conditions, prior to formal certification by senior management and return to the grant awarding bodies. Some of these grants were certified in quarter two and will be reported in our next progress update.
- 2.4 As the organisation continues to adapt its response to the Covid-19 pandemic, we will maintain our advisory and support activity, including revisiting some of the key areas where working practices have evolved to provide assurance that these remain appropriate and fit for purpose.
- 2.5 The provision of audit guidance, advice and support to date has included:

## DfE Laptop Scheme

- 2.6 Surrey County Council were given an initial allocation of 1,809 devices to allocate to children who did not have access to a device, to enable social workers to keep in contact and to support learning whilst educational institutions were closed due to the ongoing Covid-19 pandemic.
- 2.7 We reviewed the controls in place to manage the following key areas:
- Ownership;
  - Password Management;
  - Security;
  - Internet monitoring;
  - Delivery;
  - Support;
  - Asset Management;
  - Information Governance and Technical Risk Assessments; and
  - Asset tracking (and wiping in the event that assets are lost or stolen).
- 2.8 Our initial review found that, other than developing processes to take delivery and allocate the devices, sufficient consideration had not been given to the other key areas listed above. We were, however, able to work pro-actively with management by facilitating closer working between the project lead and IT&D, who had developed project plans to support other organisations and therefore share learning across the Orbis Partnership.
- 2.9 Follow-up work showed that, with input from IT&D, the above key areas had subsequently been incorporated into the project plans appropriately.

## Business Continuity (Daily Service Status Reporting)

- 2.10 At the outset of the pandemic, key services across the council were required to complete a Daily Service Status Report (DSSR) to submit to Emergency Planning to correlate and compile for business continuity purposes.
- 2.11 The DSSR was comprised of a number of areas for key services to consider as the pandemic strengthened, which included the:
- Ability to identify and cope with demand pressures on the service;
  - Adequate resourcing levels to deliver the service;



- Access to physical records and information;
- Technology stability and access to core IT systems;
- Access to buildings (where necessary);
- Access to key equipment and materials, including PPE; and
- Impact of lockdown in terms of movement restrictions for staff and customers.

2.12 Internal Audit played a key support role in the design and embedding of the DSSR process, working alongside corporate project managers, and then supporting the implementation of the process through supportive conversations and challenge sessions with those service representatives who were tasked with completing the report. This led to more consistent and validated information being provided back to Emergency Planning, which proved crucial in the early days of the Council’s response to COVID-19.

**Vulnerable Residents (shielding list)**

2.13 Details of Surrey residents who were required to shield against Covid-19 were sent to SCC to enable the council to contact individuals and arrange any support required. The list of individuals was split across social care, boroughs, and districts. Due to issues of apparent data corruption in the ongoing use of these various spreadsheets, Internal Audit was asked to help identify the technical cause of the problem and to help develop a solution.

2.14 Our work identified that there were issues in some of the master spreadsheets in the way that cells had been protected and formatted, which had inadvertently led to the possibility of some data being overwritten. We also identified technical issues relating to multiple officers using Sharepoint to access to the spreadsheets, along with some housekeeping issues associated with how the spreadsheets were used and maintained.

2.15 We were able to provide detailed findings to colleagues in the Insight and Intelligence team who managed this process, in order to improve the arrangements going forward.

**Data Analytics**

2.16 A key objective of our work during the Covid-19 pandemic was to support the organisation by reviewing major sources of data from within the council for possible areas of fraud, error, duplicate payment or other suspicious activity.

- 2.17 A number of workstreams were started in quarter one, including reviews of key areas of expenditure. Some of these workstreams are ongoing to provide rolling assurance although two specific workstreams that were concluded in the period, focusing upon the use of purchasing cards and fuel cards.
- 2.18 In both cases, our analysis was able to provide assurance to management that patterns of expenditure on both types of card appeared proportionate and valid throughout the initial period of lockdown. Significant expenditure above usual trends had been incurred by some services on their purchasing cards as part of initial responses to buying key equipment (particularly PPE) ahead of more formal procurement processes being devised.
- 2.19 Our work on procurement cards also led to the creation of a dashboard that we were able to hand over to Business Operations, enabling them to upload purchase card data from the system to enable more effective monitoring of expenditure by directorate and service.

#### Other Covid-19 Assurance Activities

- 2.20 In the period we also provided advice and support to services in respect of the following areas:
- **Changes to Pensions Processes** – including use of electronic signature processes and controls over the approval and authorisation of payments whilst staff are working from home;
  - **Crisis Fund** – advice on controls associated with administering the fund as well as the distribution and use of Allpay cards for those isolating or shielding during lockdown;
  - **New Fraud Risks** – updating our proactive fraud plans to include a range of new COVID-19 related risks, including mandate fraud and PPE-related fraud, and the heightened risk around cyber-attacks. We also ensured key information provided by bodies such as the National Anti-Fraud Network were shared with relevant services within the council;
  - **Waivers to Procurement and Contract Standing Orders** – advice over alternative arrangements to help ensure the continued delivery of key services where contracts with providers were due to come to an end during Covid-19;
  - **Information Governance** – working with the Information Governance lead on developing further guidance and advice for staff in this area and supporting the Redeployment/Mobilization Team in managing the staff-related data they held;
  - **Support to Key Providers** – advice on processes for making payments in advance to key providers (social care, high-needs transport, etc.) to ensure continuity of service during lockdown;
  - **BACS Payments** – changes to authorisation arrangements to speed up approval processes in the remote working environment;

- **Distribution and Storage of PPE** – new processes for the purchase, storage and resale/distribution of PPE equipment using warehouse at Wray Park as a hub;
- **Advice to Schools** – advice to Strictly Education in relation to maintaining separation of duties in approvals and authorisations for schools whilst staff were working remotely;
- **Travel Expenses** – advice of the development of alternative arrangements for claiming travel expenses during lockdown and periods of remote working;
- **PPE Recharges** – governance arrangements and internal controls associated with the recharging for PPE stock, including advice on maintaining appropriate data quality;
- **DBS checks** – advice for the Safer Staffing Team over DBS checking arrangements during the remote working period.

### 3. Counter Fraud and Investigation Activities

#### Proactive Counter Fraud Work

3.1 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

3.2 The results from this exercise were received on 31 January 2019 and continue to be reviewed. This exercise has identified total overpayments of £79,565.83. The overpayments were identified across two reports: £72,492.86 from the Private Residential Care Homes matched to DWP Deceased data report, and £7,072.97 from the Pensions to DWP Deceased data report. Internal Audit are currently working with the appropriate departments to ensure that the relevant datasets are uploaded for the next exercise, with the results from the exercise due on 31 January 2021.

##### Counter Fraud Strategy

3.3 Each Orbis partner has in place a Counter Fraud Strategy that sets out their commitment to preventing, detecting and deterring fraud. Internal Audit has reviewed the sovereign strategies to align with best practice and to ensure a robust and consistent approach to tackling fraud. These were approved by Audit and Governance Committee on 22 May 2020 and are now available on the council’s intranet.

## Fraud Risk Assessments

- 3.4 Fraud risk assessments are regularly reviewed to ensure that the current fraud threat for the council has been considered and appropriate mitigating actions identified. We have updated the risk assessment to include new and emerging threats as a result of the COVID19 pandemic. This includes potential threats to payroll, staff frauds relating to home working, and cyber frauds.

## Fraud Response Plans

- 3.5 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. The fraud response plans include an emphasis on data analytics. During quarter one we have conducted data analytics exercises into purchasing cards and fuel cards. We have also developed a data analytics programme for key financial systems. Work on the key financial data analytics will commence in quarter two.

## Fraud Awareness

- 3.6 The team are monitoring intelligence alerts and have produced a Fraud Bulletin identifying potential threats against the council and its employees. This includes increased risks of bank mandate fraud, cyber threats including various phishing scams and online shopping scams. The bulletin is currently on Jive and we have already received a referral as a result of its publication.

## Reactive Counter Fraud Work - Summary of Completed Investigations

### Redundancy Process

- 3.7 Internal Audit received a whistleblowing allegation that a member of staff at an infant school had been treated unfairly during a redundancy process, and that the redundancy fund was being misused. An investigation was conducted but we identified no issues within the cited processes. It was concluded that there was no case to answer and a response was sent to the whistleblower accordingly.

### Declarations of Interest

- 3.8 Following a whistleblowing referral surrounding the process for disposing of vehicles that had been donated to Surrey Fire and Rescue, Internal Audit provided the service with advice on declaration of interests for the relevant members of staff. No irregular practice was identified.
- 3.9 In a separate case, we received an allegation that a council officer had used a family friend to supply a service to his team without having made an appropriate declaration of interest. After investigation we were able to confirm that a declaration had in fact been made, and mitigations put in place to remove any direct management of the supplier from the officer in question. We also confirmed that the work had been let in accordance with Procurement Standing Orders and approved by a separate budget holder. Advice to management was provided.

Interpretation of Legislation

- 3.10 Following a complaint that the council was misinterpreting DfT guidance on calculating average road speeds, the case was passed to us for an independent view. We concluded that there was no evidence that the council had misinterpreted the Department’s guidance and the complainant was advised accordingly.

False Representation

- 3.11 We logged several allegations relating to both benefit fraud and blue badge fraud, and referred these to the relevant agencies for further investigation.

**4. Action Tracking**

- 4.1 All high priority actions agreed with management as part of individual audit reviews are subject to action tracking. There were five high-priority actions due to be implemented by management by the end of quarter one which have not yet been implemented.
- 4.2 Three of these related to the audit of Pension Fund Administration. It should be noted, however, that at the time of writing this report the actions have now been at least partially implemented and work is continuing to ensure full implementation, with revised dates for this agreed with management. Progress over implementation will continue to be monitored and reported on by Internal Audit.
- 4.3 Of the remaining two outstanding high priority actions, one is within our Health and Safety audit and the other in the Surveillance Cameras audit, both from the 2019/20 audit plan. In both cases, the effect of the lockdown and Covid-19 had delayed the full implementation of actions,

and we recognise that the services in question will take longer than originally planned to complete the work needed. Both areas are subject for formal follow-up audits in quarter two of this year, the outcomes of which will be reported to this committee in due course.

## 5. Amendments to the Audit Plan

5.1 As referred to in paragraph 2.2, a significant proportion of our planned work was paused in response to the pandemic. We are currently in the process of revising and updating the audit plan for the remainder of the year and will present this to this committee in due course.

## 6. Internal Audit Performance

6.1 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 22 May 2020 (April's committee was postponed due to COVID)
	Annual Audit Report and Opinion	By end July	<b>G</b>	2019/20 Annual Report and Opinion approved by Committee on 28 August (delayed due to COVID)
	Customer Satisfaction Levels	90% satisfied	<b>N/A</b>	No surveys received in the period
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	<b>N/A</b>	During the COVID-19 pandemic, the audit plan has been suspended to allow the organisation to respond to the emerging pandemic.
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	<b>G</b>	January 2018 – External assessment by the South West Audit Partnership gave an opinion of 'Generally Conforms' – the highest of three possible rankings

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
				<p>June 2020 - Internal self-assessment completed, no major areas of non-compliance with PSIAS identified.</p> <p>June 2020 - Internal Quality Review completed, no major areas of non-compliance with our own processes identified.</p>
	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>A</b>	84.8%
Our staff	Professionally Qualified/Accredited	80%	<b>G</b>	92.9% <sup>1</sup>

<sup>1</sup> Includes staff who are part-qualified and those in professional training

## 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.





**Audit & Governance Committee  
1 October 2020**

**Risk management update**

**Purpose of the report:**

To introduce our strategic risk partner and their project approach 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 consider the contents of the report and confirm they are satisfied with the approach.

**Risk management update**

1. The attached slides (Annex A) provide an overview of the approach, timeline, role of the Audit and Governance Committee and next steps.

**Implications**

**Financial and value for money implications**

2. 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**

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

**Risk Management Implications**

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

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Developing the Council's  
approach to risk management  
and strengthening its risk culture

Project introduction

Audit and Governance Committee

1 October 2020



# Introduction

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The purpose of this document is to introduce our project to develop the Surrey County Council's (SCC) approach to risk management and strengthen its risk culture; and set out how the Audit and Governance Committee can facilitate in achieving this ambition. It is intended to support a discussion at the Audit and Governance Committee meeting on 1st October 2020.

This document includes:

- The 'bigger picture' in terms of the strategic 'risk landscape' of local government;
- The importance and value of good risk management to SCC;
- The role of the Audit and Governance Committee in managing risks;
- The objectives, approach and timescales of this project; and
- Our next steps and ask of the AGC.

# The big challenges that are driving the risk landscape of Local Government



- ▶ These 'big challenges' are complex, interconnected and evolving... and the pace of change is getting faster.
- ▶ Covid19 has amplified many of the persistent challenges facing local government whilst bringing new challenges and further uncertainty.
- ▶ With more uncertainty, complexity and change comes increasing risk - threats and opportunities (upside risk).
- ▶ Risk management helps us to anticipate risk and take proportionate steps to mitigate the threats, or realise potential opportunities. This is an integral part of meeting the challenges faced.

# Managing risk is necessary to realise SCC's community vision and ambitions

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A consistent and robust approach to risk management will provide long term value to SCC and the communities it serves by supporting the achievement of its strategic and performance objectives. Developing risk management, including the underlying culture and behaviours, will help SCC to:

- ▶ **Strengthen accountability** - through clear and robust risk governance including: risk roles and responsibilities, risk ownership, risk monitoring, escalation of risks and oversight of the risk management process;
- ▶ **Make best use of resources** - through relevant and proportionate treatment of risks, taking account of the level of risk; the cost of controls; and SCC's appetite for risk;
- ▶ **Build stakeholder trust** - by demonstrating that significant risks are consistently identified, assessed, managed and monitored at the appropriate level across SCC;
- ▶ **Avoid surprises** - providing a consistent approach to identify, understand and assess risks (including new and emerging risks);
- ▶ **Have confidence** - that appropriate actions are being taken to manage risks in a timely manner; and
- ▶ **Make informed decisions** - with reliable, timely information on individual risks and insight and analysis on SCC's combined exposure to risk.



# The Audit and Governance Committee has an integral role in developing and sustaining robust risk management culture

## Your role in managing risk:

- ▶ Review and approve SCC's risk management strategy and framework annually, ensuring these are robust and consistent with SCC's wider structures, processes and priorities;
- ▶ Challenge and review the implementation of risk management arrangements, to provide assurance to the Council that these are actively working across the organisation;
- ▶ Challenge and review the adequacy and effectiveness of control processes in responding to risks within the organisation's governance, operations, compliance and information systems;
- ▶ Support the Cabinet, Select Committees and Leadership in their roles to identify, assess and manage strategic risks, in line with SCC's appetite for risk.

## The value you provide in this role comes from your objective view point; and your experience and understanding of:

- ▶ SCC's strategy, operating environment and risk landscape;
- ▶ SCC's wider governance structures, specifically the role and activities of the Cabinet, Select Committees and Leadership in relation to managing risk;
- ▶ The Cabinet and Leadership's attitude to, and appetite for, risk;
- ▶ SCC's risk management framework and the key indicators that can provide assurance that this is implemented and working effectively.

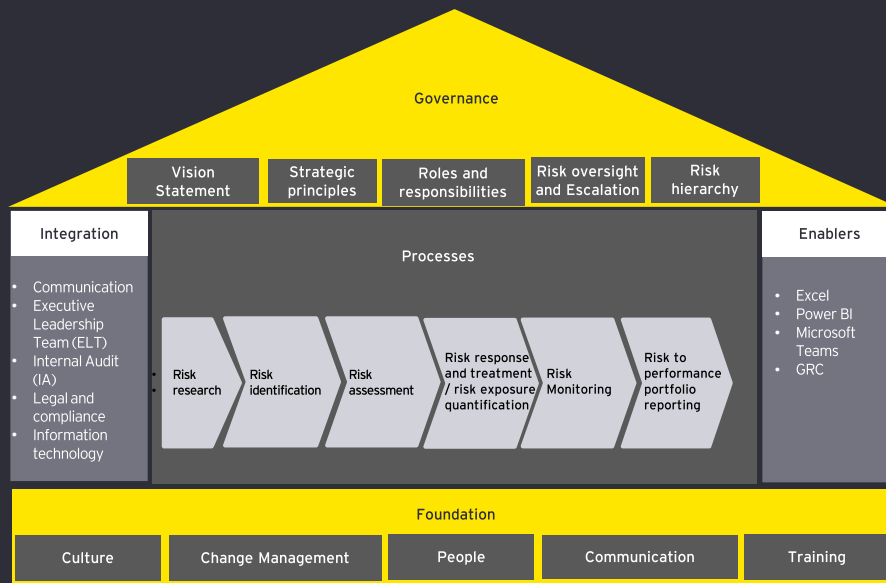
Your leadership in demonstrating the importance of, and SCC's commitment to, risk management is vital.

# Developing a valuable and valued approach to risk management

Our goal is to develop and embed a robust risk management framework, underpinned by a strong risk management culture, that provides tangible and recognised value to SCC in supporting performance; the achievement of objectives; and ultimately the outcomes of the people of Surrey.

Our approach to this work will be guided by the following priorities:

- ▶ Recognising the importance of culture: defining the right behaviours and required skills for effective risk management; and developing guidance, training and wider change programme to embed these at SCC.
- ▶ Understanding the current state of risk management, to build on strengths; and focus improvement where needed.
- ▶ Creating real and sustainable change in risk management systems, processes and behaviours across SCC.
- ▶ Ensuring the role of risk management in supporting objectives is recognised across SCC; and closer aligning risk management to wider performance management.
- ▶ Including early and ongoing engagement with stakeholders from across SCC; ensuring risk management is relevant and 'right sized' to the whole organisation.
- ▶ Drawing on best practice and risk management standards (ISO31000, Orange Book, Corporate Governance Code).





# Our plan to create long term value for SCC

Focus	Objectives	September	October	November	December	2021
Current state assessment	<ul style="list-style-type: none"> <li>Baselining the current state of risk management</li> <li>Identifying priority areas for improvement</li> </ul>	█				
Risk management vision and foundations	<ul style="list-style-type: none"> <li>Defining SCC's aspiration for risk management</li> <li>Defining our key success factors for risk management</li> <li>Developing SCC's risk appetite</li> </ul>	Vision & KSFs ★		Risk appetite ★		
Risk registers	<ul style="list-style-type: none"> <li>Updating the strategic risk register</li> <li>Building out directorate and service registers*</li> <li>Establishing the necessary systems &amp; processes to maintain registers</li> </ul>		Strategic risk register ★	Directorate/service risks ★		
Risk reporting	<ul style="list-style-type: none"> <li>Defining the risk information requirements</li> <li>Creating reporting templates</li> <li>Developing practice of risk analysis to inform reporting</li> </ul>		Risk processes	Requirements/templates	Analytics	
Risk culture	<ul style="list-style-type: none"> <li>Baseline current behaviours against risk vision</li> <li>Developing change plan to close the gap</li> <li>Providing guidance, training and knowledge transfer</li> </ul>	Baseline	Change plan	Training, knowledge transfer		
Review & support	<ul style="list-style-type: none"> <li>Learn lessons</li> <li>Review risk management and assess progress on KSFs against baseline</li> <li>Ongoing support &amp; mentoring</li> </ul>				Lessons ▲	Support ▲

We will make a tangible and sustained improvement to risk management, providing real value to the SCC and its residents. We will do this by:

- Targeting our improvements where most needed
- Defining specific key success factors
- Assessing process of KSFs against current state baseline
- Developing good risk behaviours to sustain change
- Providing longer term support and knowledge transfer to SCC staff / Members

★ Key risk workshop      ▲ Assessment of KSF's against baseline

\* We will pilot the build out of risk areas in chosen Directorates / service areas

# Next steps & ask of the Audit and Governance Committee

## Our next steps

1. Complete current state assessment and identify priority areas for improvement
2. Develop vision for future risk management and define our key success factors
3. Work with the Strategic Integrated Planning Group to update the strategic risk register
4. Define the risk behaviours necessary to support the risk vision

## Our ask of the Audit and Governance Committee

- ✓ Champion the importance of risk management across SCC
- ✓ Create a 'demand' for risk management and risk information
- ✓ Work with us as we develop the risk management vision and framework
- ✓ Help us understand the risk information that you need

And longer term..

- ✓ Assess how risk management is working in practice and identify where you see improvement opportunities
- ✓ Know the strategic risks (including emerging risks) and seek assurance on the effectiveness of controls

By virtue of paragraph(s) 3, 4 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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