

Notice of Meeting

Audit & Governance Committee

**Date & time**

Tuesday, 23 March
2021
at 10.30 am

Place

Remote

Contact

Joss Butler

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), Dr Peter Szanto, Mr Stephen Spence, Mr Stephen Cooksey and Mrs Victoria Young

Ex Officio:

Mr Tim Oliver (Leader of the Council), Mr Colin Kemp (Deputy Leader and Cabinet Member for Infrastructure), 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

(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 (*17 March 2021*).
2. The deadline for public questions is seven days before the meeting (*16 March 2021*).
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

5 RECOMMENDATIONS TRACKER

(Pages 7
- 10)

To review the Committee's recommendations tracker.

6 RISK MANAGEMENT UPDATE

(Pages
11 - 20)

To provide an update on the strategic risk register and next steps to enable the committee to meet its responsibilities for monitoring the development and operation of the council's risk management arrangements.

- 7 ETHICAL STANDARDS ANNUAL REVIEW** (Pages 21 - 26)
To enable the Committee to monitor the operation of the Members' Code of Conduct over the course of the last year.
- 8 REDMOND REVIEW - LOCAL AUDIT AND LOCAL AUTHORITY FINANCIAL REPORTING** (Pages 27 - 32)
This report updates the Audit and Governance Committee on the recent Redmond Review into the oversight of local audit and the transparency of local authority financial reporting.
- 9 GRANT THORNTON: 2020/21 EXTERNAL AUDIT PLAN** (Pages 33 - 66)
This report provides the Audit & Governance Committee with the Audit Plan for the external audit of the 2020/21 financial statements of the Council and the Surrey Pension Fund.
- 10 INTERNAL STRATEGY AND ANNUAL AUDIT PLAN 2021/22** (Pages 67 - 92)
The purpose of this report is to present the Internal Audit Strategy and Annual Internal Audit Plan for 2021/22 to the Committee.

Under-pinning the work of the Orbis Internal Audit Service in delivering the Annual Internal Audit Plan are the key principles and objectives as set out in the Internal Audit Strategy and Charter. These are presented alongside the Annual Internal Audit Plan for 2021/22 as good practice dictates that these should be updated and reviewed on an annual basis.
- 11 INTERNAL AUDIT PROGRESS REPORT - QUARTER 3 (01/10/20 - 31/12/20)** (Pages 93 - 110)
The purpose of this progress report is to inform members of the work completed by Internal Audit between 1 October 2020 and 31 December 2020.
- 12 DATE OF NEXT MEETING**
The next meeting of Audit & Governance Committee will be on 7 June 2021.

Joanna Killian
Chief Executive
Published: 15 March 2021

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MINUTES of the meeting of the **AUDIT & GOVERNANCE COMMITTEE** held at 10.30 am on 29 January 2021, Remote.

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

Elected Members:

Mr David Harmer (Chairman)
Mr Keith Witham (Vice-Chairman)
Dr Peter Szanto
Mr Stephen Spence
Mr Stephen Cooksey
Mrs Victoria Young

Members in Attendance

Becky Rush, Cabinet Member for Resources an Corporate Support

1/21 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

There were none.

2/21 MINUTES OF THE PREVIOUS MEETING - 26 NOVEMBER 2020 [Item 2]

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

3/21 DECLARATIONS OF INTEREST [Item 3]

There were none.

4/21 QUESTIONS AND PETITIONS [Item 4]

There were none.

5/21 RECOMMENDATIONS TRACKER [Item 5]

Declarations of interest:

None

Witnesses:

None.

Key points raised during the discussion:

1. The Chairman noted that there were no updates to the Committee's Action Tracker.
2. A Member of the Committee asked whether it would be appropriate for the Committee to receive a briefing from the recently appointed Cabinet Member for Resources and Corporate Support. The Chairman agreed for the suggestion to be considered however noted that the Audit and Governance Committee was not a scrutiny committee.

Action/Further information to note:

A1/21 - To considered whether it would be appropriate for the Audit and Governance Committee to receive a briefing from the recently appointed Cabinet Member for Resources and Corporate Support.

RESOLVED:

The Committee noted the actions tracker.

6/21 TREASURY MANAGEMENT STRATEGY STATEMENT 2021/22 [Item 6]**Declarations of interest:**

None

Witnesses:

Mark Hak-Sanders, Strategic Finance Business Partner

Anna D'Alessandro, Director – Corporate Finance

Key points raised during the discussion:

1. Officers introduced the report a provided a brief summary. Members noted the purpose of the Treasury Management Strategy was to set out a prudent strategy for the council's cash balances, to set a strategy against borrowing costs and to provide an external economic context. Members went on to note details of the strategy which are outlined within the report.
2. Members noted that the Resources and Performance Select Committee had also considered the content of the report and asked whether it was appropriate to reconsider and streamline the decision making process. The Committee discussed the potential of holding a joint meeting between both the select committee and Audit and Governance Committee. Officers highlighted that the relevant select committee had the responsibility to scrutinise and the Audit and Governance Committee had delegated approval to consider the Treasury Management Strategy by the County Council. Officers went to confirm that they would consider how the whole process could be more efficient.
3. Members noted that the excess money over the money market fund limit, set by last year's strategy, was temporarily held in a current account. Officers stated that next year it was proposed to hold all excess money within a money market fund. Members went to note that this was due to some alternative areas to hold the money being subject to negative interest rates.
4. Members asked for clarification on whether the council was in a position to take advantage of long-term rates before they increased. Officers stated that potential actions were always being considered with Arlingclose and that the council's strategy did allow for the council to enter into long-term debt at any point during the year.
5. Officers highlighted that, when benchmarking average borrowing costs against other local authorities, the council had done well in terms of interest costs by not locking into long-term interest rates. It was further noted that the council was currently satisfied with its balance between long and short term debt.

Action/Further information to note:

None.

RESOLVED:

The Audit and Governance Committee approved the Treasury Management Strategy Statement (TMSS) for 2021/22 including the Prudential Indicators.

7/21 RISK MANAGEMENT UPDATE [Item 7]**Declarations of interest:**

None

Witnesses:

Mary Buxton, EY

Ross Tudor, EY

Anna D'Alessandro, Director – Corporate Finance

Key points raised during the discussion:

1. The representatives introduced the item and provided a presentation based on the slides included in the meeting's agenda. Members noted details related to:
 - a. A risk management project update and next steps
 - b. The strategic risk register
 - c. The risk culture survey
 - d. The role of the Audit and Governance Committee when managing risk
2. The Committee asked for an explanation on where EY felt the biggest risks were located in the council. Officers stated that the biggest risks were strategic risks and therefore cut across multiple services. Further to this, EY stated that they were keen to ensure a framework was in place to allow services across the council to identified and address risks.
3. The Committee discussed the potential risk of a complete cyber-systems failure and whether it was worth considering the threat in the current piece of work. EY stated that they had recognised the general theme of cyber-risk and more work was being done to identify specific risks within it and how they should be prioritised.
4. The Committee asked whether EY had identified a culture of avoiding high risk decisions within services. EY explained that there was an upcoming session to consider the council's risk tolerance and appropriate next steps. EY stated that they were not yet in a position to give their view on the council's risk tolerance.
5. Members noted that in comparison to other organisations the response rate of the survey was good.
6. The Director – Corporate Finance explained that there was ongoing work with the council's Corporate Leadership Team to create a strategic risk register.
7. EY highlighted the risk agenda and key risk management questions outlined at the end of the slideshow.

Actions/ further information to be provided:

None.

Resolved:

The committee considered the contents of the report and confirmed they were satisfied with the progress made so far.

8/21 COUNCIL EXECUTION OF CONTRACTS - PROCUREMENT RULES [Item 8]**Declarations of interest:**

None

Witnesses:

Paul Evans, Director – Law and Governance

Key points raised during the discussion:

1. The Director – Law and Governance provided an overview of the report which recommended that the Committee agreed to recommend to Council that paragraph 2.7.a of the Council's procurement rules be amended at column I (contracts over £500k and over £1 million) from "Over £500k: Sealed as a deed via Legal Services" to "Over £500k: executed by authorised signatory in legal services or by seal as determined by Legal Services".
2. A Member of the Committee stated that they fully supported the proposed as the current process seemed outdated. Officers went on to confirm that the process of checking the contract for issues would not be changed.

Actions/ further information to be provided:

None.

Resolved:

The Committee agreed to recommend to Council that paragraph 2.7.a of the Council's procurement rules be amended at column I (contracts over £500k and over £1 million) from "Over £500k: Sealed as a deed via Legal Services" to "Over £500k: executed by authorised signatory in legal services or by seal as determined by Legal Services".

9/21 REPORT OF THE MEMBER CODE OF CONDUCT WORKING GROUP [Item 9]**Declarations of interest:**

None

Witnesses:

Paul Evans, Director – Law and Governance

Key points raised during the discussion:

1. The Director – Law and Governance provided an overview of the report and the work of the Member Code of Conduct Working Group.

Actions/ further information to be provided:

None.

Resolved:

1. The Committee approved:
 - (1) The revised Councillor Code of Conduct.
 - (2) The amendments to the Arrangements for Dealing with Allegations of Breaches of the Councillor Code of Conduct.
2. That the revised Councillor Code of Conduct comes into force at the next Council AGM following a Council election.

10/21 DATE OF NEXT MEETING [Item 10]

The date of the meeting was as 23 March 2021.

Meeting ended at: 11.35 am

Chairman

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Audit & Governance Committee
23 March 2021

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.

REPORT CONTACT: Joss Butler, Committee Manager
joss.butler@surreycc.gov.uk

Sources/background papers: None

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Audit & Governance Committee Action Tracking

ACTIONS

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update
A1/21	29 Jan 2021	Recommendations Tracker	To considered whether it would be appropriate for the Audit and Governance Committee to receive a briefing from the recently appointed Cabinet Member for Resources and Corporate Support.	Committee	To be discussed at March 2021 meeting.



Audit & Governance Committee Action Tracking

COMPLETED RECOMMENDATIONS/REFERRALS/ACTIONS – TO BE DELETED

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Audit & Governance Committee
23 March 2021

Risk management update

Purpose of the report:

To provide an update on the strategic risk register and next steps 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 progress made so far.

Risk management update

1. The attached slides (Annex A) provide an overview of the activities undertaken to develop the strategic risk register, the list of strategic risks and the next steps required to continue to develop and manage the strategic risk register.

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.

Report contact: Cath Edwards, Strategic Finance Business Partner (Improvement and Risk),
Finance

Contact details: cath.edwards@surreycc.gov.uk

Audit and Governance Committee

Strategic risks

23rd March 2021

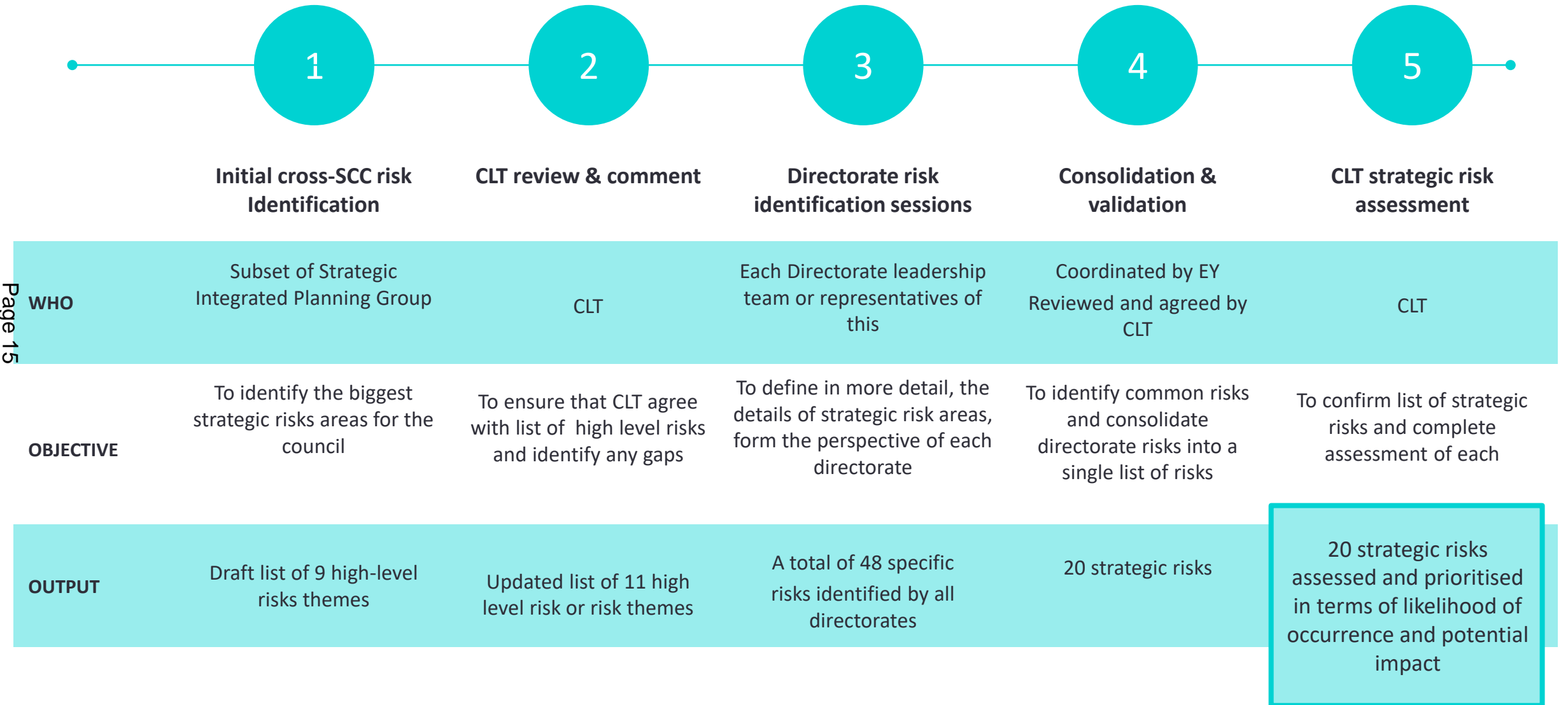
Introduction



The purpose of this document is to provide the Audit and Governance Committee with a prioritised list of SCC's identified strategic lists (See pages 4,5 and 6).

It also provides a summary explanation of how this list of risks has been developed (see page 3) and sets out future actions needed to continue to develop and manage SCCs strategic risks (see page 7).

Background: Steps taken to identify, agree and assess strategic risks



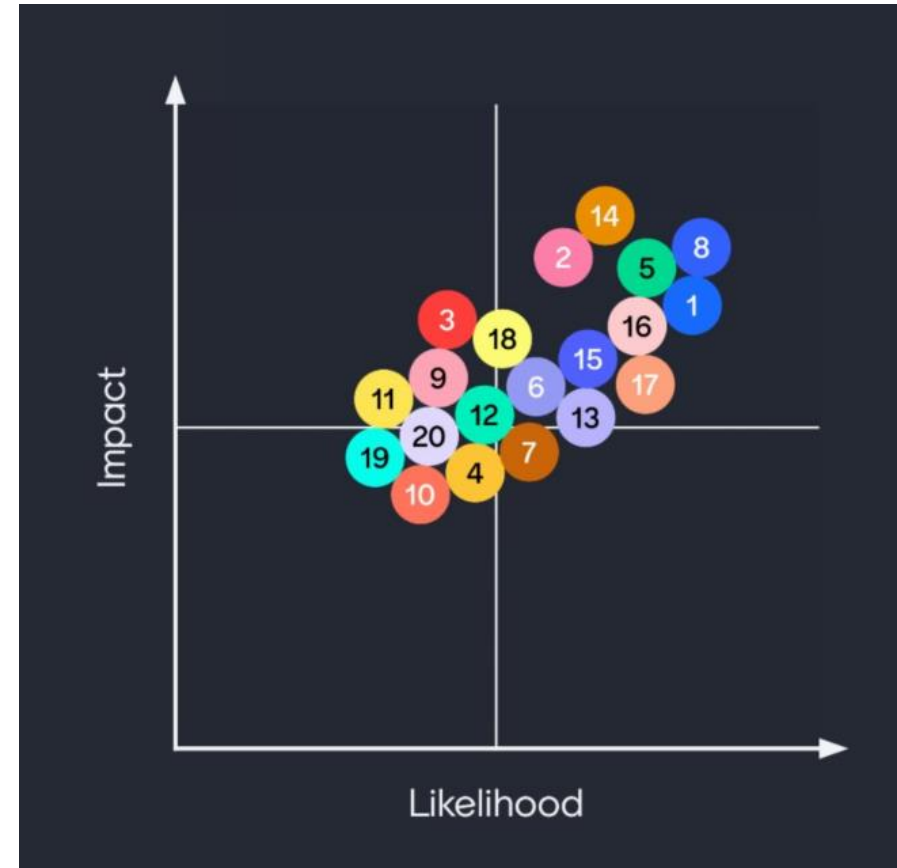
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Summary of strategic risks



No.	Risk Title
ST.01	Local economy
ST.02	SCC's Financial sustainability
ST.03	Cyber threat
ST.04	Loss of data / breach of GDPR
ST.05	Staff wellbeing
ST.06	Supplier failure
ST.07	Market supply of services
ST.08	Increasing demand
ST.09	Failure to transform
ST.10	Governance and decision making
ST.11	Effective partnerships
ST.12	Capacity and capability to deliver
ST.13	Government policy
ST.14	Children's Service Improvement
ST.15	Severe Weather
ST.16	Economic deprivation
ST.17	Climate change
ST.18	Infrastructure
ST.19	Health & Safety
ST.20	Electricity transmission

See description of risks on next pages



Assessment of risks by CLT on 1st February 2021

Strategic risks (top 10 *)

No	Risk title	Summary description ²	Initial risk assessment ¹		
			Likelihood	Impact	Risk Score
ST.05	Staff wellbeing	There is a risk that some SSC staff will experience a significant and unacceptable decline in their health and / or wellbeing.	3.2	3.1	9.92
ST.01	Local economy	There is a risk that Surrey's GVA (Gross Value Added) does not achieve the projected increases of 4% for 2021 and 7% for 2022.	3.3	3	9.9
ST.08	Increasing demand	There is a risk that SCC will be unable to meet and increasing level of demand from services and level and quality of services demanded by the community over the medium term.	3.2	3	9.6
ST.14	Children's Service Improvement	There is a risk that we cannot demonstrate sufficient improvement in the provision of Children's services and that it will be rated as inadequate when next inspected under an ILACS (Inspecting Local Authority Children's Services)	2.7	3.4	9.18
ST.02	SCC's Financial sustainability	There is a risk of a significant gap between the planning assumptions in the medium term financial plan and future economic conditions whereby a significantly reduced funding settlement from central government between 2021 and 2026, can not be offset at the local level.	2.5	3.2	8
ST.16	Economic deprivation	There is a risk of significant increase in the levels of poverty within our community, with a rising number of people facing higher levels deprivation.	3	2.6	7.8
ST.17	Climate change	There is a risk that SCC will not implement sufficient measures to deliver carbon emissions reductions, and to respond to the impacts of climate change.	3	2.4	7.2
ST.15	Severe Weather	There is a risk of increasing duration, frequency and effects of various severe weather events leads to substantial loss of service or network, asset deterioration or failure, unsustainable annual budget pressures and reputational damage due to customer dissatisfaction.	2.6	2.3	5.98
ST.13	Government policy	There is a risk that changes in national policy will create additional demands and expectations on SCC services and/or additional financial liabilities that are not offset by central funding.	2.5	2.3	5.75
ST.03	Cyber threat	There is a risk of a deliberate and / or targeted cyber attack compromising IT systems and critical IT infrastructure	1.9	2.6	4.94

Top 5 risks

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* Top 10 risks as assessed by CLT on 1st February 2021

¹ Risk scores are mean average of scores given by each member of CLT participating in risk session, 1st Feb. 2021

² Full descriptions of each risk, including causes and consequences are provided in separate document

Strategic risks continued (risks 11- 20*)



No	Risk title	Summary description ²	Initial risk assessment ¹		
			Likelihood	Impact	Risk Score
ST.06	Supplier failure	There is a risk that a supplier or a commissioned service is unable to continue provide that service, or that that they fail to do so the required level or quality standards.	2	2.4	4.8
ST.18	Infrastructure	There is a risk of failure to deliver major infrastructure and failure to maintain key infrastructure or assets.	2	2.4	4.8
ST.12	Capacity and capability to deliver	There is a risk that SCC will not be able to recruit and retain sufficient numbers of skilled staff to manage and deliver quality services and realise the 2030 vision	2.1	2.1	4.41
ST.04	Loss of data / breach of GDPR	There is risk that data will be accessed by individuals who are not authorised to receive it.	1.9	2	3.8
ST.09	Failure to transform	There is risk that we will not achieve the intended outcomes of our transformation programme, in the planned timeframe	1.6	2.1	3.36
ST.07	Market supply of services	There is a risk of a significant decline in the number of 3rd party providers of key services (including Children's, Adults, highways, and waste services).	1.8	1.8	3.24
ST.19	Health & Safety	There is a risk of failure to comply with H&S statutory duties, or managers/individuals failing to comply with H&S processes.	1.6	1.9	3.04
ST.11	Effective partnerships	There is a risk that the working partnerships we have with other organisations will not deliver the intended objectives	1.5	2	3
ST.10	Governance and decision making	There is a risk that the council's governance structures do not support effective, timely decision making and provide the level of accountability, transparency and challenge that is expected of the council.	1.5	1.8	2.7
ST.20	Electricity transmission	This is a risk of failure of the national electricity transmission.	1.3	1.9	2.47

¹ Risk scores are mean average of scores given by each member of CLT participating in risk session, 1st Feb. 2021

² Full descriptions of each risk, including causes and consequences are provided in separate document

Next steps (and beyond) to develop and maintain strategic risk register

Next steps

Suggested questions for AGC to ask...

1. Assign strategic risk owners

- Who is responsible for leading the management of this risk?

2. Develop risk response plans for each risk

- What is the objective with this risk (eg to reduce the likelihood of occurrence)?
- What controls are currently in place to manage this risk?
- What further actions are planned to reduce the level of risk and when will they be complete?

3. Monitor risks and progress against plans (quarterly)

- Have planned actions to address each risk been completed as per plan?
- What is the latest assessment of this risk and how has this changed?
- What is the cause of any change in the level of risk?

4. Identify new and emerging risks (6 -12 months)

- What new or emerging risks have been identified?



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Audit and Governance Committee
23 March 2021

ETHICAL STANDARDS ANNUAL REVIEW

Purpose of the report:

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

Recommendation:

That the Audit and Governance Committee:

- a) Notes the Committee's work undertaken over the past year in relation to to establish a working group to review possible changes to the Members' Code of Conduct in light of recommendations from:
 - a. The Committee on Standards and Ethics 'Local Government Ethical Standards' report (2019).
 - b. The Local Government Association Model Code of Conduct
- b) Notes the Monitoring Officer's report on recent activity in relation to the Members' Code of Conduct and complaints made in relation to member conduct.

Introduction:

1. The Localism Act 2011 places the Council under a statutory duty to promote and maintain high standards of conduct by its Members and co-opted Members.
2. The Council has a Code of Conduct governing elected and co-opted Members' conduct, when acting in those capacities. The Code also includes provisions for the registration and disclosure of pecuniary and other interests.
3. The Council has delegated to the Audit and Governance Committee the roles of:
 - monitoring the operation of the Members' Code of Conduct and;
 - promoting advice, guidance and training on matters relating to the Code of Conduct.
4. The Committee is also responsible for granting dispensations to Members relating to their disclosable pecuniary interests.

Member Working Group

5. A Member working group was established to review possible changes to the Members' Code of Conduct in light of recommendations from:
 - a. The Committee on Standards and Ethics 'Local Government Ethical Standards' report (2019).
 - b. The Local Government Association Model Code of Conduct (due to be published in June 2020).
6. The working group concluded its work in January 2021 and made the following recommendations:
 - i. the appointment of two Independent Persons.
 - ii. Changes to the Arrangements for Dealing with Allegations of Breaches of the Member Code of Conduct.
 - iii. The revised Member Code of Conduct would be finalised by the working group after the Local Government Association publishes its Member Code of Conduct on 3 December 2020, after which it would be submitted to the Audit and Governance Committee on 29 January 2021 for approval and recommendation to Full Council on 9 February 2021.
 - iv. A response to a letter sent to the Chief Executive by the Committee for Standards in Public Life (CfSPL), which had requested details of how Surrey County Council would implement the CfSPL local government ethical standards 15 best practice recommendations be sent.

Committee on Standards and Ethics in Public Life

7. The Committee on Standards and Ethics in Public Life made a number of recommendations relating to the content of Member Code of Conducts in their 'Local Government Ethical Standards' report (2019). As part of its review, the Audit & Governance Committee working group have reviewed these recommendations and the gap analysis and concluded that Surrey County Council is compliant with these recommendations. A response confirming this was sent to the CfSPL in December 2020.

Local Government Association Model Code of Conduct

8. The Local Government Association produced a model Code of Conduct, based upon the recommendations from the Committee on Standards and Ethics in Public Life.
9. The final model Councillor Code of Conduct was published in December 2020, and minor amendments were made to make it bespoke for Surrey County Council.
10. A new Councillor Code of Conduct and minor consequential amendments to the Arrangements for Dealing with Allegations of Breaches of the Councillor Code of Conduct were considered by the working group at its meeting on 8 January 2021 and a second report was submitted to the Audit and Governance Committee on 29 January 2021.
11. At the County Council meeting on 8 February 2021 Council approved the revised Councillor Code of Conduct as well as amendments to the Arrangements for Dealing with Allegations of Breaches to the Councillor Code of Conduct.

12. In addition to compliance with the Councillor Code of Conduct, Council also agreed that Members are expected to comply with the following codes: (a) Member/Officer Protocol (b) Planning Code of Best Practice.
13. It was agreed that the new Councillor Code of Conduct comes into operation at the first Council Annual General meeting after the next election.

Independent Persons

14. The Act requires the appointment of at least one independent person who cannot be a councillor, officer or a relative or friend of any one of them.
15. In line with the recommendations made by the CfSPL recommendation that there should be two Independent Persons, the County Council appointed Mr Akbar Khan and Ms Phillippa Harding as the two Independent Persons for a term of four years from December 2020.

Arrangements for receiving and handling complaints

16. The Act requires the Council to adopt arrangements for dealing with complaints of a breach of the Members' Code of Conduct. Any such complaints must be dealt with in accordance with those arrangements.
17. The working group reviewed the Arrangements for Dealing with Allegations of Breaches to the Councillor Code of Conduct and revisions to these were approved at the County Council meeting in December 2020 on 8 February 2021 and set out that one of the Independent Persons must be consulted when considering what action is appropriate further to complaints received by the Monitoring Officer.

Code of Conduct Complaints

18. The spreadsheet appended to this report shows a summary of the complaints received since April 2020 (**Appendix 1**).
19. Members will note that the greatest number of complaints were in relation to interactions on social media platforms. These generally arose when there were alternative views in relation to council activities on local area matters, or at a district or local political level.
20. There have been no breaches of the code which have been formally investigated. There have been two instances where there was a technical breach of the Code in the inaccurate disclosure of interests by members in the register of members interests. On both occasions, councillors took immediate action to correct their declaration of interest and there were no aggravating factors, the errors being due to administrative oversight. In neither case was further formal action considered appropriate at this stage.
21. On reviewing the complaints of the last year, it is proposed that in the induction of all members following the local elections on 6 May 2021, particular emphasis is given to the obligations for the declarations of interests and on the use of social media to assist members in their conduct of council business and duties.

Risk Management Implications

22. The Council's Code of Conduct, Register of Interests and arrangements for dealing with complaints are statutory requirements and key elements of good governance.

Guidance and training is intended to assist Members in observing the Code and so mitigate the risk of complaints about Members.

Financial and Value for Money Implications

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

Equalities and Diversity Implications

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

Appendices

- a) Member Conduct Complaints (**Appendix 1**)

Next steps:

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

Report contact: Paul Evans, Director of Law and Governance and Monitoring Officer

Contact details: 0208 2132584 / paul.evans@surreycc.gov.uk

Ref	Date complaint received	Complaint Summary	Person Consulted	Status of complaint
01/20	15/05/2020	Conflict of interest	No	Closed - No breach
02/20	01/06/2020	No Response from Cllr	No	Closed - Cllr responded.
3/20	15/06/2020	Cllr failed to attend a meeting within 6 months	No	Closed - No breach
4/20	16/06/2020	Cllr failed to attend a meeting within 6 months	No	Closed - No breach
5/20	28/08/2020	Comments made on social media alleging Cllr made false and misleading statement during a petition hearing	No	Closed - No breach
6/20	20/08/2020	Comments made on social media	No	Closed - No breach
7/20	14/08/2020	Cllr not responding to comments made on social media	No	Closed - No breach
8/20	09/08/2020	Cllr made fraudulent claims about the reason for a decision being made	No	Closed - No breach
9/20	09/08/2020	Comments made on social media	No	Closed - No breach
10/20	08/10/2020	Cllr made a defamatory statement on social media	No	Closed - No breach
12/20	10/09/2020	Cllr has failure to declare or made an inaccurate declaration of interest	No	Closed - Remedial action taken
13/20	13/10/2020	Comments made on social media	No	Closed - No breach
14/20	21/10/2020	Alleged intimidating and bullying behaviour	No	Complaint withdrawn
15/20	01/11/2020	Comments made on social media	No	Closed - No breach
16/20	23/11/2020	Conduct at a meeting	No	Closed - No breach
17/20	08/12/2020	Cllr failed to declare a pecuniary interest	Yes	Closed - Remedial action taken
18/20	23/12/2020	Comments made on social media	Yes	Closed - No breach
19/20	29/12/2020	Comments made on social media	Yes	Closed - No breach
20/20	08/01/2021	Comments made on social media	Yes	Closed - No breach
21/20	13/01/2021	Non disclosure of information	No	Closed - referred to district/borough council role
21/20	15/01/2021	Comments made on social media	Yes	Closed - No breach

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Audit & Governance Committee
23 March 2021

Redmond Review – Local Audit and Local Authority Financial Reporting

Purpose of the report:

This report updates the Audit and Governance Committee on the recent Redmond Review into the oversight of local audit and the transparency of local authority financial reporting.

Recommendations:

1. It is recommended that the Committee notes the findings and recommendations of the Redmond Review.
2. The Committee considers recommending to Council the appointment of a suitably qualified, independent member of the Audit and Governance Committee to support elected representatives in scrutinising local authority finances.

Introduction:

3. In June 2019 Sir Tony Redmond was asked to undertake an independent review of the effectiveness of local audit and the transparency of local authority financial reporting. It considered whether the current means of reporting the Authority's annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound. The review received 156 responses to the calls for views and carried out more than 100 interviews. Serious concerns have been expressed regarding the state of the local audit market and the ultimate effectiveness of the work undertaken by audit firms. and whether audit reports deliver full assurance on the financial sustainability and value for money of every authority subject to audit.
4. Governance in respect of the consideration and management of audit reports by authorities is included in the review in great detail. Redmond

concluded that (having looked at the evidence) there is merit in authorities examining the composition of Audit Committees in order to ensure that the required knowledge and expertise are always present when considering reports to demonstrate both transparency and accountability from a public prospective. This is discussed in more detail in the report, in paragraphs 8 and 20.

5. The review identified four key themes for change

- Local Audit arrangements
- Current Fee Structure for External Audit
- Governance Arrangements
- Transparency and Reporting

The review also highlighted a number of key issues with local audit, including:

- An ineffective balance between price and quality with 40% of audits failing to meet the required deadline for report in 2018-19.
- A lack of coordination and regulation of audit activity
- Outcomes not always being effectively considered and presented to the local authority and public
- The technical complexity of statutory accounts limiting public understanding and scrutiny

6. The Review made 23 recommendations; the key ones applicable to Surrey County Council are shown below. Full implementation of the recommendations will require changes to primary legislation. Statutory guidance (including the Accounting Code of Practice) will also need to be amended.

Report Recommendations

7. External Audit Regulation and Oversight

- Create a new regulatory body responsible for procurement, contract management, regulation, and oversight of local audit -Office of Local Audit and Regulation (OLAR)
- Implement a new price/quality regime to ensure that audits were performed by auditors who possessed the skills, expertise and experience necessary to fulfil the audit of local authorities. These auditors would be held accountable for performance by the new regulator, underpinned by the updated code of local audit practice.
- All auditors engaged in local audit be provided with the requisite skills and training to audit a local authority irrespective of seniority.
- Revisit the deadline for publishing audited local authority accounts with a view to extending it to 30 September from 31 July. This looks very likely to be agreed. 265 audits did not meet the November deadline last year and MHCLG are worried about threat to the audit market.

8. Financial Reporting

- Improve the transparency of local authority accounts to the public. All authorities will be required to prepare an audited standard statement of service information and costs (1/2 pages) and communicated to all taxpayers and service users.

9. Governance

- Each local authority should review governance arrangements with the purpose of:
 - The external auditor be required to present an Annual Audit Report to full Council.
 - Consideration given to the appointment of at least one independent member, suitably qualified, to the Audit Committee. The review does not define the terms independent or suitably qualified however we take it to mean free from outside control and not subject to another's authority as well as having qualifications or experience in the relevant areas.
 - Formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually

10. Financial Resilience and Sustainability

- Transfer current roles and responsibilities relating to local audit discharged by Public Sector Audit Appointments (PSAA), ICAEW and others to be transferred to OLAR.
- Set up a Liaison Committee comprising key stakeholders and chaired by the Ministry of Housing, Communities and Local Government (MHCLG) supported by the regulator. The new regulatory body would be small and focused and would not represent a body which has the same or similar features as the Audit Commission. The remit of the proposed body is not clear at this stage although it would replace the existing system with a new body to oversee, manage and regulate local audit.

Government Response to the Redmond Review

11. On 17th December 2020 the Ministry of Housing, Communities and Local Government (MHCLG) published a response to the independent review.
12. The MHCLG split their response into 4 "themes", which will have an impact on Surrey County Council
 - Action to support immediate market stability
 - Consideration of system leadership options
 - Enhancing the functioning of local audit and the governance for responding to its findings
 - Improving transparency of local authorities' accounts to the public

13. New Regulatory body

MHCLG are to consider this recommendation further and to consider alternative options. They are not persuaded that a new arms-length body/system leader is required and have stated that “We do not wish to recreate the costly, bureaucratic and over-centralised Audit Commission”

14. New Price regime

MHCLG agree with this recommendation and will look to revise regulations to enable PSAA to set fees that better reflect the cost to audit firms of undertaking additional work. Local Authorities are to receive £15m in additional funding in 2021/22 to meet rise in audit fees/new audit requirements. Allocations are to be confirmed in 2021

15. Transfer of roles to OLAR

MHCLG are to consider this recommendation further and will make a full response by Spring 2021.

16. Set up a Liaison Committee

MHCLG are to consider this recommendation further and will make a full response by Spring 2021. Public Sector Audit Appointments Limited (PSAA) is currently the appointing body and it seems that MHCLG will propose a solution that supports this setup rather than significantly move away from the 2014 Act. They state that they do not wish to create new arms-length bodies.

17. Review governance arrangements

MHCLG strongly agrees with the review that the external auditor should be required to present an Annual Report to a Full Council meeting. This is seen to be an important opportunity for potential risks or concerns to be escalated in a timely way. They will explore how this can be achieved and consider enshrining in statute.

MHCLG to work with Chartered Institute of Public Finance Accountants (CIPFA), National Audit Office (NAO) and Local Government Organisation (LGA) to provide new guidance to address Redmond recommendations re meeting between Chief Officers and external audit and appointment of independent member to Audit Committee.

MHCLG to support the sharing of information between inspectorates and external audit and strengthening engagement between external and internal audit.

18. Audit firms to be appropriately skilled

MHCLG will work with key stakeholders to consider training and development needs across audit sector and deliver this recommendation

19. Extend Accounts Deadline from 31 July to 30 September

MHCLG will look to extend the deadline to 30 September for publishing audited local authority accounts for two years, and then review. MHCLG acknowledge that the deadline is challenging at the moment and will be next year as well (especially with COVID-19). They do however appear determined to revisit the July deadline after that as they believe it to be viable and sustainable.

20. Improving transparency of local authorities' accounts to the public

MHCLG agrees that audited standardised statement of service information and costs is required. The response says that they should be short and accessible (1/2 pages) and should be communicated to all taxpayers and service users. It could be alongside council tax bills although the method of communicating is to be considered. Standardised statements to be required in 2021/22. Additional funding will be made available to enable LAs to prepare with allocations to be confirmed during 2021. MHCLG is to work with CIPFA/LASAAC to consider scope to simplify accounts by removing disclosures. The earliest this could be achieved is the 2022/33 accounts. The changes may need a phased approach.

8

Implications for Surrey County Council

21. Assuming that the recommendations are accepted and implemented by the Government the key implications for the Council are:

- A likely increase in audit fees. The report suggests that audit fees are 25% lower than required to fulfil local audit requirements effectively. The Government response indicates that additional funding may be made available for these costs.
- Formalisation of the need for the Chief Executive, the Monitoring Officer and the Chief Financial Officer to meet with the Key Audit Partner at least annually. Surrey County Council already facilitates this.
- The appointment of at least one suitably qualified Independent member to the Audit and Governance Committee.
- A revised timetable, with a change in the reporting deadline for published audited local authority accounts being extended to 30th September from 31 July each year. The preparation of the draft statement of accounts was not considered as part of the Redmond review. We will continue to plan to produce the draft statements by the end of May.
- The requirement for the external auditor to present an Annual Audit report to the first Full Council meeting after 30th September each year, irrespective of whether the accounts have been certified.
- A new standardised financial statement of service information and costs will form part of the audited statements in 2021/22 and this will be subjected to External Audit.
- MHCLG have indicated that funding may be available to offset the additional costs.

Conclusions:

22. The report is presented to this Committee for discussion and noting

Financial and value for money implications

23. There are no financial implications arising directly from the Redmond Review. As set out above, if the recommendations in the Redmond review are adopted by MHCLG and CIPFA there may be an impact on the costs of External Audit and workload in producing the accounts and resourcing an extended audit period.

Equalities and Diversity Implications

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

Risk Management Implications

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

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Sources/background papers:

Redmond Review:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/916217/Redmond_Review.pdf



Audit & Governance Committee
23 March 2021

Grant Thornton: 2020/21 External Audit Plan

Purpose of the report:

This report provides the Audit & Governance Committee with the Audit Plan for the external audit of the 2020/21 financial statements of the Council and the Surrey Pension Fund

Recommendations:

It is recommended that the Committee approves the attached Audit Plan.

Introduction:

1. The Audit Plan (Annex 1) provides an overview of the planned scope of the statutory audits of the Council's and Pension Fund accounts for 2020/21. It also outlines the risks identified by Grant Thornton, the Council's external auditors, for the audit of the Council's 2020/21 financial statements and their planned response to these risks.
2. The report also outlines the work the auditor will undertake as part of the assessment of the Council's Value for Money arrangements.

2020/21 Financial Statements:

3. The Audit Plan has identified a series of 'significant' risks and 'reasonably possible' risks. These risks have been identified in accordance with auditing standards and are consistent with the risks identified across Grant Thornton's local government clients, rather than being specific to this audit.
4. The 'significant' risks comprise:
 - Valuation of land and buildings for the Council
 - Valuation of Investment Properties
 - Valuation of the pension fund liability for the Council
 - Management override of controls for both Surrey County Council and the Pension Fund.

Accuracy and presentation of the Private Finance Initiatives (PFI) and similar contracts

- Valuation of Pension Fund Investments
5. The plan also sets out the levels of materiality for the Council and Pension Fund on which the external auditor will report on misstatements in the accounts. For the Council, this is £25.8m and for the Pension Fund, it is £38.5m. In addition, there will be notes and statements that, although not materially in financial terms are important for stakeholders. These will include;
- Cash
 - Senior Officers Disclosures
 - Related Party Transactions
 - Subsequent events
 - Audit Fees
6. The statutory deadline for publication of audited local government accounts is 30 September.

Value for Money Conclusion:

7. The Audit Plan summarises the auditors planned approach to the Value for Money work, and the significant risks identified. They will conduct their work with a focus on the Council's arrangements in the following areas:
- Response to the Covid-19 pandemic.
 - Setting the Medium-Term Financial Plan.
 - Service transformation and cultural change
 - Working with Key Partners
 - Improving Ofsted "inadequate rating" of Children's services
 - Bringing back in-house the pension administration from Orbis partnership

Conclusions:

8. Following agreement with the Executive Director Resources the Audit Plan is presented to this Committee for discussion and approval.

Financial and value for money implications

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

Equalities and Diversity Implications

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

Risk Management Implications

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

Next steps:

12. The audited financial statements for 2020/21 are due to be reported to this Committee, alongside the Audit Findings Report on 1 October 2021.

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Surrey County Council and Surrey County Council Pension Fund Audit Plan

Year ending 31 March 2021

March 2021



Contents



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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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Key matters

Factors

Our response

Finances

Over the last two financial years the Council has developed and implemented a transformation plan, which has delivered improvements in the capacity and capabilities of the Finance Team as well as significant savings across the Council. In both 2018/19 and 2019/20 the Council delivered underspends against budget, which have enabled it to increase the available General Fund Balance and earmarked reserves.

The Council included £82m of efficiency proposals in the annual budget for 2019/20 which was approved by Council in February 2019. We noted that £72m (88%) was reported as achieved at year-end. The £10m of non-delivered savings was made up of a combination of project delays, decisions taken not to pursue savings, specific savings not identified, and savings shortfalls against original targets. The shortfall was offset by alternative one-off measures in year, with the recurrent impact rolled forward into the updated Medium Term Financial Strategy (MTFS). Given the overall scale of savings to be delivered, this reflects effective management and delivery of savings plans.

On 4 February 2020, a balanced budget of £968.4m for 2020/21 was approved by members. To achieve this balanced budget, £38m of savings and efficiencies were identified. Looking over the following 4 years, a cumulative funding gap of £162.3m was projected by 2024/25. To close this gap, additional efficiencies of c.£40m per year would need to be identified and delivered.

The pandemic has resulted in additional spending pressures estimated together with a hit to the Council's income streams estimated at £52 million as at end of quarter 3. In the short term the government is providing financial support to meet some of these pressures, including the use of reserves and contingencies to reduce the overall financial impact in the current year. The current known allocation from central government to the Council remains at £2 million.

The 2020-21 forecast position as at Quarter 3 on service budgets is a deficit of £0.2 million following receipt of expected Covid-19 funding. The impact of the pandemic continues to be the key driver for the overspend within departments, including unanticipated costs for new service provision in dealing with the health crisis and the impact on income generation as a result of the national lockdown measures and the economic impact.

The future of local authority funding remains uncertain as new Local Government funding arrangements that were meant to be in place by April 2020 have been delayed until at least 2022. The Council has set a balanced budget for 2021/22 with an anticipated MTFS gap of £178 million to 2025/26. The Council has closed the budget gap for 2021-22 and is proposing a balanced budget which assume budget growth of £35.2 million across directorates together with a Council Tax increase of 1.99 per cent plus an additional 0.5 per cent increase in respect of the adult social care precept.

From 2021/22 and over the following four years, the Council's approved MTFS approved capital programme totalled £1905.5 million to invest in borough's roads, infrastructure, the environment and buildings. This includes £879.2 million of Capital Pipelines proposals subject to further scrutiny and challenge. The proposed funding for the capital programme over the same period is largely by borrowing of £1,145 million and grants and contributions of £651.3 million.

Accounting and auditing developments

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM) There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

- We will consider your arrangements for managing and reporting your financial resources and assessing your financial resilience as part of our audit in completing our Value for Money work.
- Where any actions have been agreed in respect of matters identified through previous audit work, either on the financial statements or in respect of work on arrangements to secure VFM, we will assess the progress against previously agreed recommendations.
- Members of the finance team attended our annual final accounts workshop during February, hosted by our highly experienced public sector assurance team as they help you prepare for your 2021 financial statements audit by highlighting potential risk areas and providing you with practical advice

Key matters (continued)

Factors

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures includes significant enhancements in respect of the audit risk assessment process for accounting estimates. As part of this process auditors also need to obtain an understanding of the effectiveness of the role of those charged with governance relating to accounting estimates adopted by management, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Although the implementation of IFRS 16 has been delayed, audited bodies still need to include disclosures in their 2020/21 statements to comply with the requirements of IAS 8. As a minimum, we would expect the Council to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases. If the impact of IFRS 16 is not known or reasonably estimable, the accounts should state this.

In the prior year the Council's valuer reported a material uncertainty regarding the valuations of properties due to the Covid 19 pandemic. In addition, there was a material uncertainty in relation to the valuation of the pooled property funds which impacted both the Council's and Pension Fund's positions. We will monitor the position for the 31 March 2021 valuations.

Impact of Covid 19 pandemic

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the Council's normal operations. Throughout the pandemic the Council has kept critical services going at the same time supporting the Covid 19 national effort. The Council has delivered food parcels, accommodated rough sleepers, boosted hardship funds, made welfare calls to vulnerable people, worked with district and borough councils distributing grants to businesses who face financial hardship. The Council has also assisted with testing programmes and vaccine administration by helping with site preparation and logistics and in communications and engagement with local communities to encourage uptake of the vaccine.

Since the start of the pandemic, over £62.4 million Covid grants has been received to help them offset the impacts of Covid-19. At the end of quarter 3, grants of £52.5 million have been made available to directorates and the balance of £9.9 million held in reserves.

The Council is now considering how to take forward the benefits from remote working necessitated by the pandemic. This includes further use of flexible working, effective use of office space and reviewing service delivery models to ensure that residents and local communities continue to receive cost effective, efficient quality services.

Our response

- We will continue to provide you with sector updates via our Audit and Governance Committee updates.
- We will liaise with the Council's valuer and Pension Fund managers to clarify any potential material uncertainties in 2020-21.
- We will consider your arrangements for managing the impact of the Covid-19 pandemic as part of our Value for Money work.

Key matters (continued)

Factors

MTFS and Transformation

The Council continues to undergo extensive change and transformation. Work continues on developing planned programmes to achieve recurring efficiencies of £75.3 million with an estimated one-off investment of £21.1 million in 2021/22 with a potential funding gap of £4.7 million yet to be identified. Budget pressures to 2025/26 of £239.5 million with anticipated funding reductions of £52 million combined with planned efficiencies of £113.5 million has resulted in MTFS funding gap of £178 million to be identified over the next 5 years.

Pension Fund developments

The Pension Fund investments continue to recover from the pandemic shock. Pensions Administration has been based within Orbis Business Services, where the pensions Administration Team (PAT) carries out the operational day to day tasks on behalf of members and employers of the Fund and the Council. For the last two years Internal Audit have raised concerns about the level of assurance that they are able to give in relation to the operation of the PAT. As a result a significant improvement programme (the Pensions Administration Turnaround Programme) has been established and progress on its implementation is being monitored by the Local Pension Board and the Audit and Governance Committee. A pension administration "Turnaround Board" has been established to oversee the dissolution of the Orbis pension partnership, along with the reversion to sovereign authorities including a review of the fundamentals for delivering pensions administration. In November 2020 Internal Audit reported that "High Priority actions relating to the audit of Pension Fund Administration remain work in progress. Internal Audit are currently scheduled to complete a full internal audit of the PAT in Quarter 4 of 2020/21.

Our response

- We will consider your arrangements for MTFS gap and transformation as part of our audit in completing our Value for Money work
- We will review the valuation of the Pension Fund Assets as part of our audit of the Pension Fund Accounts
- We will also monitor progress of the Pensions Administration Turnaround Programme during 2020/21 and review the work carried out by Internal Audit as part of our audit of the Pension Fund Accounts, and in completing our Value for Money work

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of ('the Council') and the Surrey County Council Pension Fund (the Pension 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 agreed 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 Pension Fund. We draw your attention to both of these documents.

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's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and 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 and 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.

Significant risks

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

Council

- The risk that the valuation of land and buildings in the accounts are materially misstated.
- The risk that the valuation of Investment Properties in the accounts are materially misstated.
- The risk that the valuation of the net pension fund liability in the accounts is materially misstated.
- The risk of management override of controls.
- The risk that the accuracy and presentation of the Private Finance Initiative (PFI) and similar contracts are materially misstated.

Pension Fund

- The risk of management override of controls.
- The risk that the valuation of level 3 investments in the accounts is materially misstated.

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

Group

We have determined planning materiality to be £25.9m for the Group (PY£26m), which equates to approximately 1.25% of your Group 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 £1.3m).

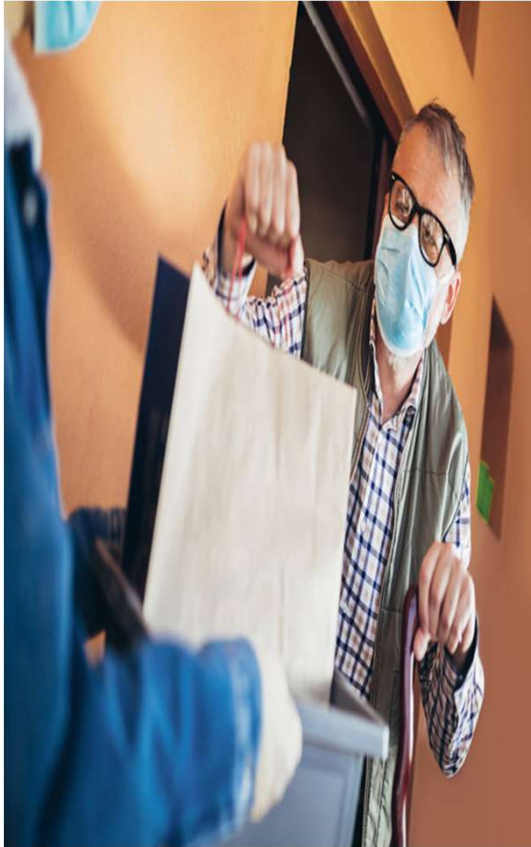
Council

We have determined planning materiality to be £25.8m for the Council (PY£25.8m), which equates to approximately 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 £1.3m).

Pension Fund

We have determined materiality at the planning stage of our audit to be £38.5m (PY £38.5m) for the Pension Fund, which equates to approximately 1% of the 2019/20 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 £1.9m (PY £1.9m).

Introduction and headlines (continued)



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Value for Money arrangements

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

- The Council's arrangements in response to the Covid-19 pandemic and capitalising on the benefits from the different models of service delivery and ways of working brought about by the pandemic.
- The Council's arrangements for setting the Medium Term Financial Plan and achieving financial sustainability.
- The Council's arrangements for service transformation and cultural change.
- The Council's arrangements for working with its key partners to deliver services such as waste PFI more efficiently.
- The Council's arrangements for improving its Ofsted 'Inadequate rating' rating of Children's services.
- The Council's arrangements for bringing back in-house the pension administration from Orbis partnership.

Audit logistics

Our interim visit will take place in March 2021 and our final visit will take place between July – September 2021. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £192,235 (PY: £172,477) for the Council and £35,571 (PY:£38,597) for the Pension Fund, subject to the Council and the Pension Fund delivering a good set of financial statements and working papers. These fees are also subject to agreement with PSAA under the terms of our contract with them.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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.

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?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Surrey County Council	Yes	Comprehensive	<ul style="list-style-type: none"> See page 8 onwards 	Full scope audit performed by Grant Thornton UK LLP
Halsey Garton Property Limited	Yes	Component Audit	<ul style="list-style-type: none"> Valuation of Investment Property assets as at 31 March 2021. 	Full scope UK statutory audit performed by component auditor. The nature, time and extent of our involvement in the work of component auditor will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the component auditor, audit documentation and meeting with appropriate members of management.
Surrey Choices Limited	No	Analytical only	None	Analytical review performed by Grant Thornton UK LLP.
Hendeca Group Limited	No	Analytical only	None	Analytical review performed by Grant Thornton UK LLP.

Key changes within the group:

- None identified

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
The revenue cycle includes fraudulent transactions (rebutted)	Council and Pension Fund	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the Council and Pension Fund revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue recognition. • Opportunities to manipulate revenue recognition are very limited. • The culture and ethical frameworks of local authorities, including that of Surrey County Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore, we do not consider this to be a significant risk at for the Surrey County Council and Surrey County Council Pension Fund.</p>	
Management over-ride of controls	Council and Pension Fund	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</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, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the design effectiveness of management controls over journals. • Analyse the journals listing and determine the criteria for selecting high risk unusual journals. • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence. • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified (continued)

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	Council	<p>The Council carries out a rolling programme of valuations that ensures all land and buildings required to be measured at current value is revalued at least every five years. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£1.2 billion) and the sensitivity of this estimate to changes in key assumptions.</p> <p>The Waste PFI Provider continued to work on completing the Eco Park assets during 2020/21 and Management have monitored the position to ensure they are appropriately treated in the year end accounts.</p> <p>Management has engaged the services of a valuer to estimate the current value as at 31 March 2021. We therefore identified valuation of land and buildings, particularly 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"> • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. • Evaluate the competence, capabilities and objectivity of the valuation expert. • Write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met. • Engage our own valuer to assess the instructions to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation. • Test revaluations made during the year to see if they had been input correctly into the Council's asset register and financial statements. • Assess the value of a sample of assets in relation to market rates for comparable properties.
Valuation of Investment properties	Council	<p>The Council revalues its Investment Property on an annual basis to ensure that the carrying value is not materially different from the current value or fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£133.8 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Management has engaged the services of a valuer to estimate the current value as at 31 March 2021. We therefore identified valuation of investment properties, particularly 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"> • Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. • Evaluate the competence, capabilities and objectivity of the valuation expert. • Write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met. • Engage our own valuer to assess the instructions to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation. • Test revaluations made during the year to see if they had been input correctly into the Council's records and financial statements. • Assess a sample of Investment Properties in relation to market rates for comparable properties. • Test the reasonableness of the assumptions used by the valuer in valuing Investment Properties.

Significant risks identified (continued)

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Council	<p>The Council'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 (£1.1 billion in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p>	<p>We will:</p> <ul style="list-style-type: none"> • 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 evaluate the design of the associated controls. • Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work. • Assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation. • Assess the reasonableness of the actuary's assumptions and calculations in-line with the relevant standards, including their consideration of the ongoing impact of the McCloud, Goodwin and Guaranteed Minimum Pension cases. • Assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability. • 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. • 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.

Significant risks identified (continued)

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Accuracy and presentation of the Private Finance Initiative (PFI) and similar contracts liabilities and associated disclosures	Council	<p>You have three schemes to be accounted for as PFI arrangements. These include waste PFI scheme, a Street Lighting scheme and a Care Homes scheme.</p> <p>The total liability relating to these schemes on the balance sheet was £109m (including deferred income liability) as at 31 March 2020; the book value of associated assets was £196.8m including assets under construction.</p> <p>As these PFI transactions are significant, complex and involve a degree of subjectivity in the measurement of financial information, we have categorised them as a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> review your PFI models and assumptions contained therein. compare your PFI models to previous year to identify any changes. review and test the output produced by your PFI models to generate the financial balances within the financial statements. review the PFI disclosures to assess whether they are consistent with International Accountancy Standard IFRIC12. We will check additional disclosures that you include within the financial statements to the PFI models.
Valuation of Level 3 Investments (Annual revaluation)	Pension Fund	<p>The Fund values its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (£438 million) and the sensitivity of this estimate to changes in key assumptions</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2021.</p>	<p>We will:</p> <ul style="list-style-type: none"> Evaluate management's processes for valuing Level 3 investments. 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; to ensure that the requirements of the Code are met. Independently request year-end confirmations from investment managers and the custodian. 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 2021 with reference to known movements in the intervening period. In the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert. Where available review investment manager service auditor report on design and operating effectiveness of internal controls.

Other risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Completeness of non-pay operating expenditure and associated short-term creditors	Council	<p>Non-pay expenditure on goods and services represents a significant percentage of the Council's gross operating expenditure. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non-pay expenditure and associated short-term creditors as a risk requiring particular audit attention.</p>	<p>We will:</p> <ul style="list-style-type: none"> Evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness, including the use of de minimis level set. Gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls. Obtain and test a listing of non-pay payments made in April and May 2021 to ensure that they have been charged to the appropriate year.
Fraud in Expenditure Recognition	Council and Pension Fund	<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 8 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 8.</p>	<p>We will:</p> <ul style="list-style-type: none"> Obtain an understanding of the design effectiveness of controls relating to operating expenditure. Perform testing over post year end transactions to assess completeness of expenditure recognition. Test a sample of operating expenses to gain assurance in respect of the accuracy of expenditure recorded during the financial year.
Actuarial Present Value of Promised Retirement Benefits	Pension Fund	<p>The Fund discloses the Actuarial Present Value of Promised Retirement Benefits within its Notes to the Accounts. This represents a significant estimate in the financial statements.</p> <p>The Actuarial Present Value of Promised Retirement Benefits is considered a significant estimate due to the size of the numbers involved (£6.1 billion) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Fund's Actuarial Present Value of Promised Retirement Benefits as a risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> Update our understanding of the processes and controls put in place by management to ensure that the Fund's Actuarial Present Value of Promised Retirement Benefits is not materially misstated and evaluate the design of the associated controls. Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work. Assess the competence, capabilities and objectivity of the actuary who carried out the Fund's valuation. Assess the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability. Test the consistency of disclosures with the actuarial report from the actuary. 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.

Other risks identified (continued)

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 2 Investments	Pension Fund	<p>While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.</p> <p>We therefore identified the valuation of the Fund's Level 2 investments as a risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> Gain an understanding of the Fund's process for valuing Level 2 investments and evaluate the design of the associated controls. 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. Review the reconciliation of information provided by the individual fund manager's custodian and the Pension Scheme's own records and seek explanations for variances. Independently request year-end confirmations from investment managers and custodian. Review investment manager service auditor report on design effectiveness of internal controls.
Contributions	Pension Fund	<p>Contributions from employers and employees' represents a significant percentage of the Fund's revenue.</p> <p>We therefore identified the completeness and accuracy of the transfer of contributions as a risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> Evaluate the Fund's accounting policy for recognition of contributions for appropriateness. Gain an understanding of the Fund's system for accounting for contribution income and evaluate the design effectiveness of the associated controls. Agree changes in Admitted/Scheduled bodies to supporting documentation and agree total contributions for each employer to employer contributions reports. Test a sample of contributions to source data to gain assurance over their accuracy and occurrence. Test relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in member body payrolls and the number of contributing employees to ensure that any unusual trends are satisfactorily explained.
Pension Benefits Payable	Pension Fund	<p>Pension benefits payable represents a significant percentage of the Fund's expenditure.</p> <p>We therefore identified the completeness, accuracy and occurrence of the transfer of pension benefits payable as a risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> Evaluate the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness. Gain an understanding of the Fund's system for accounting for pension benefits expenditure and evaluate the design of the associated controls. Test a sample of lump sums and associated individual pensions in payment by reference to member files. Test relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

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Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Governance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures (continued)

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings
- Valuation of investment properties
- Depreciation
- Year end provisions and accruals, specifically for demand led services such as Adult's and Children's services
- Provision for business Rates Appeals
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates
- Valuation of level 2 and level 3 investments

The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

Planning enquiries

As part of our planning risk assessment procedures we have sent inquiries to the management that will be presented at the Audit and Governance Committee as part of our Informing the audit risk assessment report. We would appreciate a prompt response to these enquires in due course.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

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 and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set 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 legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2020/21 financial statements, consider and decide upon any objections received in relation to the 2020/21 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - 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 regarding, and conclude on:

- whether a material uncertainty related to going concern exists; and
- the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.

The Public Audit Forum has been designated by the Financial Reporting Council as a "SORP-making body" for the purposes of maintaining and updating Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (PN 10). It is intended that auditors of public sector bodies read PN 10 in conjunction with (ISAs) (UK).

PN 10 has recently been updated to take account of revisions to ISAs (UK), including ISA (UK) 570 on going concern. The revisions to PN 10 in respect of going concern are important and mark a significant departure from how this concept has been audited in the public sector in the past. In particular, PN 10 allows auditors to apply a 'continued provision of service approach' to auditing going concern, where appropriate. Applying such an approach should enable us to increase our focus on wider financial resilience (as part of our VfM work) and ensure that our work on going concern is proportionate for public sector bodies. We will review the Council's arrangements for securing financial sustainability as part of our Value for Money work and provide a commentary on this in our Auditor's Annual Report.

Materiality

The concept of materiality

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

Group

We have determined financial statement group materiality based on a proportion of the gross expenditure of the Group for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £25.9m (PY £26m) for the Council, which equates to approximately 1.25% of the Group's prior year gross expenditure for the year.

Council

We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £25.8m (PY £25.8m) for the Council, which equates to approximately 1.25% of the Council's prior year gross expenditure for the year.

Pension Fund

We have determined financial statement materiality based on a proportion of the net assets of the Pension Fund for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £38.5m (PY £38.5m) for the Pension Fund, which equates to approximately 1% of the Pension Fund's prior year net assets.

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 and Governance 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 £1.3m). For the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.9m (PY £1.9m).

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.

Council prior year gross expenditure

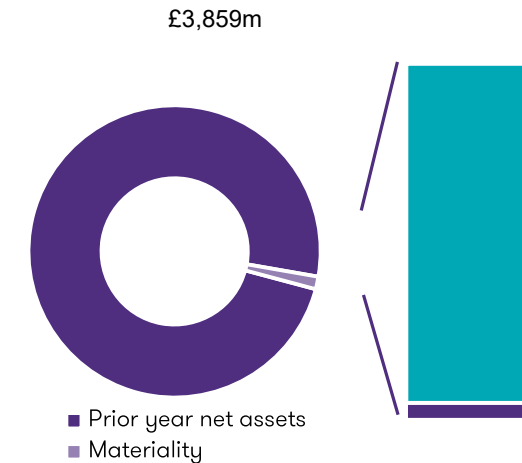


Materiality

£25.8m
Council financial statements materiality (PY: £25.8m)

£0.1.3m
Council misstatements reported to the Audit & Governance Committee (PY: £1.3m)

Pension Fund prior year net assets



Materiality

£38.5m
Council financial statements materiality (PY: £38.5m)

£1.9m
Council misstatements reported to the Audit & Governance Committee (PY: £1.9m)

Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified / unqualified) approach to VFM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. Whilst our planning assessment did not identify any significant weaknesses in arrangements at this stage, we have highlighted further key areas of focus which are listed below. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Key areas of focus

The Local Government operating environment has been significantly impacted by the pandemic and the future funding regime remains uncertain and this lack of certainty will impact on the Council's ability for long term planning. Our Value for Money work will primarily focus on the aspects listed below, but may increase in scope as further work is performed:

- The Council's arrangements in response to the Covid-19 pandemic and capitalising on the benefits from the different models of service delivery and ways of working brought about by the pandemic.
- The Council's arrangements for setting the Medium Term Financial Plan and achieving financial sustainability.
- The Council's arrangements for service transformation and cultural change.
- The Council's governance arrangements for working with its key partners to deliver services such as waste PFI more efficiently.
- The Council's arrangements for improving its Ofsted 'Inadequate rating' rating of Children's services.
- The Council's arrangements for bringing back in-house the pension administration from the Orbis partnership and transforming performance.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

Audit logistics and team



Ciaran McLaughlin, Key Audit Partner

Ciaran is responsible for overall quality control; accounts opinions; final authorisation of reports; liaison with the Audit and Governance Committee, the Chief Executive and the Corporate Director Resources. He will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice. Paul will ensure our audit is tailored specifically to you, and he is responsible for the overall quality of our audit work. Paul will sign your audit opinion.

Ade Oyerinde, Senior Manager

Ade is responsible for overall audit management, quality assurance of audit work and output, and liaison with the Audit and Governance Committee, CDR and finance team. He will undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable. Ade will be responsible for the delivery of our work on your arrangements in place to secure value for money.

Hal Parke, Audit InCharge Manager

Hal will support Ade in his work to ensure the early delivery of audit testing and agreement of accounting issues. He will attend Audit and Governance Committee meetings and draft reports, ensuring they remain clear, concise and understandable to all. He will also carry out first reviews of the team's work and also oversee the review of the Whole of Government Accounts

Thanji Hooque, Audit Incharge Pension Fund

Thanji is responsible for management and delivery of audit fieldwork, final accounts work. He will monitor the deliverables, manage the query log with your finance team and highlight any significant issues and adjustments to senior management.

Audited body responsibilities

Where audited bodies 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 audits. 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 agreed timetable 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 for testing. These reports should be cleansed so that reversing transactions are removed.
- Provide debtor and creditor listings that are the balances outstanding at the year end
- Ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- The Council's experts provide clarity and detail over their work to enable auditors to challenge the accounting and valuation judgements used.
- Respond promptly and adequately to audit queries.

Audit fees

PSAA awarded a contract of audit for Surrey County Council and the Surrey County Council Pension Fund to begin with effect from 2018/19. The scale fee in the contract was £109,415 for the Council audit and £20,871 for the Pension Fund. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2020/21 audit.

The 2020/21 Code introduces a revised approach to our VFM work. This requires auditors to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. Auditors now have to make far more sophisticated judgements on performance, as well as issue key recommendations if any significant weaknesses in arrangements are identified during the audit. We will be working with the NAO and other audit firms to discuss and share learning in respect of common issues arising across the sector.

The new approach will be more challenging for audited bodies, involving discussions at a wider and more strategic level. Both the reporting, and the planning and risk assessment which underpins it, will require more audit time, delivered through a richer skill mix than in previous years. Our estimate is that for your audit, this will result in an increased fee of £28,870. This is in line with increases we are proposing at all our local audits.

Additionally, 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, as noted in the number of revised ISAs issued by the FRC that are applicable to audits of financial statements commencing on or after 15 December 2019, as detailed in Appendix 1.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. We have engaged an audit expert to improve the level of assurance we require for property valuations estimates, which has been included in our proposed audit fee. Our proposed work and fee for 2020/21, as set out below, is detailed overleaf and has previously been shared with the Executive Director of Resources. These fees are also subject to agreement with PSAA under the terms of our contract with them.

	Actual Fee 2018/19	Actual Fee 2019/20	Proposed fee 2020/21
Council Audit	£130,915	£172,477	£192,235
Pension Fund audit	£27,871	£38,597	£35,571
Audit of subsidiary companies	£44,000	-	-
Total audit fees (excluding VAT)	£174,286	£211,074	£227,806

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 \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis Council

Scale fee published by PSAA	£109,415
<i>Ongoing increases to scale fee first identified in 2019/20</i>	
Raising the bar/regulatory factors/Group accounts	£17,500
Enhanced audit procedures for Property, Plant and Equipment including additional work at accounts	£9,500
Enhanced audit procedures for Pensions	£4,000
Eco-Park Asset Accounting	£2,000
<i>New issues for 2020/21</i>	
Additional work on Value for Money (VfM) under new NAO Code	£28,870
Increased audit requirements of revised ISAs	£20,950
Total audit fees (excluding VAT)	£192,235*

* The fees above does not include any Covid related costs for carrying out the 2020/21.

Audit fees – detailed analysis Pension Fund

Scale fee published by PSAA	£20,871
<i>Ongoing increases to scale fee first identified in 2019/20</i>	
Raising the bar/regulatory factors	£3,000
Enhanced audit procedures	£7,500
<i>New issues for 2020/21</i>	
Increased audit requirements of revised ISAs	£4,200
Total audit fees (excluding VAT)	£35,571*

* In addition, we incurred costs of £10,500 in 2019/20 providing IAS19 Assurance Letters to other auditors. This cost is charged to the Pension Fund, but is recoverable from those Pension Fund Employers. We expect the 2020/21 costs to be similar to 2019/20.

Independence and 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 (Revised 2019) 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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The other services provided by Grant Thornton are set out in the table opposite

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. 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.

Service	Fees £	Threats	Safeguards
Audit related			
Agreed upon Procedures relating to the Teachers' Pensions end of year certificate	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 low in comparison to the total fee for the audit 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.
Non-audit related			
CFO insights (subscription ended July 2020)	12,500	As above	As above










Appendix 1: Revised Auditor Standards and application guidance

FRC revisions to Auditor Standards and associated application guidance




The following Auditing Standards and associated application guidance that were applicable to 19/20 audits, have been revised or updated by the FRC, with additional requirements for auditors for implementation in 2020/21 audits and beyond.

	Date of revision	Application to 2020/21 Audits
ISQC (UK) 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Service Engagements	November 2019	✓
ISA (UK) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing (UK)	January 2020	✓
ISA (UK) 220 – Quality Control for an Audit of Financial Statements	November 2019	✓
ISA (UK) 230 – Audit Documentation	January 2020	✓
ISA (UK) 240 – The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements	January 2020	✓
ISA (UK) 250 Section A – Consideration of Laws and Regulations in an Audit of Financial Statements	November 2019	✓
ISA (UK) 250 Section B – The Auditor’s Statutory Right and Duty to Report to Regulators of Public Interest Entities and Regulators of Other Entities in the Financial Sector	November 2019	✓

Appendix 1: Revised Auditor Standards and application guidance (continued)

	Date of revision	Application to 2020/21 Audits
ISA (UK) 260 – Communication With Those Charged With Governance	January 2020	
ISA (UK) 315 – Identifying and Assessing the Risks of Material Misstatement Through Understanding of the Entity and Its Environment	July 2020	
ISA (UK) 500 – Audit Evidence	January 2020	
ISA (UK) 540 – Auditing Accounting Estimates and Related Disclosures	December 2018	
ISA (UK) 570 – Going Concern	September 2019	
ISA (UK) 580 – Written Representations	January 2020	
ISA (UK) 600 – Special considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	November 2019	
ISA (UK) 620 – Using the Work of an Auditor’s Expert	November 2019	
ISA (UK) 700 – Forming an Opinion and Reporting on Financial Statements	January 2020	

Appendix 1: Revised Auditor Standards and application guidance (continued)

	Date of revision	Application to 2020/21 Audits
ISA (UK) 701 – Communicating Key Audit Matters in the Independent Auditor’s Report	January 2020	
ISA (UK) 720 – The Auditor’s Responsibilities Relating to Other Information	November 2019	
Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom	December 2020	



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AUDIT & GOVERNANCE COMMITTEE
23 MARCH 2021

Internal Strategy and Annual Audit Plan 2021/22

SUMMARY AND PURPOSE:

The purpose of this report is to present the Internal Audit Strategy and Annual Internal Audit Plan for 2021/22 to the Committee.

Under-pinning the work of the Orbis Internal Audit Service in delivering the Annual Internal Audit Plan are the key principles and objectives as set out in the Internal Audit Strategy and Charter. These are presented alongside the Annual Internal Audit Plan for 2021/22 as good practice dictates that these should be updated and reviewed on an annual basis.

RECOMMENDATIONS:

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

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

BACKGROUND:

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

Internal Audit and Corporate Fraud Strategy, and Plan

3. Under the PSIAS there is no longer a requirement to produce an Internal Audit Strategy. However, the Chief Internal Auditor is of the opinion that this is a useful document that links the work of Internal Audit to the Council's vision to be confident in Surrey's future.

4. Through approving the Orbis Internal Audit Strategy alongside the Annual Audit Plan for 2021/22, the link between the work of Internal Audit and the high-level strategic vision of the Council is apparent.

Development of the Internal Audit Plan

5. The Internal Audit and Corporate Fraud Plan for 2021/22, which is a risk-based programme of work, is set out at Appendix A. There are several core elements to the Internal Audit Plan that are likely to feature each year such as:
- (i) Reviewing corporate governance arrangements to inform the Annual Governance Statement;
 - (ii) Grant certification; and
 - (iii) Counter fraud activity, including participation in the National Fraud Initiative (NFI)

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

6. Once these core elements of the Plan and follow up reviews are accounted for, the remaining audits shown in the proposed Plan have been included based on a risk priority which has been assessed following:
- (i) Consultation with:
 - a. Executive Directors and other senior officers
 - b. S151 Officer
 - (ii) Consideration of risk registers
 - (iii) Areas of concern emerging from liaison with partners from East Sussex County Council and Brighton and Hove City Council within the overall Orbis Internal Audit partnership
 - (iv) Other Local Authority Internal Audit services through regional and national networking

7. The draft Plan was also presented at a meeting of the CLT on 22 February 2021 and has been agreed by the Section 151 Officer at Finance DLT on 16 February 2021.
8. The Chief Internal Auditor is confident that the draft Internal Audit Plan at Appendix A provides sufficient coverage across the Council’s activities to enable him to form an overall opinion on the adequacy of the Council’s framework of control at the end of the year.

Resources

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

	2018/19	2019/20	2020/21	2021/22
Plan Days	1,780	1,652	1,652	1,817

11. The overall level of resource has slightly increased for 2021/22 compared with the previous year as a result of efficiencies generated from within the service, particularly associated with successful recruitment processes and the associated reduction in reliance on more expensive external contractors/agency staff, and is considered to be sufficient to allow Internal Audit to deliver its risk based plan in accordance with professional standards¹ and to enable the Chief Internal Auditor to provide his annual audit opinion. Additional resource, to recommence² the delivery of a cyclical programme of schools’

¹ Public Sector Internal Audit Standards (PSIAS)

² The original programme of school visits planned for 2020/21 was deferred due to COVID-19.

audit, has been made available to Internal Audit in 2021/22 and is held as a ring-fenced allocation of days in addition to the 1,817 days shown above. This is described in more detail in the Internal Audit Strategy.

Internal Audit Charter (Appendix B)

13. The PSIAS require Internal Audit to have a Charter that has been formally approved and is regularly reviewed. The Charter attached at Appendix B reflects the PSIAS Local Government Application note which was published in April 2013 and has been refreshed in 2021 by the Orbis Chief Internal Auditor.

IMPLICATIONS:

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

WHAT HAPPENS NEXT:

16. The Orbis Internal Audit Service will deliver the 2021/22 Internal Audit Plan over the coming 12 months and Internal Audit reports will be produced and distributed in line with the Reporting and Escalation Policy.
17. Quarterly updates on completed audit work and performance of the service will be reported to CLT and the Committee throughout the year.

REPORT AUTHORS: **Russell Banks, Chief Internal Auditor**
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Internal Audit Strategy and Annual Audit Plan 2021-2022

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1. Role of Internal Audit

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

1.2 The mission of Internal Audit, as defined by the Chartered Institute of Internal Auditors (CIIA), is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. Internal Audit is defined as *"an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."*

1.3 The organisation's response to internal audit activity should lead to a strengthening of the control environment, thus contributing to the overall achievement of organisational objectives.

2. Risk Assessment and Audit Planning

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

2.2 Due to the uncertainty created by the impact of Covid 19, the 2021/22 plan focuses primarily on the core assurance areas (such as key financial systems), the highest priority reviews across the council, grant claims and known key priority projects/programmes, with the remainder of the direct audit days earmarked as emerging risks/contingency. Appropriate provision will also be made for counter fraud activities, which will continue in 2021/22 as normal. By adopting this approach, as well as delivering the planned work on core assurance areas, we will add audit activities to our plans throughout the year as new risks and priorities emerge. All of this will be regularly and comprehensively reported to CLT and the Audit and Governance Committee and will enable us to maximise our responsiveness and focus our resources on the most relevant and priority areas.

2.3 It is important to note that this slightly revised planning strategy for the year ahead will not result in any reduced internal audit coverage for the Council. The approach is simply intending to help ensure we remain as reactive as possible to the rapidly changing risk landscape across the Authority in such unprecedented times.

2.4 The planning process has once again involved consultation with a range of stakeholders, to ensure that their views on risks and current issues, within individual directorates and corporately, are identified and considered. In order to ensure that the most effective use is made of available resources, to avoid duplication and to minimise service disruption, efforts continue to be made to identify, and where possible, rely upon, other sources of assurance available. The following diagram sets out the various sources of information used to inform our 2021/22 audit planning process:



2.5 In order to ensure audit and assurance activity is properly focussed on supporting the delivery of the Council’s priorities, the audit plan has taken into account the key corporate priorities of the Council as set out within the Organisational Strategy 2020-25 and the Vision for Surrey in 2030. In particular, some of these key themes identified include:

- More Joined Up Health and Social Care – integrating health and council services so they are more effective, efficient and seamless for residents;
- Supporting Independence – helping residents help themselves and each other within their community;
- Partnership – working with residents, businesses, partners and communities to collectively meet challenges and grasp opportunities;
- Creating A Greener Future – tackling the causes of climate change and becoming a carbon-neutral county as soon as possible;
- Digital Revolution – making the most of new technology to innovate and improve services, and the way we work, to help Surrey and residents thrive; and
- Supporting the Local Economy – investing in the infrastructure Surrey needs to build a strong and resilient economy.

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

- All key financial systems are subject to a cyclical programme of audits covering, as a minimum, compliance against key controls;
- Previous reviews which resulted in ‘minimal assurance’ audit opinions will be subject to a specific follow-up review to assess the effective implementation by management of agreed actions. This will also include a number of previous reviews with a ‘partial assurance’ opinion where deemed necessary or where the area under review is considered to be of a higher risk nature; and
- Any reviews which we were unable to deliver during the previous financial year will be considered once again as part of our audit planning risk assessment and prioritised as appropriate.

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

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

3. Key Issues

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

3.2 Internal Audit must therefore be able to give an opinion and assurance that covers the control environment in relation to both existing systems and these new developments. It is also essential that this work is undertaken in a flexible and supportive manner, in conjunction with management, to ensure that both risks and opportunities are properly considered. During 2021/22, a number of major organisational initiatives are featured within the audit plan, with the intention that Internal Audit can provide proactive advice, support and assurance as these programmes progress. These include:

- The ongoing impact of Covid 19 and associated recovery programmes;
- The Transformation Programme;
- Digital Business and Insights Programme (SAP replacement);
- Capital Programme; and
- Single View of a Child.

3.3 As explained previously, in recognition of current uncertainties and that in some cases, sufficient information regarding the full extent of future changes and associated risks may not yet be known, the 2021/22 audit plan will, as in previous years, include a proportion of time classified as 'Emerging Risks'. This approach has been adopted to enable Internal Audit to react appropriately throughout the year as new risks materialise and to ensure that expertise in governance, risk and internal control can be utilised early in the change process.

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

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

- Re-establishing a cyclical programme for the audit of maintained schools;

- Contract Management arrangements; and
- Children's Services, including SEND;

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

4. Counter Fraud

4.1 Managing the risk of fraud and corruption is the responsibility of management. Internal Audit will, however, be alert in all its work to risks and exposures that could allow fraud or corruption and will investigate allegations of fraud and corruption in line with the Council's Anti-Fraud and Corruption Strategy.

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

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

5. Matching Audit Needs to Resources

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

5.2 In addition to this, resources have been allocated to the external bodies for whom Orbis Internal Audit also provide internal audit services, at an appropriate charge. These include Horsham District Council, Elmbridge District Council, East Sussex Fire Authority and South Downs National Park.

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

5.4 The following table summarises the level of audit resources expected to be available for the Council in 2021/22 (expressed in days), compared to the equivalent number of planned days in previous years. Apart from additional days on schools (see below), the overall level of resource has increased compared with the previous year as a result of efficiencies generated from within the service, particularly associated with successful recruitment processes and the associated reduction in reliance on more expensive external contractors/agency staff. The level of resources is

considered to be sufficient to allow Internal Audit to deliver its risk based plan in accordance with professional standards¹ and to enable the Chief Internal Auditor to provide his annual audit opinion.

Table 1: Annual Internal Audit Plan – Plan Days

	2018/19	2019/20	2020/21	2021/22
Plan Days	1,780	1,652	1,652	1,817

5.5 In addition to the above, a further 220 days will be delivered each year from 21/22 specifically focussing on audits of SCC maintained schools. These days will be ring-fenced as an additional resource intended to complete a programme of auditing all maintained schools in Surrey over a rolling 5-year timetable.

6. Audit Approach

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

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

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

- Contingency – an allowance of days to provide capacity for unplanned work, including special audits and management investigations. This contingency also allows for the completion of work in progress from the 2020/21 plan;
- Advice, Management, Liaison and Planning - an allowance to cover provision of ad hoc advice on risk, audit and control issues, audit planning and annual reporting, ongoing liaison with service management and Members, and audit management time in support of the delivery of all audit work, planned and unplanned.

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

¹ Public Sector Internal Audit Standards (PSIAS)
Surrey County Council

7. Training and Development

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

7.2 The team is also committed to coaching and mentoring its staff, and to providing opportunities for appropriate professional development. This is reflected in the high proportion of staff holding a professional internal audit or accountancy qualification as well as several members of the team continuing on new apprenticeship training and professional training during 2021/22.

8. Quality and Performance

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

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

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

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

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

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

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

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

Table 2: Performance Indicators


Aspect of Service	Orbis IA Performance Indicators	Target
Quality	<ul style="list-style-type: none"> Annual Audit Plan agreed by Audit Committee Annual Audit Report and Opinion Satisfaction levels 	<p>By end April</p> <p>To inform AGS 90% satisfied</p>
Productivity and Process Efficiency	<ul style="list-style-type: none"> Audit Plan – completion to draft report stage by 31 March 2021 	90%
Compliance with Professional Standards	<ul style="list-style-type: none"> Public Sector Internal Audit Standards Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act 	<p>Conforms</p> <p>Conforms</p>
Outcomes and degree of influence	<ul style="list-style-type: none"> Implementation of management actions agreed in response to audit findings 	95% for high priority
Our Staff	<ul style="list-style-type: none"> Professionally Qualified/Accredited 	80%

Russell Banks
Orbis Chief Internal Auditor

INTERNAL AUDIT PLAN 2021-22



Review Name	Outline Objective
Finance	
Accounts Payable (Procure to Pay)	To review the processes and key controls relating to the accounts payable system, including those in place for ensuring the accuracy of vendor details, the processing of invoices, goods receipting and promptness of payments.
Accounts Receivable (Order to Cash)	To review the processes and key controls relating to the accounts receivable system, including those in place for ensuring the accuracy of customer details, completeness, accuracy and timeliness of invoicing, recording and matching payments to invoices, and debt recovery.
General Ledger	To review the key controls relating to the maintenance and operation of the general ledger, including suspense accounts, reconciliations, journals and year end procedures.
Pension Fund	<p>Pension Fund Administration: To review the key controls over the calculation and payment of pensions, transfers to and from the pension fund and the collection and recording of pension contributions (including contributions from other admitted bodies). This review provides assurance over both the Local Government Pension Scheme and, separately, the Surrey Fire Pension Schemes</p> <p>Pension Fund Investments: A review to assess the adequacy of the SCC Pension Fund management and governance arrangements. Also, to examine arrangements for obtaining assurance over the adequacy of the control environment of pension fund investment managers and the custodian.</p>
Financial Assessments & Income Collection	To review the key controls in place for both the financial assessment process, including the collation and analysis of information from care recipients to ensure correct calculation of contributions occurs in a timely fashion, and a review of the benefit calculation process to ensure correct payments are made.
Revenue Budgetary Control	A review of the Council's budget management arrangements, to include an assessment of the extent to which planned savings are being delivered.
Payroll	To review controls in relation to the staff payment system, including those relating to starters, leavers, temporary and permanent payments, variations of pay, and pre-employment checks.
Treasury Management	A review to assess the adequacy of key controls and procedures across the Council's Treasury Management

INTERNAL AUDIT PLAN 2021-22	 SURREY
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Review Name	Outline Objective
	arrangements, including cash flow forecasting, segregation of duties, financial investments and use of treasury advisers.
Capital Project Management	To review the adequacy and effectiveness of project management arrangements for a sample of critical Council capital projects, where inadequate arrangements could impact on the Council's ability to deliver key services in accordance with its core offer.
Grant Certification	
Transport Capital Grants	To check and certify the grant in accordance with the requirements of the Department for Transport.
Bus Subsidy	To check and certify the grants (including Covid 19 related grants) in accordance with the requirements of the Department for Transport.
Troubled Families	Certification of periodic grant claim returns in-year on behalf of Children's Services to enable the release of funds from the the Ministry of Housing, Communities and Local Government (MHCLG).
Home to School Transport Grant	To check and certify grant income received relating to 2020/21 (including Covid related) in accordance with the requirements of the Department for Education
Digi-Tourism (EU)	To provide First Level Controller certification for this EU funded project (a grant to develop virtual and augmented reality in tourism).
Urban Links To Landscape (EU)	To provide FLC certification for this EU funded project (a grant to develop influential policy for use of urban fringe land).
IMAGINE (EU)	To provide FLC certification for this EU funded project (research into an Inclusive Market Agriculture Incubator in North-West Europe).
Public Health Prep Grant (HIV)	To check and certify the grant in accordance with the requirements of the funding Department.
Track and Trace Grant	To check and certify the grant in accordance with the requirements of the funding Department.
IT and Information Governance audits	
Email Communication (personal and sensitive encryption)	The audit will seek to provide assurance over the effectiveness of the arrangements for email communication involving personal and sensitive information. The audit will consider the methods used to encrypt emails,

INTERNAL AUDIT PLAN 2021-22




Review Name	Outline Objective
	training/awareness of staff and a high-level review of compliance across the council.
ERP Replacement (DB&I Programme)	Orbis IA will attend programme board and working group meetings to provide independent advice, support and challenge on risk, control, probity and governance issues. In addition to attendance at programme board and working group meetings, we will identify a number of key focus areas to support the programme. At this early stage this is likely to include, providing assurance over the following key areas: • Programme Governance/Risk Management • Business processes (both on and off system) • System security • User access, authentication and authorisations • Testing arrangements • Data cleansing and migration • Interfaces and reconciliation • Disaster recovery and business continuity • Training
Post-Brexit Information Governance Arrangements	Following the Brexit transition period ending, this audit will seek to provide assurance that council data is being stored appropriately and in-line with relevant legislation. The review will also consider the guidance being provided to members of staff across the council to help ensure continued compliance.
IT&D Strategic & Operational Risk Management Arrangements	With organisations placing an even greater reliance on IT and the support provided by their IT departments, the council needs to adapt to address the risks accordingly and ensure that ownership needs to be appropriate. This audit will seek to provide assurance that appropriate risk management arrangements are in place across the council in relation to IT&D with awareness and ownership of risks across all council departments.
Access Management	This audit will seek to provide assurance over access management to the council's network. This will include a review of controls used to manage users' network accounts and their access to systems and data for; new starters, department movers and those leaving. It will also consider the council's Active Directory and how this is managed, the

INTERNAL AUDIT PLAN 2021-22



Review Name	Outline Objective
	contents contained within it and controls in place to ensure that it is accurate.
PLANON (Property Asset Management System replacement)	Orbis IA will attend project board and working group meetings to provide independent advice, support and challenge on risk, control, probity and governance issues. In addition to attendance at programme board and working group meetings, we will identify a number of key focus areas to support the programme. At this early stage this is likely to include, providing assurance over the following key areas: • Programme Governance/Risk Management • Business processes (both on and off system) • System security • User access, authentication and authorisations • Testing arrangements • Data cleansing and migration • Interfaces and reconciliation • Disaster recovery and business continuity • Training
Accessibility Audit	The council have a requirement to comply with the Public Sector Bodies (Website and Mobile Applications) Accessibility Regulations 2018, failure to do so will mean the council will be in breach of the Equality Act 2010 and Disability Discrimination Act 1995. The new regulations mean that the council have a legal duty to make sure all its websites and applications meet accessibility requirements. This audit will review the action taken by the council to ensure that all if its internal and externally facing websites and applications meet and continue to comply with the new regulations.
Library System Replacement	This application audit will review all major input, processing and output controls, will review the controls in place to interface with any other systems and ensure appropriate system ownership and responsibilities are known.
Norwell Legal Case Management application control audit	This application audit will review all major input, processing and output controls, will review the controls in place to interface with any other systems and ensure appropriate system ownership and responsibilities are known.
Surveillance Cameras (follow-up audit)	This audit will follow-up the previous Surveillance Cameras audit to ensure actions have been implemented as agreed

INTERNAL AUDIT PLAN 2021-22	 SURREY
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Review Name	Outline Objective
	and to identify any further work required to further improve the control environment.
LiquidLogic/Care First social care system (follow-up audit)	This audit will follow-up the previous Liquid Logic audit to ensure actions have been implemented as agreed and to identify any further work required to further improve the control environment.
Support for Strategic Projects and Programmes	
Transformation Programme	To continue the programme of audit assurance work to support aspects of the council's Transformation Programme. This work will provide seek to provide assurance over key governance arrangements; over the robustness of business case information; the post-transformation control environment; and that effective risk identification and mitigation measures exist.
Land & Property Process Mapping and Improvement	This audit will provide support and advice on appropriate control, risk management and governance-related matters in respect of a project within Land & Property to map out and improve key operational processes. Audit support will sense-check documented processes to advise on appropriate and proportionate control mechanisms within them.
Risk Management	To review the council's revised and refreshed risk management framework to ensure that the council's approach to risk identification, assessment, control and reporting is undertaken consistently and effectively across the organisation after the new process has embedded.
Corporate Governance	To provide advice and support to the planned review the council's governance arrangements and Code of Corporate Governance and to provide input into the process of producing the council's Annual Governance Statement.
Children's, Families, Lifelong Learning and Culture	
Schools Audits	Allocation to include a sample of individual schools, general advice and the communication of guidance and best practice to schools.
Home to School Transport	This audit will examine the council's revised approach and processes around the provision of Home to School Transport for SEND children, and will provide assurance that

INTERNAL AUDIT PLAN

2021-22



Review Name	Outline Objective
	the mechanisms and control environment ensure effective working practices and are in compliance with the council's underpinning procurement and contract management policies.
Single View of a Child (EMS and Finance Improvement Programme)	This review will provide advice, support and assurance as the Single View of a Child project evolves to ensure that appropriate controls and safeguards are designed in the processes and are implemented on go-live. We will support the EMS sub-project through advice and assurance on the EYES system, whilst likewise for the Finance Improvement Programme we will advise on controls within the development of the LiquidLogic LIFT solution.
<p><u>Other priority areas (potential audits to be resourced from Emerging Risk contingency):</u></p> <ul style="list-style-type: none"> - SEND Transformation - Loss of income in libraries, adult learning and Twelve-15 - COVID funding in schools 	
Health, Wellbeing and Adult Social Care	
<p><u>Other priority areas (potential audits to be resourced from Emerging Risk contingency):</u></p> <ul style="list-style-type: none"> - Mental Health - Transition of Children in care to ASC - Better Care Fund - Public Health Funding - Direct Payments 	
Environment, Transport & Infrastructure	
<p><u>Other priority areas (potential audits to be resourced from Emerging Risk contingency):</u></p> <ul style="list-style-type: none"> - Greener Future Strategy - Rethinking Waste - Pavement Horizon - Parking Review Process - Road Safety - Automatic Fire Alarm system (SFRS) 	
Contingencies	
Anti-Fraud and Anti-Corruption	To deliver the 2019/20 Fraud Response Plan for SCC which includes work on fraud awareness, data analytics, cyber

INTERNAL AUDIT PLAN 2021-22	 SURREY
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Review Name	Outline Objective
	fraud, conflicts of interest, excessive personal use of council IT equipment and ad hoc investigations.
Emerging Risks	A contingency budget to allow work to be undertaken on new risks and issues identified by Orbis IA and/or referred by management during the year.
General Contingency	A contingency budget to allow for effective management of the annual programme of work as the year progresses.
Service Management & Delivery	
Action Tracking	Ongoing action tracking and reporting of agreed, high risk actions.
Annual Report, Opinion and AGS	Creation of Annual Report and Opinion / Annual Governance Statement.
Audit & Fraud Management	Overall management of all audit and counter fraud activity, including work allocation, work scheduling and Orbis Audit Management meetings.
Audit & Fraud Reporting	Production of periodic reports to management and Audit and Governance Committee covering results of all audit and counter fraud activity.
Audit Committee and member support	Ongoing liaison with members on internal audit matters and attending Audit and Governance Committee meetings and associated pre-meetings.
Client Service Liaison	Liaison with clients & departmental management teams.
Client Support and Advice	Ad hoc advice, guidance and support on risk, internal control and governance matters provided to clients and services across the year.
Orbis Internal Audit Developments	Audit and counter fraud service developments, including quality improvement and ensuring compliance with Public Sector Internal Audit Standards.
Organisational Management Support	Attendance and ongoing support to organisational management meetings, e.g. Financial Management Team (FMT), Risk Governance Group (RGG) etc.
Strategy & Annual Planning	Development and production of the Internal Audit Strategy and Annual Audit Plan, including consultation with management and members.
System Development & Administration	Development and administration of audit and fraud management systems.

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INTERNAL AUDIT CHARTER

1. Introduction

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

The PSIAS require that the Charter must be reviewed periodically and presented to “senior management” and “the board” for approval. For the purposes of this charter “senior management” will be Corporate Leadership Team (CLT) and the board will be the Audit and Governance Committee (described generically in this Charter as the Audit Committee).

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

2. Internal Audit Purpose

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

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

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

3. Statutory Requirement

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

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

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

as are considered necessary by those conducting the audit.

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

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

4. Internal Audit Responsibilities and Scope

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

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

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

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

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

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

5. Independence

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

Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. The Chief Internal Auditor has direct access to, and freedom to report in their own name and without fear of favour to, all officers and Members and particularly those charged with governance. This independence is further safeguarded by ensuring that the Chief Internal Auditor's formal appraisal/performance review is not inappropriately influenced by those subject to audit. This is achieved by ensuring that both the Chief Executive and the Chairman of the Audit Committee have the opportunity to contribute to this performance review.

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

6. Appointment and Removal of the Chief Internal Auditor

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

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

7. Reporting Lines

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

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

8. Fraud & Corruption

Managing the risk of fraud and corruption is the responsibility of management. Internal Audit will, however, be alert in all its work to risks and exposures that could allow fraud or corruption and will investigate allegations of fraud and corruption in line with the Council's Anti-Fraud and Corruption Strategy.

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

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

9. Consultancy Work

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

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

10. Resources

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

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

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

11. Due Professional Care

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

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

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

- The cost of assurance in proportion to the potential benefits.

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

12. Quality Assurance

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

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

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

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

February 2021

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AUDIT & GOVERNANCE COMMITTEE
23 March 2021

Internal Audit Progress Report – Quarter 3 (01/10/20 – 31/12/20)

SUMMARY AND PURPOSE:

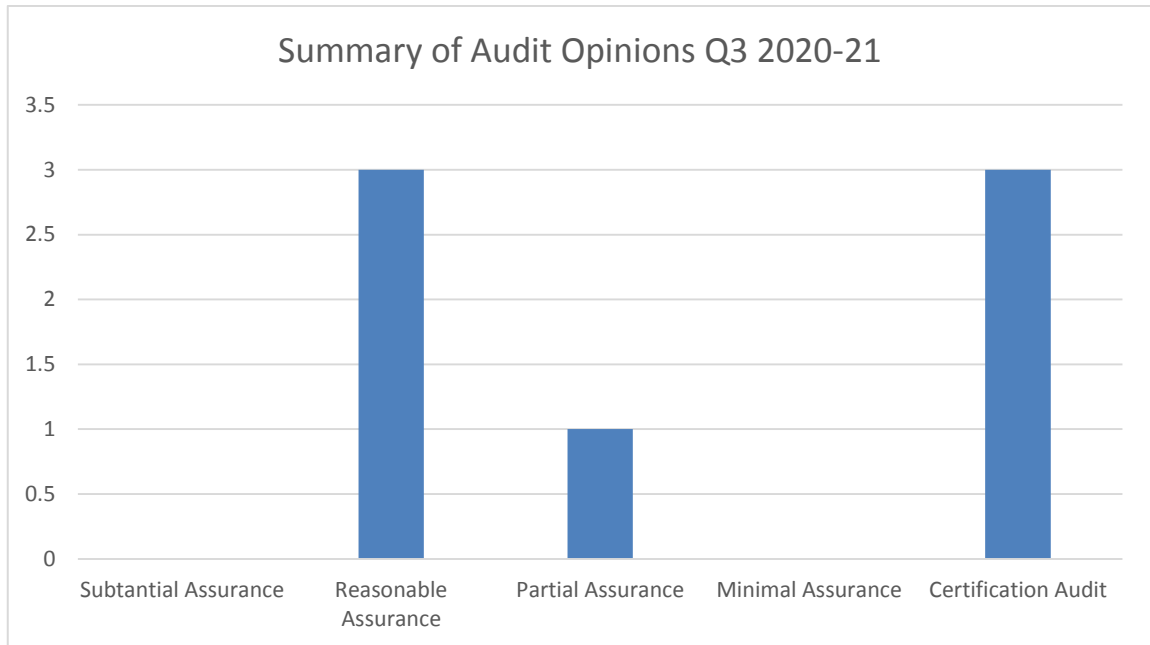
1. The purpose of this progress report is to inform members of the work completed by Internal Audit between 1 October 2020 and 31 December 2020.
2. The original annual plan for Internal Audit was contained within the Internal Audit Strategy and Annual Plan 2020-21, which was approved by this Committee on 22 May 2020. A revised seven-month annual plan, following the suspension of the original plan during the early stages of the COVID-19 pandemic, was approved by this Committee on 26 November 2020. Since that revised plan was approved, there has been some further disruption to planned work with the increase in pandemic infection rates through quarter three, leading up to the renewed national lockdown of 4 January 2021.

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 3 are summarised in Appendix A.
5. Reviews completed in this quarter included a mixture of COVID-19 support activities, planned and unplanned audits, grant certification work, and irregularity work. Overall, of the 4 formal audits finalised during the quarter (excluding grant and irregularities), 3 received 'reasonable assurance' opinions, and 1 received 'partial assurance'.
6. Other activity undertaken has included the provision of support or advice to projects and programmes in development at the council. Such work does not formally produce an opinion but actively contributes to improvements in the control environment.



7. Formal follow up reviews continue to be carried out for all audits where 'minimal assurance' opinions have been given, and for higher risk areas receiving 'partial assurance'. There were three follow-up reviews completed in quarter three of 2020/21 relating to our reviews of Health & Safety, General Data Protection Regulations (GDPR) and Surveillance Cameras that were originally undertaken as part of the 2019/20 annual plan. We were able to upgrade the opinions for Health & Safety and GDPR from Partial Assurance to Reasonable Assurance following our reviews, but the opinion on Surveillance Cameras remained at Partial Assurance due to limited progress in implementing agreed actions.
8. 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 and led us to suspend the audit plan for the first two quarters to provide alternative support to the council, as previously reported to this Committee. We continue to liaise with departments to identify emergings risks as business-as-usual is continued to be affected by the pandemic.
9. Appendix A to this report provides details of the completed work in quarter three, including counter fraud investigations completed, information on the tracking of high priority actions and progress against our performance targets.

IMPLICATIONS:

10. Financial;
Equalities;
Risk management; and
Value for money
11. 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:

12. See Recommendations above.

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

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Sources/background papers: Internal Audit Strategy and Annual Audit Plan 2020/21
Revised seven-month Internal Audit Plan 2020/21

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Internal Audit and Counter Fraud Quarter 3 Progress Report 2020/21

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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

Health & Safety follow-up (2019-20)

- 1.1 The council has a statutory duty under the Health and Safety at Work Act 1974 to secure, as far as is reasonably practicable, the health and safety of employees and others who may be affected by the council's activities. Serious harm to an employee or a service user can result in significant costs to the council as well as the possibility of reputational damage. It is essential that senior management and members are confident that health and safety governance arrangements within the council stand up to scrutiny.
- 1.2 Our previous audit in this area reported in September 2019 and gave an overall opinion of Partial Assurance due to significant weaknesses in the control environment. We undertook a follow-up audit (allowing enough time for previously agreed actions to have been implemented that had been delayed because of the pandemic) to assess progress made to secure the necessary improvements.
- 1.3 We found evidence of improvement across the board in terms of actions taken by the council, although some progress was still incremental.
- 1.4 Improvements to the control environment were noted in respect of:
- A comprehensive health & safety training programme was found to be in place for both managers and employees, although our review of training records for the past year noted that there had been a significant drop in completed courses;
 - A clear process was now in place for the reporting and management of high-risk incidents, and this was found to be operating as expected;
 - Management has developed a suite of reports which effectively report on health & safety activity within the organisation;
 - An annual report on health and safety activity is now produced by the service for the senior leadership team and for members; and
 - The Health & Safety Manager's job profile has been updated to include required responsibilities
- 1.5 The impact of COVID-19 has affected the pace of progress towards meeting required national standards in Health & Safety risk areas for owned and managed properties. At the time of our audit, 72% of properties had been assessed as meeting the required standards and were deemed safe, which still leaves work to be completed but is a considerable improvement on the 2019 position. Additionally, whilst a programme of workplace inspections was found to be in place in

operational buildings (with frequent checks conducted in key risk areas such as fire safety, building safety and safety equipment) we were unable to gain assurance that similar checks were being consistently conducted at all smaller sites.

- 1.6 As a result of our follow-up audit, we agreed three further actions with management (one of high priority and two medium). Given the overall improvement in processes and compliance, we gave an opinion of **Reasonable Assurance**.

Surveillance Cameras follow-up (2019/20)

- 1.7 Section 33 of the Protection of Freedoms Act requires all local authorities to pay due regard to the Surveillance Camera Code of Conduct where they operate surveillance cameras overtly in a public space (e.g. in town centres, municipal buildings, libraries, leisure centres, body worn videos worn by enforcement officers etc.). The council should also have regard to GDPR and the Data Protection Act 2018 (DPA) when using surveillance camera systems, because the cameras may capture personal information that could identify individuals.
- 1.8 We audited this area as part of our 2019/20 plan and in January 2020 gave an opinion of Partial Assurance.
- 1.9 A follow-up audit was undertaken in quarter three of 2020/21 in order to review the progress made against the agreed actions from the previous audit and make any recommendations as necessary to ensure that suitable systems and procedures are in place to meet the following objectives:
- Deployment of surveillance camera systems in public spaces is effective, proportionate and transparent;
 - The use of new and existing surveillance camera systems complies with the Surveillance Camera Commissioner's Code of Practice; and
 - Personal information captured from surveillance camera systems is managed in accordance to the requirements of GDPR and the DPA.
- 1.10 In line with the original timetable for implementing agreed actions we originally sought an update from responsible officers in July 2020, at which point it was apparent that COVID-19 had inevitably impacted on expected progress. The agreed implementation dates were therefore extended to where officers were confident progress would be made, and we rescheduled our audit accordingly for quarter three.

- 1.11 Whilst progress has been made, further work is needed in relation to all nine previously agreed actions to manage the risks identified and meet the requirements of the Code of Practice. The implementation of several actions is dependent on surveys being undertaken, which the service has now decided to contract to a third party. These surveys have not yet been commissioned and, as a result, the council's ability to take steps to ensure compliance with the Code of Practice and to demonstrate this is limited.
- 1.12 Outstanding issues of significance include the fact that the council's Single Point of Contact (SPOC) sits within Land and Property and therefore focusses on surveillance cameras within this service. However, government guidance requires the SPOC to be responsible for oversight of surveillance cameras across the whole of the council, which needs to be addressed.
- 1.13 We have agreed a revised set of actions with management for implementation by the end of February 2021, and will revisit this area again as part of our 2021/22 annual audit plan as continued non-compliance with the Code of Practice could result in financial and/or reputational damage to the council. Given the lack of progress, albeit hampered by the pandemic, we concluded the overall opinion remained at **Partial Assurance**.

Cyber Security during COVID-19

- 1.14 Cyber-attacks on the council's IT systems and devices are a threat to the security of the council's data and could have a large adverse impact on service delivery. Cyber security refers to the measures in place to combat these threats, and is defined as the protection of information systems, the data on them, and the services they provide, from unauthorised access, harm or misuse.
- 1.15 During the Covid-19 pandemic, most council employees have been working remotely - a change which was, through necessity, introduced quickly. For this reason, the council is even more reliant on its IT network infrastructure. This audit therefore focussed on whether suitable controls in relation to cyber security have remained in place, considering this new way of working.
- 1.16 Arrangements for protecting council information systems, data and services, and the approach to responding to identified incidents have been considered, with a view to providing assurance that controls were in place to meet the following objectives:

- All cyber security incidents, including threats and both successful and unsuccessful attacks are recorded;
- Anomalous activity is detected in a timely manner and reviewed appropriately;
- User security policies are in place, and all staff have received cyber security training to provide awareness of their role in supporting the council in managing cyber security threats;
- Controls are in place to respond to identified cyber security incidents in an effective and timely manner; and
- Security measures are in place to minimise the likelihood and impact of cyber security incidents.

1.17 We were able to provide an opinion of **Reasonable Assurance** over the arrangements in place, concluding that revised working practices had little direct impact on the council's technical cyber security arrangements.

1.18 Specifically, our audit provided assurance that:

- Protective measures such as firewalls, web filtering and spam filtering have continued to function;
- Detection methods, including vulnerability detection and patching, also continued as prior to Covid-19;
- Penetration testing, whilst not yet undertaken following the change in working arrangements, was being scheduled at the time of our audit; and
- Users have been kept informed about cyber security risks, both specific to the current period, and more generally.

1.19 Some higher risk activities such as the permitting of WhatsApp on corporate devices and allowing access to systems on users' personal devices via Citrix have been implemented as a result of quickly introduced working from home arrangements. However, these have been subject to appropriate decision-making processes.

GDPR follow-up (2019/20)

1.20 This audit was a follow-up of the previous General Data Protection Regulation (GDPR) audit to ensure actions had been implemented as agreed and to identify any further work required to comply with the requirements of the GDPR. In doing so, adherence to the provisions of the existing Data Protection Act 2018 (DPA) were also assessed.

- 1.21 We identified that three of the six actions agreed in the 2018/19 GDPR audit had been fully implemented. Recording and reporting of Subject Access Requests (SARs) was in place, with the backlog of such requests now reduced and no longer subject to monitoring by the Information Commissioner's Office (ICO). Updated guidance for staff around data breach reporting is also now in place, and the corporate Privacy Notice has been recently updated.
- 1.22 Improvement was also been seen in other areas: key documentation such as the Data Protection Policy and IT Security Policy had been updated to reflect the latest data protection legislation, although it was noted that some policies and retention schedules still refer to obsolete legislation.
- 1.23 We agreed three actions with management in respect of the part-completed elements from the previous audit, which included aspects of data protection awareness training and communicating privacy information. In so doing, we were able to provide an opinion of **Reasonable Assurance** regarding this audit.

11

Other Audit and Assurance Activity

Grant Claims

- 1.24 In the third quarter of 2020-21 we completed three grant certification audits on behalf of the council:
- Troubled Families grant (Oct-Dec 2020) - £259,200;
 - COVID-19 Additional Home-to-School Transportation grant - £944,952; and
 - Disabled Facilities Grant - £8,950,616 (disbursed to Surrey's district and borough councils)

SEND Panel Gateways

- 1.25 During the quarter we lent support to an exercise jointly undertaken with Finance to document a comprehensive process map of SEND Panel placements at independent settings. We worked directly with several Team Managers, Commissioning Teams, and Specialist Placement Teams across Children's Services to understand reasons for placements, the controls and gateways around authorisation, inconsistencies across regional areas, and actual and potential bottlenecks within the process.
- 1.26 This led to the documentation of process maps, illustrated with actual examples from casework, for use and reference by both Children's Services and the Finance community. Internal Audit

skills were used to help document and assess these processes, ensuring appropriate controls are in place, although no compliance testing was undertaken as this was not required in the specification of the work completed.

Your Fund Surrey

- 1.27 Surrey County Council is giving local communities up to £100m over the next five years to spend on projects that improve their local area. This is money put aside to empower Surrey residents within the community with the stated aims of:
- Connecting - residents and community groups to build ideas
 - Stimulating - local engagement and involvement
 - Providing - the financial backing for community-led projects
 - Delivering - benefits that match local need
 - Build - local resilience and sustainability by helping people help themselves
- 1.28 As part of setting up the governance arrangements and processes through which grant applications will be invited, received and reviewed, Internal Audit has worked closely with the project team to offer advice on appropriate and proportionate controls and checks to build into the live process.
- 1.29 We will continue to support this project in quarter 4 of 2020/21 and into the following year as the scheme goes live, and applications are received and processed.

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Schools Advice

- 1.30 Whilst the ongoing pandemic has hampered our planned reinstatement of a school audit programme, we have continued to respond to ad hoc requests for advice and support from maintained schools and from Strictly Education throughout quarter three. Areas in which advice has been sought includes appropriate controls for the use electronic signatures; authorisation of payments under remote working arrangements; and how to process charitable funds received for families in need.

DB&I Programme Board

- 1.31 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 looks to implement a new Enterprise Resource Planning (ERP) system, that will help the council's drive to deliver efficiencies through their transformation agenda.

- 1.32 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 circa £40m with the new system(s) expected to be implemented in 2021.
- 1.33 Whilst we have not undertaken any specific audit reviews in this quarter, we continue to support the programme through attendance at the Programme Board and Working Groups and the provision of ad-hoc advice, challenge and support.
- 1.34 A programme of audit work has been agreed with the Programme Board to support the programme going forward and work currently in progress includes providing assurance over data quality and archiving. Work to review the effectiveness of the proposed control environment is also planned to begin shortly.

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2. Counter Fraud and Investigation Activities

Proactive Counter Fraud Work

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

National Fraud Initiative Exercise

- 2.2 We coordinated the recent submission of council datasets to the biennial NFI exercise. Results from the data matching will be provided to the council on 31 January 2021 at which point Internal Audit will liaise with the relevant departments to ensure that flagged matches are investigated and actioned appropriately. Results from the exercise will be shared with CLT and the committee in future progress updates.

Fraud Risk Assessments

- 2.3 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

- 2.4 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 a pilot data analytics programme for key financial systems. Work on the key financial data analytics that includes creditors, debtors and payroll commenced in quarter three.

Fraud Awareness

- 2.5 The team has published fraud bulletins raising awareness of emerging threats, particularly relating to recent risks from the pandemic. These were published on the intranet and shared with high risk service areas. In addition, the team continue to monitor intel alerts and work closely with neighbouring councils to share intelligence and best practice.

Reactive Counter Fraud Work - Summary of Completed Investigations

Impersonation of a Council Officer

- 2.6 We were made aware of an incident where an individual, impersonating a council officer through a spoofed email account, had obtained keys to a council property and fraudulently sublet the property. Our subsequent investigation identified that procedures that had been relaxed by a letting agent acting on the council's behalf, allowing an individual to take advantage and commit fraud. The procedures had been relaxed as a result of COVID workplace restrictions. The letting agents were not able to confirm who the keys had been issued to, or what documents had been checked to confirm their identity. This allowed an unknown individual to gain access and subsequently sublet the property.
- 2.7 The property was recovered and secured with limited financial loss (one month rent at £1000). A referral was made to the Police through Action Fraud. The investigation identified areas for improvement including contacting the council to confirm email correspondence and prior to signing out any keys, and these were actioned immediately. Given the property was recovered with limited financial loss, and the difficulty identifying the perpetrator, it was deemed uneconomical to pursue the case further.

Bank Mandate Fraud

- 2.8 During the quarter we investigated an attempted bank mandate fraud whereby a bogus instruction was received requesting a change of bank account for one of the council's major suppliers. During the investigation of the bank mandate fraud and as part of this it was identified that procedures for the independent verification of bank account changes had not been

followed. Additional control improvements were agreed as a result of the investigation. A referral was made to Action Fraud and a live police investigation is underway. A further update will be provided on conclusion of the police investigation.

3. Action Tracking

- 3.1 All high priority actions agreed with management as part of individual audit reviews are subject to action tracking. All high-priority actions due to be implemented by management by the end of quarter two had at least been partially implemented.
- 3.2 High priority actions relating to the audit of Pension Fund Administration for both Fire Pensions and LGPS Pension Funds remain a work in progress in terms of their implementation. Our audits of these areas commenced in quarter three and are due to report in quarter four, which will update progress made against the actions accordingly.

4. Amendments to the Audit Plan

- 4.1 In November we presented to this committee an audit plan for the period September 2020 to March 2021 to incorporate amendments to planned work following the first lockdown. Since the November committee met, the country has been subject to yet another lockdown and measures continue across Surrey at the time of writing this report.
- 4.2 Accordingly, we are maintaining a flexible approach to the completion of planned work in order remain responsive to emerging risks and not to burden already stretched front line services with intrusive audit activity. However, we aim to continue to complete core audit and assurance work (for example key financial systems and grant certification audits) in order to be able to still provide an annual opinion for 2020/21 year.

5. Internal Audit Performance

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

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April	G	Approved by Audit Committee on 22 May 2020 (April's committee was postponed due to COVID)
	Annual Audit Report and Opinion	By end July	G	2019/20 Annual Report and Opinion approved by Committee on 28 August (delayed due to COVID)
	Customer Satisfaction Levels	90% satisfied	N/A	No surveys received in the period
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	N/A	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	G	<p>January 2018 – External assessment by the South West Audit Partnership gave an opinion of ‘Generally Conforms’ – the highest of three possible rankings</p> <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	G	No evidence of non-compliance identified

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Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions	G	100%
Our staff	Professionally Qualified/Accredited	80%	G	92.9% ¹

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¹ Includes staff who are part-qualified and those in professional training

Audit Opinions and Definitions

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

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