

Notice of Meeting

Audit and Governance Committee



SURREY
COUNTY COUNCIL

Date & time

Wednesday, 28
September 2022
at 10am

Place

Woodhatch Place,
11 Cockshot Hill,
Reigate, Surrey,
RH2 8EF

Contact

Angela Guest
angela.guest@surreycc.gov.uk

Chief Executive

Joanna Killian

We're on Twitter:
@SCCdemocracy

Members

Stephen Cooksey, Victor Lewanski (Vice-Chairman), David Lewis (Chairman), Joanne Sexton and Richard Tear

Independent Member:

Terry Price

AGENDA

1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

2 MINUTES OF THE PREVIOUS MEETING [13 JUNE 2022]

(Pages 1
- 12)

To agree the minutes of 13 June 2022 as a true record of the meeting and to note the minutes of the informal meeting held on 18 July 2022.

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 (06/09/2022).
2. The deadline for public questions is seven days before the meeting (05/09/2022).
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

5 RECOMMENDATIONS TRACKER AND WORKPLAN

(Pages
13 - 22)

To review the Committee's recommendations tracker and workplan.

6 INTERNAL AUDIT PROGRESS - Q1

(Pages
23 - 42)

The purpose of this progress report is to inform members of the work completed by Internal Audit between 1 April 2022 and 30 June 2022.

- 7 ANNUAL COMPLAINTS PERFORMANCE REPORT** (Pages 43 - 68)
- This report gives the Audit & Governance Committee an overview of the Local Government and Social Care Ombudsman's annual letter for the year 2021/22 and an update on complaint handling across the council.
- 8 RISK MANAGEMENT** (Pages 69 - 90)
- This report provides an update on risk management.
- 9 INFORMING THE AUDIT RISK ASSESSMENT FOR SURREY COUNTY COUNCIL GROUP AND PENSION FUND 2021/22** (Pages 91 - 126)
- The report is an annual requirement of the International Standards on Auditing and brings together the views of management and those charged with Governance oversight into one report.
- 10 DATE OF NEXT MEETING**
- The next meeting of Audit & Governance Committee will be on 28 November 2022.

**Joanna Killian
Chief Executive**

Published: Friday, 2 September 2022

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MINUTES of the meeting of the **AUDIT AND GOVERNANCE COMMITTEE** held at 10.00 am on 13 June 2022 at Surrey County Council, Woodhatch Place, 11 Cockshot Hill, Reigate, Surrey, RH2 8EF.

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

Elected Members:

Stephen Cooksey
Victor Lewanski (Vice-Chairman)
David Lewis (Chairman)
Joanne Sexton
Richard Tear
Terry Price (Independent Member)

Members in Attendance

Becky Rush, Cabinet Member for Finance & Resources
Nick Harrison, Chairman of Surrey Pension Fund Committee

26/22 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

There were none.

27/22 MINUTES OF THE PREVIOUS MEETING [28 MARCH 2022] [Item 2]

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

28/22 DECLARATIONS OF INTEREST [Item 3]

There were none.

29/22 QUESTIONS AND PETITIONS [Item 4]

There were none.

30/22 RECOMMENDATIONS TRACKER AND WORKPLAN [Item 5]

Speakers:

Chairman

Key points raised during the discussion:

1. It was understood that report templates were being reviewed as part of a wider package and was expected that the new templates would be ready in time for the September meeting of this committee.
2. It was noted that an informal discussion would be arranged near the September meeting to discuss counter fraud work.

Action/Further information to note:

None.

RESOLVED:

That the report be noted.

31/22 INTERNAL AUDIT ANNUAL REPORT AND OPINION 2021/22 [Item 6]

Speakers:

Russell Banks, Chief Internal Auditor
David John, Audit Manager (SCC)
Simon White, Audit Manager (Counter Fraud)
Mark Winton, Audit Manager (ESCC)

Key points raised during the discussion:

1. The Chief Internal Auditor introduced a report that summarised all the audit work delivered and presented the overall opinion on the Councils internal control, risk and governance arrangements. Internal Audit we're able to provide reasonable assurance based on that work. The opinion itself will contribute directly to the Council's annual governance statement, which forms part of the Council's accounts.
2. The Audit Manager gave a detailed precis of the submitted report and highlighted several points including:
 - the elements considered to form the opinion
 - 118 completed assignments covering both key Financial Systems and service reviews
3. In response to Members questions the Audit Manager responded that:
 - a) He would let Members know how much was in the pension fund suspense account as he didn't have that figure to hand.
 - b) Staffing was a challenge for internal audit nationally. Orbis Internal Audit had been successful in recent years in recruiting at entry level so there had been heavy investment in professional training for the team which led to promotions from within the service. It was acknowledged that there were still some gaps and there would be a pressure this year on the team's ability to deliver plans. However, he was confident that enough work would be done to be able to provide the overall opinion.
 - c) Audit plans needed to be as flexible as possible and that items are deferred but are kept under constant review. It is a risk-based plan. In some cases items are deferred because they need to fit in with other timetables but when changes are made they are reported to this committee.
 - d) That a full list of schools be circulated to Members.
 - e) He explained that reasonable assurance tended to be most common opinion and gave some context as to what substantial assurance may look like and described the one substantial assurance he had given in his career. It was confirmed that Surrey was on the right trajectory and did have the ambition to reach a substantial assurance opinion.

Action/Further information to note:

None.

RESOLVED:

1. That the work undertaken and the performance of Internal Audit in 2021/22 and the resultant annual opinion of the Chief Internal Auditor be noted.
2. That there were no further matters that the Committee wishes to consider for inclusion in the Council's Annual Governance Statement; and
3. That the Council's arrangements for internal audit have proved effective during 2021/22.

32/22 COUNTER FRAUD ANNUAL REPORT 2021/22 [Item 7]**Speakers:**

Russell Banks, Chief Internal Auditor
 David John, Audit Manager (SCC)
 Simon White, Audit Manager (Counter Fraud)
 Mark Winton, Audit Manager (ESCC)

Key points raised during the discussion:

1. The Audit Manager (Counter Fraud) introduced a report that provided a summary of the work completed in the last year. Highlights included:
 - a contingency of 120 days and this was exceeded a little with the counter fraud work, which was 149 days. Therefore, the contingency has been increased for the coming year.
 - 22 allegations had been investigated which remained stable with previous year's figures
 - Allegations were spread fairly evenly across the directorates.
2. A Member asked about whether there was an emerging theme or weakness that the council should focus on. The Audit Manager (Counter Fraud) responded that Covid had produced a change in the threat landscape with changes in ways of working and moving to an agile organisation, and with that more risks. He described the two irregularities around employment whereby individuals were working for Surrey whilst working in a substantive full-time position in another organisation. Awareness among managers was increasing. Also, for each investigation an internal control report would be produced which would focus on the organisational lessons associated with that investigation and feed into audit planning.
3. In response to a Member query it was explained how the national fraud initiative (NFI) worked in practice and what this meant for the team and how they prioritised matches.
4. A Member queried whether or not the council should be doing something outside of the national fraud initiative to review concessionary travel passes and maybe save some money. The Audit Manager (Counter Fraud) explained that the saving was a national saving and just because an individual was deceased did not necessarily mean that the pass was still being used as a cost to Surrey. However, it was acknowledged that the council could look at the cost of doing more frequent concessionary travel checks and will consider additional matches following the next NFI exercise.

Action/Further information to note:

None.

RESOLVED:

That the fraud activity completed during 1 April 2021 to 31 March 2022 be noted.

33/22 EXTERNAL ASSESSMENT PROPOSAL [Item 8]**Speakers:**

Russell Banks, Chief Internal Auditor
David John, Audit Manager (SCC)
Simon White, Counter Fraud Manager
Mark Winton, Audit Manager (ESCC)

Key points raised during the discussion:

1. The Chief Internal Auditor introduced a report that requested approval for a bid to the Institute of Internal Auditors for them to conduct the external quality assessment. He explained that as a public sector internal audit provider, the Orbis Internal Audit was required to comply with a very strict set of professional standards which were set jointly between the Chartered Institute of Internal Auditors and CIPFA and included a requirement for the service to be independently assessed against them at least once every five years. The same report was being presented to all three partner audit committees and it was a request of one of those committees that the review be carried out by one of the two professional bodies themselves, just to add more credibility to the review. The Chartered Institute were approached and had provided the proposal at Annex A to the report.
2. In response to a Member question about why the charge for the review was commercially sensitive and why there was only a single quotation, it was explained that the market for conducting these assessments was a national market and many different providers who could deliver these reviews. The Chartered Institute had asked for the cost not to be included within the formal committee report, but it was agreed that the committee could be told the cost if asked. Also, the reason for a single quotation was because under procurement standing orders it fell below the threshold for which there was a need to get a competitive quotation.

Action/Further information to note:

None.

RESOLVED:

That the appointment of the Chartered Institute of Internal Auditors to carry out the independent external assessment of Orbis Internal Audit in accordance with Public Sector Internal Audit Standards be agreed.

34/22 2021/22 TREASURY MANAGEMENT OUTTURN REPORT [Item 9]**Speakers:**

Nikki O'Connor, Strategic Finance Business Partner

Key points raised during the discussion:

1. The Strategic Finance Business Partner introduced a report that set out the treasury management activity for 2021/22 financial year, outlining the management of cash flows, borrowing investment and associated. Some of the highlights included:
 - a) The Council was typically 'cash rich' in the short term as government grants and council tax typically were received before spent,
 - b) However, the Council was 'cash poor' in the longer term, as capital expenditure was incurred before it was financed, therefore, treasury management activities balance that on a daily basis, with surplus cash invested short term until it was required, looking to avoid both excessive credit balances and overdraft in the current account
 - c) work closely with treasury advisors to ensure that the approach represents the best balance between managing cost and minimising the interest rate risk
 - d) no limits or prudential indicators were breached during the course of the financial year and confirmed that the Council's fulfilled its obligations as part of the Treasury management code of practice.
 - e) at the end of the financial year, the council took out a PWLB loan of £50m to maintain the balance of long-term borrowing where there was certainty over interest rates and cheaper short-term borrowing.
 - f) The report set out the impact on the budget for last year and the capital financing requirement.

2. In response to a Member question, it was confirmed that Surrey Pension Fund cash was held separately and that the treasury management strategy was reported to the Surrey Pension Fund Committee and Local Pension Board as part of their governance.

3. In response to a Member question about where the Your Fund Surrey budget of £100m sits, it was explained that this forms part of the overall capital programme. Borrowing was not specifically taken out for individual projects or programmes in the capital budget. Borrowing was taken looking at cash flow forecasts across the period and into the medium term, looking at forecasts on capital spend both in terms of what's built into capital programme, but also what was in the pipeline. The Your Fund Surrey budget was considered as part of this overall view, but there was not a specific loan directly linked to it.

4. A Member asked whether the Arlingclose interest rate forecast was still realistic given what was happening with inflation and was there likely to be an even worse situation with bigger impact on the council's finances? The Strategic Finance Business Partner responded that the team regularly meet with Arlingclose to discuss the forecast, including immediately after each MPC meeting. Current forecasts remain as included in the report but may change as the Bank of England balance the need to respond to high inflation and the risk of recession.

Action/Further information to note:

None.

RESOLVED:

That the Treasury Management Outturn Report for 2021/22 and compliance with all Prudential Indicators be noted.

35/22 COUNCIL COMPLAINTS - ANNUAL REPORT [Item 10]

Speakers:

Sarah Bogunovic, Head of Customer Strategy

Jo Lang, Head of Customer Engagement

Key points raised during the discussion:

1. The Head of Customer Strategy presented the annual performance report for the Council's complaint procedure. It was agreed at a previous committee meeting to bring forward the annual report in the committee cycle so there was less of a time gap, but this would be followed up with a separate benchmarking report at the mid-year. The submitted report was a high-level report looking at the top line figures in terms of contacts from residents. She reminded Members of the different complaints procedures available and that the ombudsman was the last stage of each procedure. She highlighted the increase in numbers going through the formal complaints process for adult social care and children's education and that there was a decrease for all other areas. The escalation rate was higher than would be liked.
2. In response to Member questions Head of Customer Strategy reported that:
 - It was recognised that the system of communicating with residents was complicated and in order to simplify that there was, over the next 12 to 24 months, a big systems project being undertaken that would allow link up to say social media: it will make it easier for residents to have their voice heard and for the council to capture it. With regards to mystery shopping this was something that could be revisited in the future.
 - She would ask the complaints teams for their input into how Members could provide help and value
3. In response to Member questions around children and education, the Head of Customer Engagement reported that:
 - Future reports would contain information about the complaints that were not settled within the timescale. It was explained that children's and education could be very complex cases and may only miss the deadline by a few days, but it was accepted that this information would help members consider the performance data.
4. The Chairman spoke of the high rise in numbers of education and children's service complaints and the information he receives on ombudsman cases which often result in result of maladministration. Whilst not underestimating the complexity of some cases he asked what was being done in terms of feeding back the lessons into the organisation? This level of finding was not sustainable.
5. The Head of Customer Strategy explained that case reviews and reflective practice with practitioners was undertaken as well as regular reports that go into senior management teams.
6. The Head of Customer Engagement explained that:
 - a) Procedures had been made more accessible which had led to more complaints as well as improving recording

- b) as a result of discussions had with the Children's Education leadership team, a customer engagement review would be undertaken. A steering group would be set up to look at how to improve customer experience, particularly in education because that was the area which has seen the significant rise.
 - c) more training was being undertaken directly within operational staff and the team were pushing the early resolution approach. Training was actively encouraged for new staff because there has been a significant staff turnover in education and in children's alongside that. Directors were engaged with the mandatory customer relations training. The assistant directors had got a real overview of what the learning was from those complaints.
 - d) She was confident that structures were in place so that next year it should be a better picture.
7. The Chairman recognised that arrangements were being put in place for the initial stages of the process but his concern related to further stages and that learning did not appear to be happening. The Head of Customer Engagement explained the two-stage process in education and how the second stage was now to be brought in-house. The second stage of the process was being managed by senior leaders within the services. It was hoped that this should prevent some escalation to the ombudsman and some real learning take place.
8. The Head of Customer Strategy also stated that it was a legal right that people could go to the Ombudsman. Even if the council had upheld the complaint, they could still go to the Ombudsman for the Ombudsman to uphold the complaint/decision.
9. The Chairman recognised that whilst there had been an emphasis on the negative aspects of the report that there was a lot of good work undertaken.

Action/Further information to note:

None.

RESOLVED:

That the report be noted and to continue to monitor the situation.

36/22 GOVERNANCE - HIGHWAYS BUDGETS [Item 11]

Speakers:

Lucie Monie, Director, Highways & Transport
 Katie Stewart, Executive Director Environment, Transport & Infrastructure
 Richard Bolton, Highways Operations & Inf Group Manager
 Amanda Richards, Ad Highways - Network & Asset Management
 Paul Millin, Strategic Transport Group Manager

Key points raised during the discussion:

1. The Executive Director ETI gave a brief introduction to the submitted report about highways budgets and the governance arrangements around those budgets. She reported that there had been many changes in the highway service over the last 12 months. These included changes to decision-making changes and to maintenance contracts with the aspiration of providing a better service for residents and providing better

outcomes because of those changes. Much of what Highways do and the budgets was complex, and much was driven by legislation and regulation. There was an aspiration to engage better with Members and residents and ultimately provide a more transparent service. The report set out a few next steps that officers would like to undertake with this committee after the discussion today.

2. The Director for Highways and Transport continued to present an overview of the report which outlined some of the different approaches and requirements in terms of delivering the highways service. She gave a very detailed overview of governance including policies and strategies, strategic and local decision making and budget setting. The capital budget was largely investment focused and there were some specific rules around some of the capital in terms of the grants. Some of the decision making was more straightforward in places than others and there was a need to think about how that was explained to Members and others. As part of the recent restructure an engagement and stakeholder team had been set up to help facilitate and provide a better response in terms of queries or requests that were received from Members and residents.
3. In response to a Member concern about the low budget for enforcement, the role of the two enforcement teams was described and it was explained that the report did not show staff costs, only work costs.
4. There were comments made about Member perceptions of the new procedures which appeared to reduce member influence in decisions. It was reported that the A-Z guidance would be issued within the next few weeks and would help provide clarity to members.
5. The Chairman reiterated the role of the Committee in relation to this report in that they should not get into the scrutiny role but focus on the following elements around governance:
 - What the governance arrangements are around highways budgets, both capital and revenue
 - What the decision-making processes were
 - What were the various checkpoints in the process.
 - He wanted to see clearer, more simplified information on these areas as it was unclear at the moment and categories appeared to be duplicated, overlapped or just not clear what that related to.
6. The Executive Director ETI explained that this was valuable feedback and would feed into the A-Z which she was committed to getting right.
7. A Member asked for old programmes suggested by previous members under the Horizon programme to be removed if there was no chance of them getting the go-ahead as it was very confusing, and some schemes were more than seven years old. The Chairman also requested that a list of projects also be provided for each division. The Director for Highways and Transport responded that the website only showed those schemes that would be funded in the next five years. The team were also working on members pages and would look at making it easier to find divisional information.

8. There were several very detailed questions and comments requesting clarification on details within the submitted report around streetlights and trees which were responded to by the Highways Officers.

Action/Further information to note:

That a follow-up report be scheduled for six months' time.

RESOLVED:

That the report be noted and a follow-up report be scheduled for six months' time.

37/22 DRAFT ANNUAL GOVERNANCE STATEMENT [Item 12]

Speakers:

Paul Evans, Director Law & Governance

Key points raised during the discussion:

1. The Director Law & Governance introduced the draft annual governance statement, which summarised the Council's governance arrangements for the financial year. He explained that this was an annual report which the committee recommends an annual governance statement that is set out in three main sections.
2. There was a query about the Surrey Forum and with it being a new forum, the Chairman asked for more information. The Director Law & Governance explained that the forum was something established through the leader and the Council in 2021. The intention was that it had much more of a profile in terms of transparency and interaction with public and residents. The meetings were quarterly both for the overarching forum and for the strategic boards that sat below it. He described the Forum as being similar to a strategic partnership between the County Council and the key partners in the county and that it was a developing process.
3. That Chairman stated that it might be something for the future work program to look at the governance around the forum and the strategic boards once they had matured.

Action/Further information to note:

To include in the Committee workplan.

RESOLVED:

1. That the draft Annual Governance Statement was represented correctly; and
2. That the draft Annual Governance Statement be commended for publication with the council's Statement of Accounts.

38/22 EXTERNAL AUDIT PLAN AND DRAFT STATEMENT OF ACCOUNTS 2021/22 (TO FOLLOW) [Item 13]

Speakers:

Barry Stratfull, Chief Accountant (Corporate)
Ciaran McLaughlin, Grant Thornton

Key points raised during the discussion:

1. The Chief Accountant gave a brief introduction to a report that demonstrated how Grant Thornton were going to ensure the accounts were audited and signed off by the end of November which was the deadline. He stated that the deadline for the draft statement of accounts was 31 July 2022. A draft set out accounts had been produced but could not be presented to Committee as the Council were still awaiting the valuations of some of their assets. Without these the draft accounts were not materially accurate. Valuations were promised by the end of the week which would enable the draft accounts to be completed.
2. Grant Thornton gave a precis of the report and highlighted several key matters including:
 - the continuing financial position and some of the developments in relation to pension fund accounting
 - the impact of the war in Ukraine on global markets
 - the recent passing of the Public Services, Pensions and Judicial Officers Act which helps to address some of the MacLeod issues which have been ongoing in the pension scheme for several years,
 - significant risks recognised in all local authorities in relation to valuation of land and buildings, valuation of investment properties, valuation of the net pension liability, the risk of management override of controls and the risk of Level 3 investments.
3. There was some discussion and explanations of why the accounts were delayed and the actions taken by officers to try to get the information required on valuations.

Action/Further information to note:

None.

RESOLVED:

That the process for undertaking the audit be noted.

39/22 DATE OF NEXT MEETING [Item 14]

The date of the meeting was NOTED as 18 July 2022.

Meeting ended at: 12.39 pm

Chairman

MINUTES of the informal meeting of the **AUDIT AND GOVERNANCE COMMITTEE** held virtually via Teams at 2.00 pm on 18 July 2022.

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

Elected Members:

(* Present online)

- *Victor Lewanski (Vice-Chairman)
- David Lewis (Chairman)
- Joanne Sexton
- *Terry Price (Independent Member)

Members in Attendance

Becky Rush, Cabinet Member for Finance & Resources

40/22 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Richard Tear and Stephen Cooksey.

41/22 MINUTES OF THE PREVIOUS MEETING [13 JUNE 2022] [Item 2]

The Minutes of the previous meeting were noted but would need formal approval at the next formal meeting.

42/22 DECLARATIONS OF INTEREST [Item 3]

There were none.

43/22 DRAFT STATEMENT OF ACCOUNTS 2021/22 [Item 4]

Speakers:

Barry Stratfull, Chief Accountant

Nikki O'Connor, Strategic Finance Business Partner

Key points raised:

1. The Chief Accountant Introduced the report which summarised key aspects of the Draft Statement of Accounts (SoA) and outlined its purpose.
2. In summary the Chief Accountant reported that:
 - The total value of the net liabilities on the balance sheet was £198m which was an improvement of £567m in comparison to last year.
 - This was primarily due to capital expenditure incurred in the year and asset valuation increase, resulting in an increase in the Property Plant & Equipment balance and a significant improvement of £311m in the Council's pension liability – due to the asset and liability of actuarial assessment improved in the year compared to last year (which included Covid related impacts).
 - The Fund does operate multiple investment strategies, the value of asset return was £180m which was an increase compared to last year a gain of 7% on the assets and demographic assumptions improved as used more up to date longevity assumptions and reduction in obligations by half a percent.

- However, the pensions liabilities still has a significant impact on the balance sheet and the net worth of the Council. It is important to note that pension benefits are not payable until employees retire however for accounting purposes accrued future obligations must be accounted for. The pensions liability is calculated by Hymans Robertson – £1.86bn (was at £2.171bn).
 - There are two separate pension funds included in the Statement of Accounts: The Local Government Pension Fund and a separate firefighters pension fund. The firefighters pension fund was £660m at the 31 March 2022, a decrease of £36 million liability on the previous year.
 - At the time of writing the auditors had not received any objections to the Statement of Accounts.
3. In response to a Member query regarding making reference to the recent pay award in the narrative report the Strategic Finance Business Partner reports that the narrative report was focused on activity of 2021/22, so not necessary or appropriate to mention the recently agreed award but last year's pay award could be referenced.
 4. The Strategic Finance Business Partner agreed to:
 - redraft page 21, financial performance revenue and gross expenditure and income, the final sentence: small surplus of £1m and page 31 on income expenditure accounts that talks of £26m be redrafted to avoid confusion.
 - Summarise on page 32, what the 22% efficiencies are that were not delivered, although noted that more detail on these are contained in the outturn report to Cabinet.
 5. There was much discussion about information relating to the number of employees, salary levels and other related figures and how these were reported or not reported. Members were concerned that the transparency on what the council was trying to achieve was being provided to residents. Further narrative would be provided in the final version of the accounts and figures would be confirmed.
 6. There was some discussion about the main pensions fund being funded and the fire pension fund not and the implications of that. The Strategic Finance Business Partner explained that this was showing future liability payable as employees retire which accounting standards require us to show as a liability as the future benefit is accrued by the employee, rather than because it is due to be paid. The liability on the balance sheet representing the accrued pension benefits that the current members have. The Government contribute to the liability in relation to the firefighters' pension fund.

Resolved:

That the draft 2021/22 statement of accounts, subject to the public inspection and the audit currently underway, be approved subject to comments raised by Members and information requested for officers to further respond to.

44/22 DATE OF NEXT MEETING [Item 5]

It was noted that the next meeting of Audit & Governance Committee will be on 12 September 2022.

Chairman

**Audit & Governance Committee**
12 September 2022**RECOMMENDATIONS TRACKER AND WORPLAN****PURPOSE OF REPORT:**

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

INTRODUCTION:

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

The November meeting has a very large agenda, and the Statement of Accounts is a large item to get through on its own. Therefore, the committee may wish to consider having an extraordinary meeting to the November date to just consider the Statement of Accounts.

RECOMMENDATION:

The Committee is asked to:

1. Monitor progress on the implementation of recommendations from previous meetings in Annex A.
2. Note the workplan and any changes to it.
3. To consider having an extraordinary meeting the November meeting for the Statement of Accounts.

REPORT CONTACT: Angela Guest, Committee Manager
angela.guest@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
A8/21	29 November 2021	A&G administration Discussed outside of meeting	a) Review report template – to include executive summary and have a limit to length of reports	Committee Manager	January 2022 – report templates were being discussed with wider Democratic Services Team. May 2022 – All templates are being reviewed as part of a wider package. It is expected that new templates will be ready in time for the September meeting of A&G. <i>Sept:- An officer working group has been appointed to review templates for all committee documents, including agendas, reports, minutes, etc; the deadline for the review is the end of October.</i>
A2/22	26 June 2022	Highways budgets governance	A follow up report to be scheduled in six months	Committee Manager	<i>Workplan updated and item put in for November 2022</i>
A3/22	26 June 2022	Draft Annual Governance Statement	To look at the governance around the Surrey Forum and the strategic boards once they had matured.	Committee Manager/Dir Law & Governance	<i>Workplan updated and item put in for March 2023. To liaise with Exec Dir Prosperity, Partnerships & Growth/Leader for report</i>

Audit & Governance Committee Action Tracking

COMPLETED RECOMMENDATIONS/REFERRALS/ACTIONS – TO BE DELETED

A1/22	28 March 2022	Internal Strategy and Annual Audit Plan 2022/23	That an informal meeting be arranged for the Audit Team to present counter fraud work undertaken.	Chief Internal Auditor	May 2022 - An in-depth session will be arranged nearer the September meeting. Session arranged for 12 September prior to committee meeting. COMPLETED
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AUDIT & GOVERNANCE COMMITTEE: WORK PLAN 2022/23

28 November 2022		
<p>New item HIGHWAYS BUDGETS GOVERNANCE – FOLLOW UP</p>	<ul style="list-style-type: none"> • What the governance arrangements are around highways budgets, both capital and revenue • What the decision-making processes were • What were the various checkpoints in the process. • He wanted to see clearer, more simplified information on these areas as it was unclear at the moment and categories appeared to be duplicated, overlapped or just not clear what that related to. • A-Z 	<p>Highway Engagement & Commissioning Manager</p>
<p>New item GOVERNANCE ARRANGEMENTS AROUND THE CAPITAL BUDGET – (requested by Chairmen)</p>	<p>Governance Arrangements around the Capital Budget – how is it produced and how is spend monitored and progress measured? This should include how revisions are made to the capital budget during the year.</p>	<p>Director – Corp Finance</p>
<p>New item REVIEW OF PROGRESS MADE IN DELIVERING COST EFFICIENCIES INCLUDED IN THE REVENUE BUDGET – (requested by Chairmen)</p>	<p>Review of the progress that is being made in delivering the cost efficiencies included in the revenue budget. This should be added to agenda of the November meeting so that we can be given a snapshot of the mid financial year position.</p>	<p>Director – Corp Finance</p>
<p>ANNUAL GOVERNANCE STATEMENT HALF YEAR UPDATE</p>	<p>This report provides an update on progress on the improvement areas identified in the 2020/21 Annual Governance Statement.</p>	<p>Dir. Law & Governance/Cex</p>
<p>New item REPORT OF CENTRE FOR GOVERNANCE AND SCRUTINY – BEHAVIOURAL AND CULTURAL GOVERNANCE REVIEW</p>		<p>Dir Law & Governance</p>

EXTERNAL AUDIT UPDATE REPORT	To receive an update from the council's external auditors.	Grant Thornton
EXTERNAL AUDIT FINDINGS REPORT FOR ALL SCC TRADING COMPANIES	Dec 2016 Committee requested that annual accounts also be presented. To include Surrey Choices as well as Halsey Garton & S E Business Services.	Grant Thornton
EXTERNAL AUDIT: ANNUAL AUDIT LETTER	The Council's external auditors present their Annual Audit Letter	Director – Corp Finance Grant Thornton
EXTERNAL AUDIT PERFORMANCE	To report back on performance against KPIs agreed in September 2018.	Director – Corp Finance Grant Thornton
STATEMENT OF ACCOUNTS - FINAL		Chief Accountant
TREASURY MANAGEMENT HALF YEAR REPORT	This report summarises the council's treasury management activity.	Director – Corp Finance
INTERNAL AUDIT PROGRESS – Q2	To report on Internal Audit progress during quarter 2.	Audit Manager
COUNCIL COMPLAINTS – HALF YEARLY UPDATE	To receive a half year update report on the operation of the Council's complaints procedures.	Customer Relations & Service Improvement Manager
ANNUAL REPORT OF THE LOCAL GOVT SOCIAL CARE OMBUDSMAN ANNUAL LETTER	To receive the annual Ombudsman letter.	Customer Relations & Service Improvement Manager
BUSINESS CONTINUITY	Update requested by A&G committee at its January 2022 meeting.	Head of Emergency Management

24 January 2023		
TREASURY STRATEGY	This report sets out the council's treasury management strategy for 2022/23, as required to ensure compliance with CIPFA's Code of Practice for Treasury management.	Finance Manager
COUNTER FRAUD STRATEGY	This will be an update to Surrey's Counter Fraud Strategy for the Committee to approve.	Simon White
CORPORATE RISK UPDATE	To receive Corporate Risk Update - To receive an update on Risk Management	Strategic Risk Business Partner
EXTERNAL AUDIT FINDINGS REPORT FOR ALL SCC TRADING COMPANIES	Dec 2016 Committee requested that annual accounts also be presented. To include Surrey Choices as well as Halsey Garton & S E Business Services.	Grant Thornton

March 2023		
New item SURREY FORUM AND STRATEGIC BOARDS	Requested item from A&G Committee in June 2022 to look at the governance around the forum and the strategic boards once they had matured	Exec Dir Prosperity, Partnerships & Growth/Leader
INTERNAL AUDIT PROGRESS Q3	The purpose of this progress report is to inform Members of the work completed by Internal Audit during Q3.	Audit Manager
EXTERNAL AUDIT – AUDIT PLAN	The Council's external auditors to present their Audit Plan in respect of Surrey County Council and for the Surrey Pension Fund.	Audit Manager/Engagement Lead (Grant Thornton)
INTERNAL AUDIT PLAN FOR 2022/23		Audit Manager
ETHICAL STANDARDS ANNUAL REVIEW	To enable the Committee to monitor the operation of the Members' Code of Conduct over the course of the last year.	Monitoring Officer

RISK MANAGEMENT	To receive an update on Risk Management (Mar & Sept)	Strategic Risk Business Partner
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May/June 2023		
DRAFT ANNUAL GOVERNANCE STATEMENT	This report presents the draft Annual Governance Statement, which summarises the council's governance arrangements for the financial year.	CEX to present Service Improvement and Risk Manager, Finance
INTERNAL AUDIT ANNUAL REPORT AND OPINION (including Quarter Four progress report)	This report summarises the work of Internal Audit, identifying the main themes arising from the audit reviews and the implications for the County Council.	Audit Manager
COUNTER FRAUD ANNUAL REPORT		Audit Manager
INDEPENDENT EXTERNAL ASSESSMENT OF INTERNAL AUDIT	To give approval to put a bid to the Institute of Internal Auditors for them to conduct our External Quality Assessment for the purpose of compliance with professional standards	Audit Manager
TREASURY MANAGEMENT OUTTURN REPORT	This report summarises the council's treasury management activity, as required to ensure compliance with CIPFA. The report will include the latest risk register for Treasury Management.	Strategic Finance Manager
SURREY COUNTY COUNCIL ACCOUNTS AND EXTERNAL AUDIT'S AUDIT FINDINGS REPORT SURREY PENSION FUND LOCAL GOVERNMENT PENSION SCHEME ACCOUNTS	The purpose of this report is to receive the Council's Statement of Accounts, as well as to inform the Committee of the result of the external audit of the council's Statement of Accounts, to receive the external auditor's Audit Findings Report and to approve the council's letter of representation.	Strategic Finance Manager – Corporate Audit Manager/Engagement Lead (Grant Thornton) Senior Manager (Mamon Zaman)

COUNCIL COMPLAINTS – ANNUAL REPORT	To give the Audit & Governance Committee an overview of the Council’s complaint handling performance in 2022/23 and to demonstrate how feedback from customers has been used to improve services.	Customer Relations & Service Improvement Manager
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July 2023		

September 2023		
RISK MANAGEMENT	To receive an update on Risk Management (Mar & Sept)	Strategic Risk Business Partner
INTERNAL AUDIT PROGRESS – Q1	The purpose of this progress report is to inform Members of the work completed by Internal Audit during Quarter 1.	Chief Internal Auditor/ Audit Manager

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AUDIT & GOVERNANCE COMMITTEE
 12 September 2022

Internal Audit Progress Report – Quarter 1 (01/04/22 – 30/06/22)

SUMMARY AND PURPOSE:

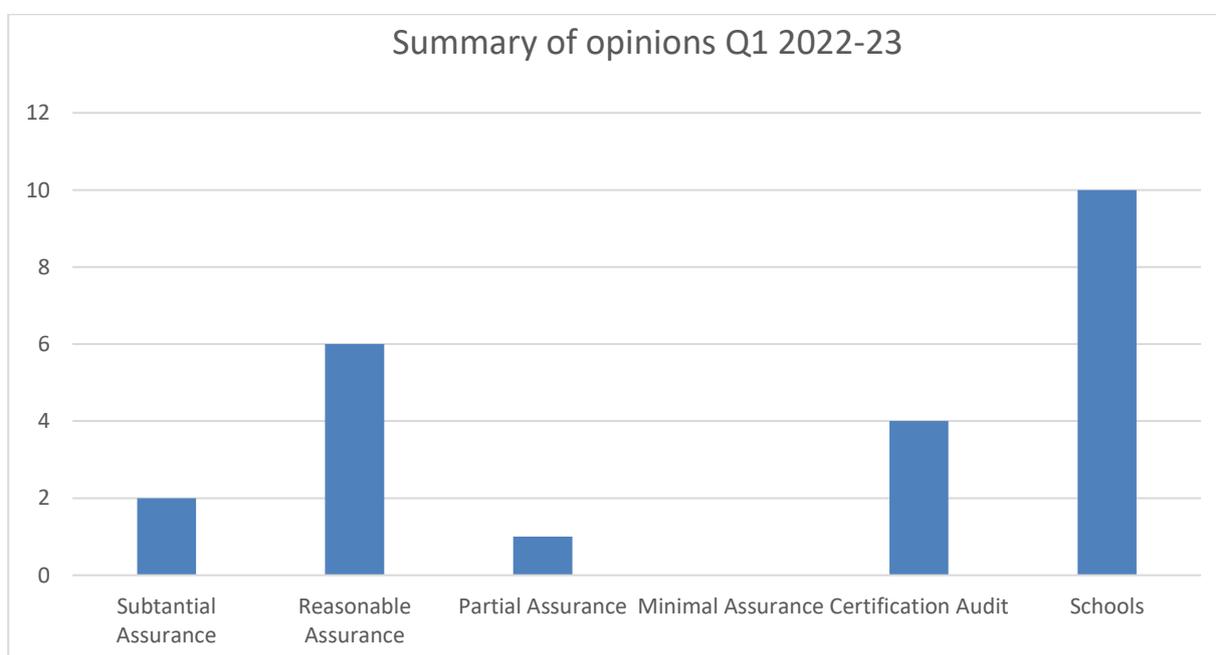
1. The purpose of this progress report is to inform members of the work completed by Internal Audit between 1 April 2022 and 30 June 2022.
2. The current annual plan for Internal Audit is contained within the Internal Audit Strategy and Annual Plan 2022-23, which was approved by Audit and Governance Committee on 28 March 2022.

RECOMMENDATIONS:

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

BACKGROUND:

4. Key audit findings from final reports issued during Quarter 1 are summarised in Appendix A.
5. Reviews completed in this quarter included a mixture of planned and unplanned audits, schools audit, grant certification work, and irregularity work. Overall, of the 23 formal assignments finalised during the quarter (excluding irregularity work), 5 received 'substantial assurance' (including 3 schools), 13 received 'reasonable assurance' (including 7 schools), 1 received 'partial assurance', and 4 were grant certification assignments.



6. Members will recall that flexibility was built into the audit plan to allow resources to be directed to any new and emerging risks. We continue to liaise with departments to identify emerging risks as business-as-usual continues to be restored. As in previous quarters, the number of grant certification audits continues to be higher than usual, due in part to specific funding for Covid-related activities.
7. Appendix A to the report also provides details of counter fraud investigations completed, audits added and removed from the plan in the period, information on the tracking of high priority actions, and progress against our performance targets.

IMPLICATIONS:

8. Financial;
Equalities;
Risk management; and
Value for money
9. There are no direct implications (relating to finance, equalities, risk management or value for money) arising from this report.

WHAT HAPPENS NEXT:

10. See Recommendations above.

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

CONTACT DETAILS: telephone: 07824 362739 e-mail: russell.banks@eastsussex.gov.uk
telephone: 07768 235586 e-mail: david.john@surreycc.gov.uk

Sources/background papers: Internal Audit Strategy and Annual Audit Plan 2022/23.

Internal Audit and Counter Fraud Quarter 1 Progress Report 2022/23

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

General Ledger (21/22)

- 1.1 The General Ledger (GL) is a key financial system which supports internal accounting and the production of the annual financial statements. With the change from SAP to Unit 4 impending, and high levels of assurance from past audits, this audit had a higher-level scope, outlined below.
- 1.2 The purpose of our audit was to provide assurance that key controls were in place to meet the following objectives:
- Established processes are in place to monitor changes and amendments to system processes, financial planning, and administration of council finances;
 - Suspense, control and holding accounts are being effectively managed; and
 - Established processes are in place to keep data secure and free from errors in both the Council's ledger and feeder systems.
- 1.3 Overall good practice was observed and effective controls were assessed to be in place. Key findings from the audit included:
- The organisation had a master data policy in place which included controls to provide accurate and appropriate reporting of the council's financial position;
 - The maintenance of master data followed an agreed process with only approved officers able to request amendments, with a clear separation of duties in place;
 - Our testing provided assurance that adequate controls were in place to ensure that adjustments to the ledger had been authorised and input by approved officers only, that bank reconciliations were undertaken, and that control and suspense accounts were regularly reviewed; and
 - A framework was in place to monitor interfaces to the ledger, and sample testing in this area provided assurance that interfaces were operating as expected.
- 1.4 As a result, we were able to give an overall opinion of **Reasonable Assurance** in this area. We agreed one medium priority action with management to address historic suspense account balances, which will be resolved as part of the transfer to Unit 4.

Capital Programme (21/22)

- 1.5 The Council's capital budget for 2021/22 was £184.9million. In-year the capital budget was reset twice: in M4 to £202m and then again at M10 to £171m, with approvals being in line with governance arrangements. At year-end actual expenditure was £157.2m, a variance of 8%.

- 1.6 We determine the Capital Programme to be a key financial system and therefore it is subject to regular review. The purpose of this audit was to provide assurance that controls were in place to meet the following key objectives:
- Projects in the Capital Programme were based on realistic costings, timescales and/or realisable benefits, delivering value to the council;
 - Effective governance arrangements ensured that the Capital Programme delivered the expected outcomes;
 - The Council met the requirements of external funding providers' grant conditions;
 - Capital receipts were received in full and in a timely manner;
 - The Capital Programme was accurately reflected in the accounting system; and
 - Agreed actions from our previous audit had been implemented.
- 1.7 Controls and internal governance processes were identified that gave assurance that the expected controls were in place and operated broadly as expected.
- 1.8 Our audit did identify some areas for improvement that led to three medium and one low priority actions being agreed with management. These areas included:
- Improvements for maintaining the evidence base for projects over their lifetime;
 - Strengthening mechanisms for the identification and recording of risk within projects;
 - Increased transparency in how grant funding is identified within the ledger.
- 1.9 Following our review, we were able to give an overall opinion of **Reasonable Assurance**.

Treasury Management (21/22)

- 1.10 Treasury Management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The successful identification, monitoring and control of financial risk is therefore central to the Council's prudent financial management. At the time of audit the Council held £719m of borrowing (£434m of long-term borrowing, £273m of short-term borrowing and £12m for Surrey Police) and £59m of cash investments.
- 1.11 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
- The Council had an approved Treasury Management Policy & Investment Strategy;
 - All borrowing decisions were based on robust cash-flow forecasting;
 - Investments were made with approved counterparties, were correctly paid, authorised and repaid with the correct amount of interest;
 - Borrowings were made only from approved organisations, were correctly authorised, and repaid with the correct amount of interest; and

- There was regular and independent reconciliation between the Treasury Management record, the Bank Account, and the General Ledger;

1.12 Our testing established that key controls were in place:

- A Treasury Management Strategy, compliant with the CIPFA Code, was in place and was approved by the Audit and Governance Committee;
- The service had up-to-date procedures that were consistent with the Strategy and was supported by an external advisor who provided specialist advice and training;
- Cashflow was adequately managed throughout the financial year, and the council’s cash position was reviewed daily, with any significant variances being investigated;
- Borrowing decisions were made in line with the Strategy and are only made from approved counterparties, with correctly authorisation and repayment; and
- There was independent reconciliation between the Treasury Management record, the bank account, and the General Ledger. However, reconciliation was not a regular occurrence.

1.13 As a result of our audit we were able to give an overall opinion of **Reasonable Assurance** in respect of this audit. We agreed one action with management, which was to reinstate quarterly reconciliations to strengthen this control.

Pension Fund Investments (21/22)

1.14 The Council is the designated statutory administering authority for the Surrey Pension Fund (the fund). The fund annually collects circa £180m in contributions from members and their employers and makes pension payments annually of circa £130m to scheme members. The latest triennial actuarial valuation of the fund reported assets of £4,286m against liabilities of £4,465m resulting in a funding level of 96%.

1.15 The purpose of our audit was to provide assurance that controls were in place to meet key objectives, including:

- To obtain assurance that the fund had a suitable statement of objectives linked to measurable targets and performance indicators;
- To ensure that the fund's investment strategy was robust and strategic decisions were implemented correctly and in a timely manner; and
- To review the assurance that fund managers and custodians provide to the Council over their internal control arrangements.

1.16 Our testing identified that controls were in place and operating as expected. In particular:

- The performance of the fund continues to be scrutinised by the Surrey Pension Fund Committee on a quarterly basis;
- The fund's risk register had an appropriate level of detail and was aligned with its Business Plan;

- A sample of partner agreements and control statements were reviewed and found to be complete and as expected; and
- A sample of drawdowns found identified that transactions were within agreed commitment levels, had been approved appropriately, and supporting documents had been retained.

1.17 We were able to give an opinion of **Reasonable Assurance** following our audit. We agreed three actions with management to improve the control environment, which included actions around the quarterly reconciliation process of fund assets to SAP; around training provision for Surrey Pension Fund Committee members; and to update the Investment Strategy to reflect newly agreed asset allocation targets for private equities and bonds.

Financial Assessments and Income Collection (21/22)

- 1.18 The Care Act 2014 provided a framework for local authorities for charging for care and support services. The Financial Assessment and Income Collection (FAIC) team are responsible for calculating the charges for residential and community-based services provided by Adult Social Care (ASC), throughout Surrey, assessing the appropriate charge, and providing welfare benefits advice and assistance.
- 1.19 As a result of the Covid-19 pandemic, Surrey adopted the Discharge to Assess model, where people who were clinically optimised and did not require an acute hospital bed were provided with short term, funded support to be discharged to their own home or another community setting. Since our last audit the number of new financial assessments had doubled, with c.28,000 assessments, including reassessments and annual reviews, being completed in 2021/22.
- 1.20 The primary objective of our review was to provide assurance that appropriate controls were in place and operating as expected to manage key risks, which included:
- Client contributions were correctly calculated, received in full, and accurately recorded;
 - Quality checks were undertaken to ensure potential errors were identified and amended;
 - A robust benefits calculation process was in place;
 - Debt was monitored effectively and pursued promptly, with write-offs authorised in line with the scheme of delegation;
 - Credit notes/refunds were issued with appropriate authorisation; and
 - Actions from the previous audit had been implemented.
- 1.21 Overall, we concluded that effective controls were in place and robust governance arrangements were observed:
- The majority of financial assessments were completed via telephone calls or online and the implementation of a reminder text messaging service had increased customer engagement;
 - Robust benefit calculation processes were in place, ensuring accurate calculations;
 - Regular quality checks were undertaken to ensure data received and recorded were correct;

- There was a robust process in place for the identification and monitoring of debt;
- All refunds due to client accounts were subject to review and appropriate sign-off; and
- The two agreed actions from the previous audit had both been implemented.

1.22 We agreed one area for improvement relating to the progression of online assessments to aid in the achievement of one KPI target.

1.23 As a result of our findings, we were able to issue an opinion of **Substantial Assurance**.

Home to School Transport (21/22)

1.24 Home to school transport is provided by the Council to eligible pupils in order to facilitate attendance at school. Eligibility for home to school transport is defined in the council's Transport Policy, and the eligibility criteria are set by the Department of Education.

1.25 At the time of our review the service had approximately 7,000 eligible pupils using the service. Of these, around 3,000 were special educational needs and disabled (SEND) pupils. The budget for the provision of this service was in the region of £40 million (£32million SEND and £8million mainstream), and there was a forecast overspend of £1m. By the conclusion of our audit the forecast overspend was in the region of £4.5 million.

1.26 The purpose of the audit was to provide assurance that controls were in place to meet the following key objectives:

- Policies and procedures ensured that all statutory requirements were met;
- Adequate governance arrangements were in place across the service, including the processes for assessing eligibility and determination of need, tendering and letting of contracts, and the framework in place for reporting and monitoring;
- Management of home to school transport providers was robust, ensuring value for money;
- Adequate service provider checks were undertaken to ensure the safety of children; and
- Budgets were properly set, monitored and reported.

1.27 Whilst we recognised ongoing measures being taken to improve this service, our audit identified further improvements to strengthen the overall control environment. Key findings arising were:

- Where high volumes of applications were received, these were not always reviewed (with an outcome letter sent to parent or guardian) within the statutory time period;
- The dual impacts of Brexit and Covid-19 had created a risk in the supply chain for transport provision with the potential to increase costs;
- Transport providers submitted bids on route contracts through the 'adam' portal. However, the process in 'adam' did not always facilitate value for money because where a transport

provider was the sole bidder they could increase their bid amount, ultimately driving up overall costs;

- If no bids were submitted on a route, contracts were directly awarded. There was no formal record of this or a formal procedure to ensure consistency and transparency;
- The appeals process mirrored the two-stage process outlined in the Statutory Guidance. However, in some instances the same officer could be responsible for successive stages so there was not always appropriate separation of duties;
- The Transport Policy did not define and clarify the eligibility and provision for those in post-16 years education; and
- Newly introduced systems had not been fully documented.

1.28 As a result of our audit we agreed 14 actions with management to improve both the control environment and processes within it. One of these actions was of high priority (concerning the failure to meet statutory targets), whilst the remainder were of medium priority.

1.29 The final opinion given for this audit was one of **Partial Assurance**. A follow-up audit is therefore scheduled to take place in quarter three of 2022/23.

Post-Brexit Information Governance Requirements (21/22)

1.30 On 31st January 2020 the UK withdrew from the European Union (EU). This was followed by a transition period until 31st December 2020, during which time the UK remained subject to EU laws. These laws included regulations relating to information governance.

1.31 Our audit sought to provide assurance that Council data was being stored appropriately and in line with relevant legislation, following the end of the transition period. We reviewed processes to ensure that controls were in place to meet the following objectives:

- Changes to data protection regulations as a result of Brexit were known, understood and adhered to within the Council;
- Appropriate guidance was provided to ensure compliance with Regulations;
- Processes were in place to monitor and identify subsequent changes to Regulations; and
- There was a record of where Council data was stored and processed.

1.32 In the event the pre-Brexit EU GDPR regulations have been kept in UK law, called "UK GDPR". Additionally, the EU had confirmed an adequacy agreement with the UK relating to GDPR and the Law Enforcement Directive. The Information Commissioner’s Office (ICO) stated that this agreement meant that data could continue to flow as it did before in the majority of circumstances. This adequacy agreement is anticipated to be in place until at least 2025.

1.33 Our audit identified that:

- The Council’s Data Protection Officer was aware of this agreement and implications therein;

- The ICO website and news bulletins were monitored to ensure that any amendments to Regulations were quickly identified, and any necessary action implemented; and
- The Council had begun to future-proof arrangements in the event that changes happen, with actions being undertaken including the updating of contract clauses and privacy notices

1.34 The final opinion given for this audit was one of **Substantial Assurance** with no management actions required.

Network Access Management (21/22)

1.35 Network access management is the process by which users' network accounts and associated access is controlled to maintain a secure data environment, preventing unauthorised access to systems and data. Our audit was undertaken to understand the control environment for managing such access and changes across the council.

1.36 The purpose of the audit was to provide assurance that controls were in place to meet the following key objectives:

- Staff accounts were up to date and only had the correct network access permissions relevant to their job role;
- The Active Directory was regularly reconciled, and all leavers had been removed;
- Users' permission changes were completed efficiently and accurately for internal movers; and
- New starters network accounts were set up correctly.

1.37 Our audit established that the expected controls were in place and operating effectively. Key findings from our review included:

- The Access Management team utilised the One Identity system to support creation, amendments and disabling of accounts, providing a constant syncing between the Active Directory and SAP;
- Our testing identified prompt disabling of leavers' accounts;
- Requests for new network accounts and amendments to accounts were robustly managed;
- Network accounts were created using a 'copy user' functionality which assisted Access Management in assigning appropriate permissions; and
- General maintenance of the Active Directory was effective;

1.38 We identified one process weakness, which would allow a single manager to request, approve and log into a new user's account, with the only deterrent being a reminder to the requestor that using the password to log in would be a breach of the ICT Policy. We agreed a medium priority action with management to address this.

1.39 As a result of our findings, and the medium priority action agreed, we were able to give an overall opinion of **Reasonable Assurance**.

PLANON Phase 2 Advice and Support (21/22)

1.40 The Planon project is focussed on transferring all functions carried out on the legacy property system (Atrium) onto a new asset management system (Planon). Phase 2 of the project is in progress and covers Capital Delivery, CAD Integration/Building Occupancy, Acquisitions and Disposals, Valuations, and Surplus Property Management.

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

- Testing of system security controls was robust and outcomes had been reviewed, assessed, and reported to the Project Board;
- Testing of user access restrictions had been done, including positive and negative testing;
- User access levels had been defined and authorised appropriately;
- Results of workflow authorisations testing had been adequately reviewed and assessed; and
- Any remedial action arising from testing processes were addressed prior to 'go live'.

1.42 Our findings identified that a high level of assurance could be placed over the project:

- A security risk assessment had been undertaken by IT&D, shared with the Planon Board, and recommendations had been appropriately actioned;
- External assurance regarding security of the Planon system was also in place as it was compliant with IT security standards;
- Testing demonstrated that user access and functional profiles were allocated appropriately;
- Approval levels to pay invoices were in line with procurement limits and the scheme of delegation;
- Separation of duties were enforced within Planon; and
- Appropriate user acceptance testing had taken place for functions that were live within Planon, with further testing planned.

1.43 Overall, we came to a final opinion of **Reasonable Assurance** over this stage of the project, and agreed three actions with management (one of medium priority, and two of low priority) to improve controls around the recording of risks and user acceptance testing outcomes.

Other Audit Activity

School Audits

1.44 It has been nearly a year since we began delivering a comprehensive programme of school audits to provide assurance both to Council and school management that the control environment

within maintained schools was robust. We continue to improve our level of engagement with stakeholders through liaison meetings to ensure we are selecting the right schools for our audits.

- 1.45 We have a standard audit programme for all school audits. The scope of our work is designed to provide assurance over key controls within the control environment, including:
- Governance structures are in place and operated to ensure there is independent oversight and challenge by the Governing Body;
 - Decision-making is transparent, well documented and free from bias;
 - The school is able to operate within its budget through effective financial planning;
 - Unauthorised or inappropriate people do not have access to pupils, systems or the site;
 - Staff are paid in accordance with the schools pay policy;
 - Expenditure is controlled and funds used for an educational purpose;
 - All unofficial funds are held securely and used in accordance with their agreed purpose; and
 - Security arrangements keep data and assets secure and are in accordance with data protection legislation.
- 1.46 At the time of writing, school audits are being carried out under remote working arrangements although this continues to be kept under review, with tentative plans to restart physical visits from the autumn term.
- 1.47 A total of ten school audits were delivered in quarter one. The table below shows a summary of schools we have audited, together with the final level of assurance reported to them.

Name of School	Audit Opinion
Ashford Park Primary School - Ashford	Substantial Assurance
North-West Surrey Short Stay School - Kingsway & Pyrford Centres, Woking & Pyrford	Substantial Assurance
Winston Churchill School - St John's, Woking	Substantial Assurance
Audley Primary School - Caterham	Reasonable Assurance
Beacon Hill Primary School - Hindhead	Reasonable Assurance
Brooklands School - Reigate	Reasonable Assurance
Royal Alexandra & Albert School - Gatton Park, Reigate	Reasonable Assurance
St Michael's C of E (A) Infant School - Dorking	Reasonable Assurance

Name of School	Audit Opinion
Walton on the Hill Primary School - Walton-on-the-Hill	Reasonable Assurance
Witley C of E Primary School - Witley, Godalming	Reasonable Assurance

- 1.48 We aim to undertake follow-up audits at all schools with Minimal and most schools with Partial Assurance opinions. As none of the above school audits falls in these categories, no further action is planned at this stage.
- 1.49 Where common themes arise across a number of schools, these areas are flagged for subsequent inclusion in School Bulletins so that all schools can be advised of potential areas of weakness and of potential improvements to their control environments. A selection of common themes identified to date to the end of quarter one have included:
- Governors should be given the opportunity to declare their interests to be published on the school website;
 - Monitoring reports on ring-fenced expenditure such as Pupil Premium need to be prepared and published per DfE guidance;
 - Purchase orders are not raised for every order made with suppliers;
 - Schools are not requiring staff to complete a declaration of relevant business interest(s);
 - The accessible location and use of purchasing cards was often contrary to the issuing bank’s terms and conditions of use;
 - Evidence of appropriate Public Liability Insurance should be in place and retained for contractors providing services to the school; and
 - Detailed reports from the FMS system, such as the Cumulative Expense Analysis report, are not always made available to Governors.

Grant Claim certification

- 1.50 During quarter one, we successfully certified four grant claims in accordance with Central Government and/or European Union requirements:
- Troubled Families (first claim of 2022/23), £154,400
 - EU IMAGINE grant (second claim of 2021/22), €41,495
 - EU Digitourism grant (first claim of 2022/23), €23,950
 - EU Urban Links to Landscape grant (first claim of 2022/23), €8,542

DB&I Programme Support

- 1.51 We have continued to support the Programme Board throughout the period as this project reaches a critical juncture ahead of go-live. In order to free up the capacity of the programme managers to continue with their work we have not undertaken any specific position statement reviews as we had in previous quarters, but have remained vigilant in flagging emerging risks to the Board.
- 1.52 Late in quarter one we began a piece of work based around the review of process maps of certain Unit 4 key financial systems, from which we have started to identify the key controls present. This work continued into quarter two and will be reported to this Committee when completed through our usual progress reporting cycle.

2. Counter Fraud and Investigation Activities

Counter Fraud Activities

- 2.1 The team continue to monitor intel alerts and share information with relevant services when appropriate.

Summary of Completed Investigations

SFRS Device Security

- 2.2 Following receipt of a confidential disclosure, we were asked to undertake an independent review of Airwave Device security in SFRS. The review found a number of weaknesses in the guidance and storage of the Airwave devices. Following the review, a control report was agreed with management to identify the concerns raised and we are able to confirm that significant progress has already been made to improve device security.

Theft of IT Assets

- 2.3 Following completion of a long-standing audit investigation into missing IT assets, an employee resigned whilst under disciplinary investigation. The case has been reported to Surrey Police and is under active police investigation. A control report has been agreed with management to address weaknesses identified during the investigation.

Surrey Fire & Rescue Service (SFRS) Suspension Risk Assessment

- 2.4 Following the conviction of a serving firefighter for a serious criminal offence, we were asked to undertake an independent review of the suspension risk assessment decision making in SFRS. Following the review, a number of recommendations were made to address weaknesses in the

governance and oversight of the suspension process, all of which have been agreed with management.

Secondary Employment

- 2.5 Following receipt of a whistleblowing report that alleged a recently resigned social worker had been working concurrently at a second authority, an investigation was carried out that confirmed that the worker had been employed through an agency with SCC while also employed as bank staff at another county council. A referral was made to Social Work England alerting them to this matter and the employing authority were advised to report through to the Police.

Conflict of Interest

- 2.6 We were asked to review a number of concerns relating to conduct and external relationships of care staff following receipt of a complaint from a parent. The investigation found no case to answer.

Cash Security

- 2.7 We provided advice and support to a management investigation following the loss of a small amount of cash from a library till. Management performed a reconciliation of the tills and improved controls to prevent future occurrences.

Bank Mandate Fraud

- 2.8 We undertook an investigation following reports of a bank mandate fraud at a school. The investigation found that agreed procedures were not followed which led to the payment of £3k to a fraudulent account. The payment was recovered by the bank and actions agreed with the school to improve awareness and compliance with procedures.

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 one had been implemented.

4. Amendments to the Annual Audit Plan

- 4.1 In accordance with proper professional practice, the Internal Audit plan for the year was kept under regular review to ensure that the service continued to focus its resources in the highest

priority areas based on an assessment of risk. Through discussions with management, the following reviews were added to the original audit plan during this quarter:

Planned Audit	Rationale for Addition
Planning Service	This was a management request arising from a service liaison meeting that arose after the submission of the draft annual plan to Audit and Governance Committee. The risk profile of the request, which involves a review of the governance around the service in regard to statutory responsibilities and effective reporting mechanisms, was such to merit inclusion as new assignment.
Watts Gallery	This was a review commissioned by the Deputy Chief Executive and Executive Director for Resources in Q1, with reference to specific aspects of the council’s financial relationship with the Watts Gallery, near Compton.
Be Heard	This audit was added to the plan after a request from the Deputy Leader and Cabinet Member for Finance and Resources to review the processes in place. ‘Be Heard’ is the name of the complaints process within Children’s Services.

- 4.2 All of the new additions to the plan have been resourced through a combination of available contingencies and time recouped from reprioritised audit work, including cancelled audits.
- 4.3 To date there have been no audits removed from the plan in the quarter. However, we will keep the resources available under review as the year progresses as current vacancies within the overall service structure may negatively impact on available days to deliver planned audits.

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 28 March 2022

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
	Annual Audit Report and Opinion	By end July	G	2021/22 Annual Report and Opinion approved by Committee on 13 June 2022
	Customer Satisfaction Levels	90% satisfied	G	100% satisfaction for surveys received in the period
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	G	We have achieved delivery of 23% of the annual plan to draft report stage (pro-rata target 22.5%).
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>Apr 2022 - Updated self-assessment against the standards within the PSIAS underway and preparations for the full independent external assessment in progress.</p> <p>Jun 2022 - Quality Review identified no major areas of non-conformance</p>
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	G	No evidence of non-compliance identified
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions	G	100%

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Our staff	Professionally Qualified/Accredited	80%	G	94% ¹

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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Audit & Governance Committee
12 September 2022

Annual Complaints Performance Report

Purpose of the report:

To give the Audit & Governance Committee an overview of the Local Government and Social Care Ombudsman's annual letter for the year 2021/22 and an update on complaint handling across the council.

Recommendations:

It is recommended that:

The Audit & Governance Committee note the report.

Introduction:

1. The Local Government and Social Care Ombudsman (LGSCO) is the final stage for complaints about councils and some other organisations providing local public services. The Ombudsman issues an Annual Review letter in July to each local authority.
2. The Council has three complaints procedures: one for Adult Social Care, one for Education and Children's Services and one for all other Council services. The procedures for dealing with complaints about children's and adult social work services are set out in law. The corporate complaints procedure (covering all other Council services) is based on best practice.
3. The Adults statutory process has 1 stage then escalates to the Ombudsman. The Children's statutory process has 3 stages before escalation to the Ombudsman. For all other council services there are 2 stages, in line with best practise, before escalation to the Ombudsman. Pension complaints are dealt with through a separate complaints procedure and have a separate Ombudsman, The Pensions Ombudsman.

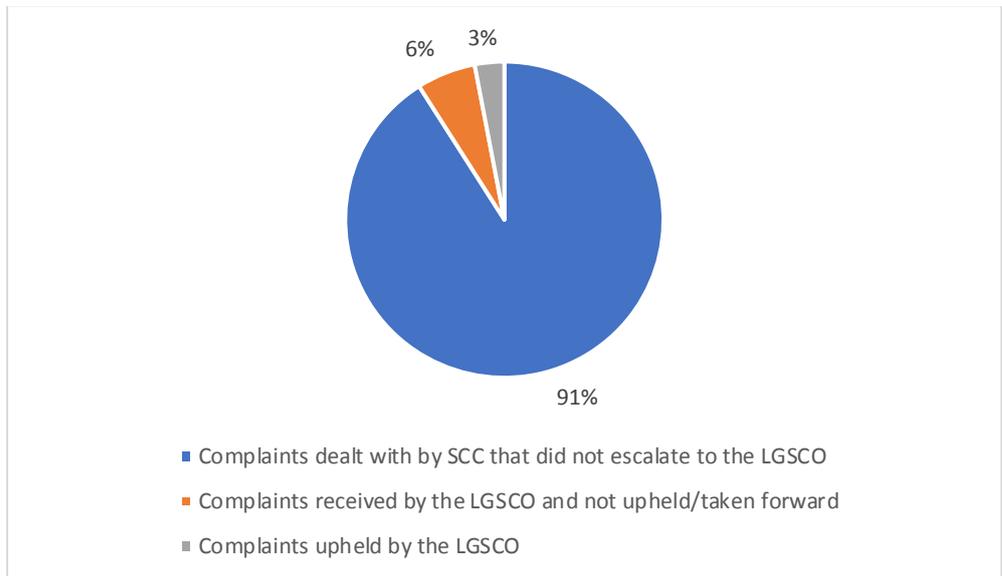
Background to complaints handling in Surrey County Council:

4. Effective complaint handling is critical to delivering good customer service and good outcomes for our residents. As well as putting things right when they go wrong, every complaint presents a potential opportunity to learn and improve and rebuild trust.
5. The volume of complaints does not in itself indicate the quality of the Council's complaint handling performance. Low complaint volumes can be a sign that an organisation is not open to receiving feedback.
6. The Ombudsman report focuses on three key areas which they consider helpful to assess the organisation's commitment to putting things right when they go wrong: complaints upheld; compliance with recommendations; satisfactory remedy provided by the authority. Finally, they compare the three key annual statistics with similar authorities.
7. This year, the Ombudsman's report noted the Council's positive liaison with their office during the year. The annual letter stated that it is to the Council's credit that it has been proactive in providing them with timely, comprehensive and well organised responses to their enquiries.
8. The letter noted the Ombudsman's continued view that complaint functions have been under-resourced nationally in recent years, a trend only exacerbated by the challenges of the recent pandemic. Properly resourced complaint functions that are well-connected and valued by service areas, management teams and elected members are capable of providing valuable insight about an organisation's performance, detecting early warning signs of problems and offering opportunities to improve service delivery.
9. To improve elected member oversight of Ombudsman complaints, a process has been put in place to notify relevant Cabinet Members about LGSCO cases and decisions. The Chair and Vice Chair of the Audit and Governance Committee receive weekly reports on notification of complaint investigations by the Ombudsman and on final decisions. The three customer relations teams also provide quarterly updates.

Escalation to the Local Government & Social Care Ombudsman

- 10. Only a very small number of complaints escalate to the Local Government and Social Care Ombudsman. The vast majority are successfully resolved and responded to by the Council.

Figure 1: Escalation to the Ombudsman 2021/22



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- 11. In 2021/22, the Ombudsman received 163 complaints and enquiries about Surrey County Council; 9% of the total number of complaints received by the County Council. This was an increase from 2020/21 (8%). The Ombudsman issued 170 decisions in the year. See Annex 1 for a year-on-year comparison.
- 12. Education & Children’s and Adult Social Care are the two biggest categories of complaint to the Ombudsman for county councils and also for Surrey County Council as these are the most complex and emotive complaints. The next largest category for county councils is Highways & Transport. This year saw an increase in Education & Children’s complaints referred to the Ombudsman for SCC compared to the previous year, although the total number of children’s complaints was less than those for the year 2019/20. See Annex 2 for a year on year comparison.
- 13. 37% of the total number of enquiries the Ombudsman received about Surrey County Council progressed to an investigation. This reflects the emphasis on early resolution and alternative methods of resolution adopted within the three customer relation teams.

Complaints upheld

- 14. Where the Ombudsman has upheld a complaint, this indicates fault on the part of the Council in delivering its services. This can also include cases where the authority accepted fault before the Ombudsman

investigation. We aim to learn from upheld complaints to identify what went wrong and to put in place measures to make sure a similar situation does not happen again.

15. The percentage of upheld complaints shows how frequently the Ombudsman finds fault with the council when they investigate. Of the 62 complaints that proceeded to detailed investigation, 52 were upheld (84%). This compares with an average of 71% for similar authorities.
16. The Ombudsman will record a decision of finding fault even where the authority previously identified fault under its own complaint procedures. In 82% of the cases where the Ombudsman found fault, we had already upheld the complaint through our own procedures. In some cases, the Ombudsman confirmed the remedy we had already offered the customer to resolve the complaint. In other cases, they recommended increased remedies. See Annex 3 for a year on year comparison of numbers of complaints upheld.
17. 71% of the complaints upheld were categorised by the Ombudsman as Education & Children, 17% concerned Adult Social Care. The remaining 12% were categorised as Highways, Corporate & Other Services (coroners), Planning (planning enforcement) and Public Protection (complaint re anti-social behaviour by young person). See Annex 4 for a breakdown of upheld complaints by service and an overview of the top three areas of complaint for each category.
18. 76% of new escalation requests in Surrey Children's Service have been resolved using Alternative Dispute Resolution (ADR). Under ADR, telephone conversations and/or mediated meetings take place between complainants and officers from the Children's Customer Relations Team. These have enabled complaints to be discussed, and where required, plans agreed for moving forward. This could involve further mediated meetings or facilitated additional responses provided from the service. The route will vary depending on the nature of the complaint and the complainant's preferences. Where they have responded to the satisfaction of the complainant, the complaint is closed without escalation within the council or to the Ombudsman. This approach has been welcomed by the families involved.
19. We aim to learn from upheld complaints to identify what went wrong and to put in place measures to make sure a similar situation does not happen again. Where complaints have previously been upheld within the council, corrective actions will have been identified and progressed. The Ombudsman may recommend additional remedies. The council achieves 100% compliance with Ombudsman recommendations.
20. Of the 52 complaints upheld, 1 complaint was recorded as causing no injustice. For a further 5 cases, the Ombudsman recorded that appropriate remedies had already been put in place. In 3 cases, the injustice was remedied during the course of the investigation. For the remaining 43 cases, the Ombudsman identified that there had been maladministration with injustice and identified specific remedies.

21. Compliance with Ombudsman recommendations is tracked and monitored across the council. This has ensured a 100% compliance rate for the council. Examples of measures put in place following Ombudsman decisions include streamlining of the passport policy application process for Looked After Children after complaints were upheld about delays in the process. The Carers Assessments process is currently being reviewed so that it is clear for families. Complaints identified that there was a lack of clarity around the application of the regulations for both Direct Payments and Personalised Budgets across Education and Social Care Services. The policy is currently under review to ensure that it is fair and equitable.
22. The Ombudsman did not issue any public reports for Surrey County Council.

Financial Remedy

23. The Ombudsman can recommend financial redress if they find fault following an investigation. Financial redress was recommended in 75% of the cases upheld by the Ombudsman, a decrease from 79% the previous year.
24. For some financial remedies, the Ombudsman was ratifying or agreeing the remedy offered at the final stage of the Council's complaints procedure or recommending additional payments. Before a complaint escalates, financial redress may be recommended where a fault has been identified, where appropriate. All financial awards are approved by the relevant Head of Service and, if greater than £1,000, in consultation with the relevant Cabinet Member.
25. For Children's & Education, £42,217.50 payments were directed by the LGSCO. Of the LGSCO directed payments £37,417.50 related to SEND and £4,800.00 related to Children's Social Care.
26. For Adult Social Care, the total paid was £14,085.32, which was a result of recommendations from the Ombudsman. The two largest of these included payments for the following two complaints:
- 26.1 A retrospective payment of £4,335.32, to pay for the hours claimed by the family to meet the client's eligible needs.
- 26.2 A payment of £5,400 for the loss of support services and the impact this has had on the client.

Figure 2: Financial redress recommended by the LGSCO

FINANCIAL REDRESS PAYMENTS 2021/22	
Adult Social Care	£14,085.32
Children, Families & Learning	£42,217.50
Corporate	£700.00
Total	£57,002.82

Benchmarking

27. The Ombudsman annual statistics are a good benchmarking tool as it is a consistent, independent measure for complaint escalation for all local authorities in England and the Ombudsman is the same final stage for all complaint procedures.
28. The Ombudsman provides benchmarks against similar authorities within their annual letter and on their website. They benchmark on the percentage of complaints upheld, percentage compliance with Ombudsman recommendations, and the percentage of upheld complaints where they found that the Council had provided a satisfactory remedy before the complaint escalated to the Ombudsman. Annex 5 provides a summary benchmark against similar county councils showing numbers of detailed investigations with numbers of complaints upheld.
29. For Surrey, 84% of complaints were upheld. This was a decrease compared to the previous year (89%). This is higher than the average of 71% in similar organisations, and compares to 66% for East Sussex, 77% for Essex, 83% for Hampshire, 76% for Hertfordshire and 68% for Kent. It is recognised that the majority of upheld findings relate to services within Children, Families and Life-long Learning. The outcome of the current internal audit of complaint functions within CFLL will inform future practice and resourcing which should have a positive impact on this figure going forward.
30. The Ombudsman will uphold complaints when they find fault, even where the authority previously accepted fault before the Ombudsman investigated. Their decision will state simply that the complaint is upheld; this does not reflect whether some elements of the complaint have not been upheld. In Surrey, in 82% of cases the complaint had been upheld by the council before escalation to the Ombudsman.
31. The council achieved 100% compliance with Ombudsman recommendations which compares to an average of 100% in similar organisations. East Sussex, East Sussex, Essex, Hampshire, Hertfordshire and Kent all achieved 100% compliance.
32. In 12% of upheld cases, the Ombudsman found that the council had provided a satisfactory remedy before the complaint escalated the

Ombudsman. This is above average, comparing to an average of 8% in similar organisations. This compares to 12% for East Sussex, 9% for Essex, 9% for Hampshire, 3% for Hertfordshire and 15% for Kent.

33. In Surrey, 37% of complaints referred to the Ombudsman progressed to detailed investigation. This compared to 66% for East Sussex, 32% for Essex, 29% for Hampshire, 35% for Hertfordshire and 40% for Kent.
34. The customer relations teams are currently gathering comparative data with other councils that have been identified as a comparator by the Chartered Institute of Public Finance and Accountancy. Making comparisons with other councils helps us to measure and compare the volumes of complaints we have received by population.

Mid-year update

35. The three customer relations teams regularly provide quarterly updates for their respective areas. For the first quarter reports, see annex 6.

Conclusions:

36. The LGSCO annual letter this year is a positive one for the council that recognises the improved collaboration with the Ombudsman investigators. The Ombudsman has challenged councils at a national level to review their complaint resources across all areas. This is something that we will monitor and reflect on.

Financial and value for money implications

37. Payment of financial redress (as shown in Figure 2) is the financial implication of complaint handling. Responding to complaints quickly and getting issues resolved early ensures complaints do not escalate unnecessarily through the process and minimises the requirement to pay financial redress.

Equalities and Diversity Implications

38. Ensuring we maintain good complaint handling processes enables our service to remain accessible to all. We continually review ease of access to all three complaints procedures to ensure particular groups, and people with protected characteristics, are not disadvantaged in any way. Should an equality or diversity issue be identified through a complaint investigation, this will be addressed directly with the service concerned and remedial actions put in place. The learning will also be shared as part of the Council's commitment to equality, diversity, and inclusion.

Risk Management Implications

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

Next steps:

40. The Audit & Governance Committee to receive information on operation of the Council's complaints procedures on an annual basis, supplemented with a mid-year update and separate report on the Local Government & Social Care Ombudsman's annual letter.

Report contact: Sarah E.M Bogunovic, Head of Customer Strategy & Futures

Contact details: Tel: 07977266706, sarah.bogunovic@surreycc.gov.uk

Annexes:

- 1 SCC complaints and escalation to Ombudsman 2017 - 2022
- 2 Top 3 areas of complaint to the Ombudsman 2021/22
- 3 Detailed investigations and upholds 2021/22
- 4 Breakdown of upheld complaints 2021/22
- 5 Benchmarking 2021/22
- 6 Quarterly reports for first quarter 2022/23

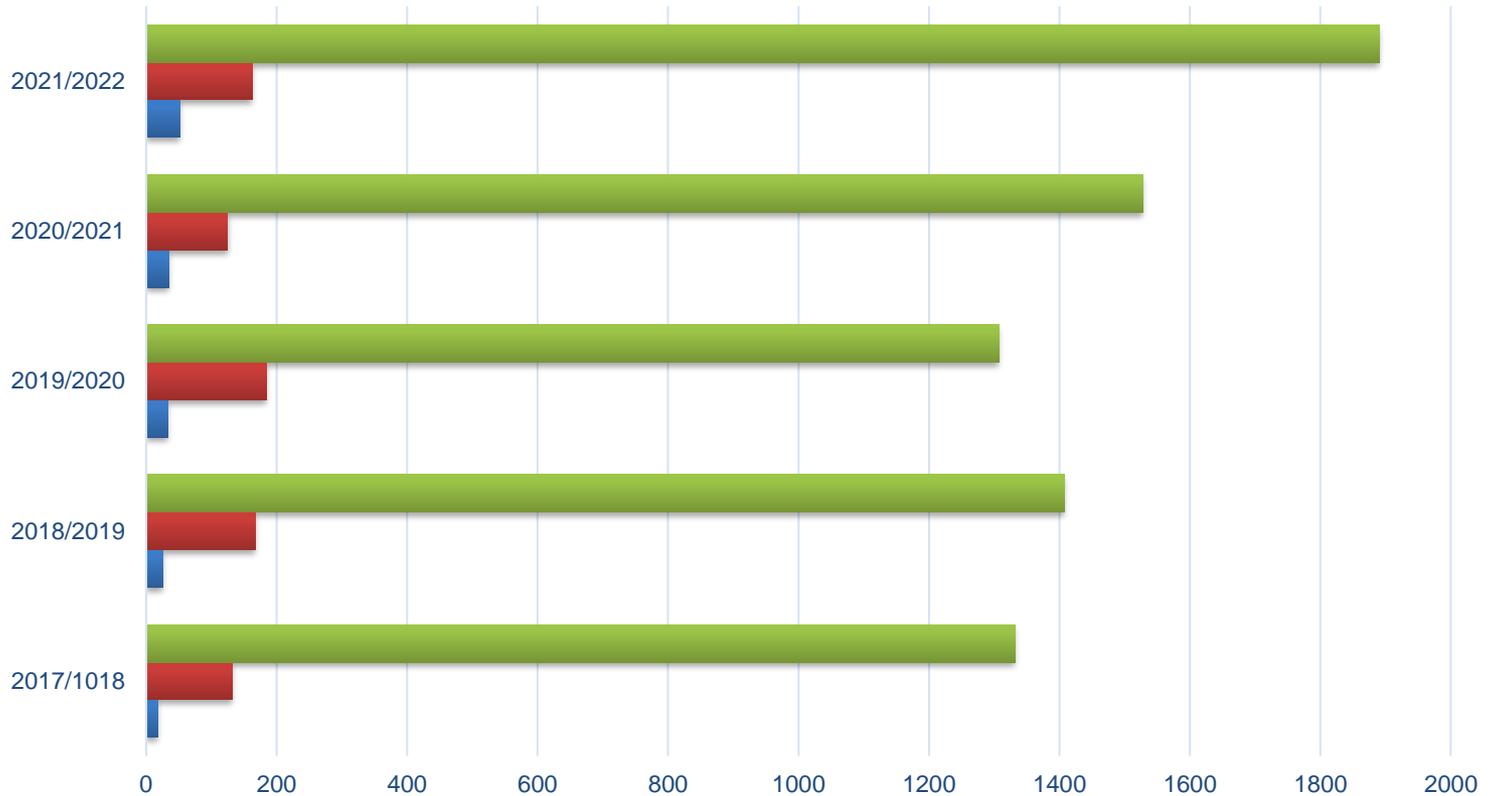
Sources/background papers:

- Local Government & Social Care Ombudsman Annual Review Letter 2021/22 for Surrey County Council - available on their [website](#)
- Decision Notices available on LGSCO [website](#)

Annex 1: SCC complaints and escalation to Ombudsman 2017-2022

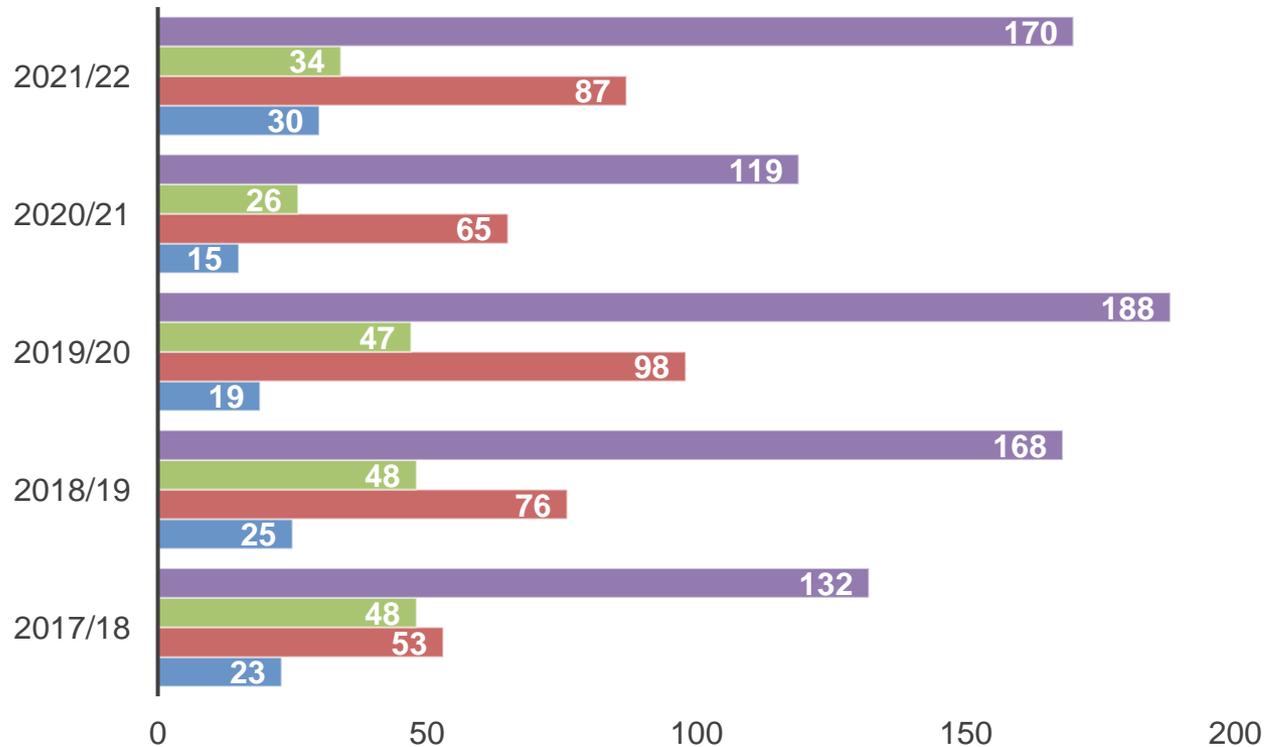
Escalation rate:

2021/22: 9%
2020/21: 8%
2019/20:14%
2018/19:12%
2017/18:10%



	2017/1018	2018/2019	2019/2020	2020/2021	2021/2022
Total complaints received by SCC	1332	1407	1307	1528	1890
Escalated to Ombudsman	132	168	185	125	163
Upheld by Ombudsman	18	26	33	34	52

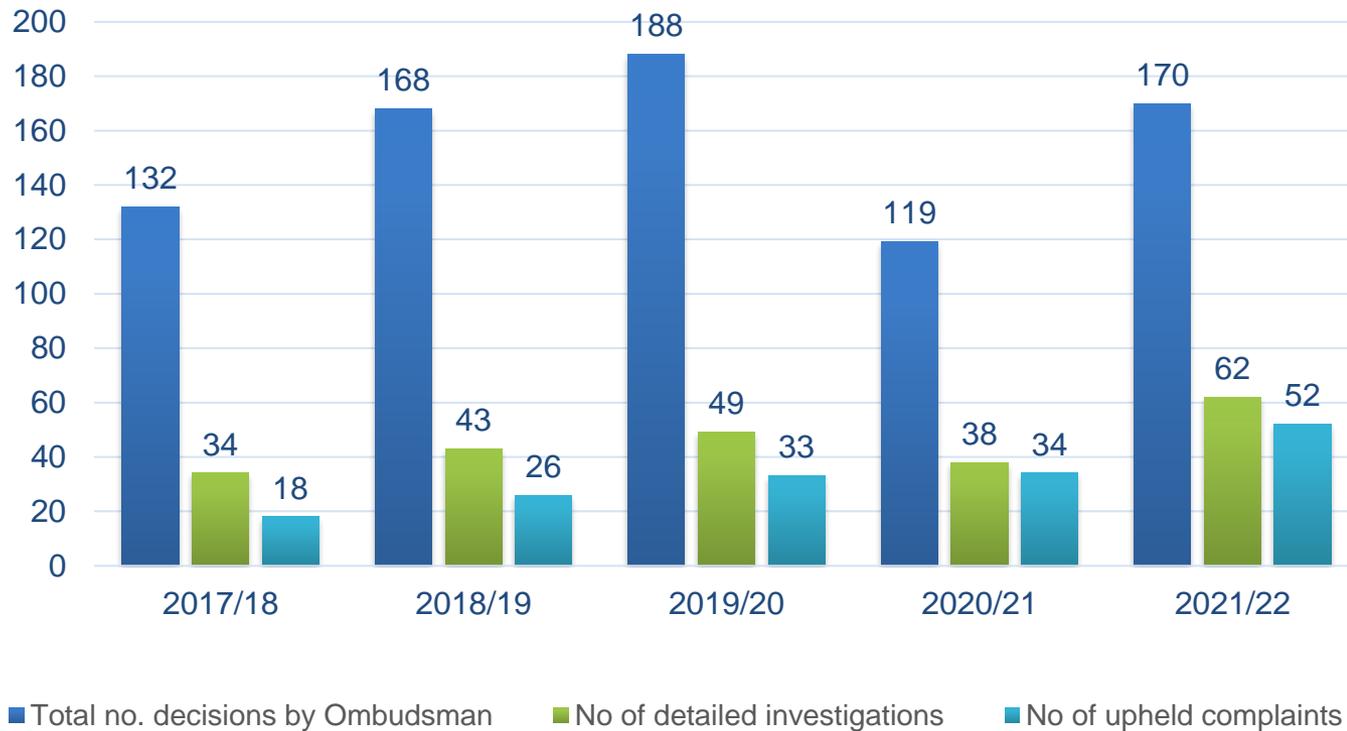
Annex 2: top 3 categories of complaint to Ombudsman



■ Total no. decisions by Ombudsman ■ ASC ■ Education & Children's ■ Highways & Transport

Annex 3: Detailed investigations & upholds

Uphold rates against a county council average of 71%:
2017/18: 53%; 2018/19: 60% 2019/20: 67%;
2020/21: 89%, 2021/22: 84%



7

Annex 4: Breakdown of upheld complaints 2021/22

- Education & Children's
- ASC
- Highways
- Corporate & Other Services
- Planning & Development
- Public Protection

Department	Count	Percentage
Education & Children's	37	71%
ASC	9	17%
Highways	2	4%
Corporate & Other Services	2	4%
Planning & Development	1	2%
Public Protection	1	2%

Top three headlines where the Ombudsman found fault.

ASC:

- Assessment and care plans – inadequacies in reviews of care needs
- Charging and personalised allowances
- Safeguarding – failure in the council’s handling of safeguarding concerns

Education and Children’s:

- SEND – failure to provide suitable alternative education; delay in re assessment of needs; delay in issuing EHCP
- Child Protection – lack of communication
- School transport: failure to consider parent and child’s needs; failures in decision making on free school transport

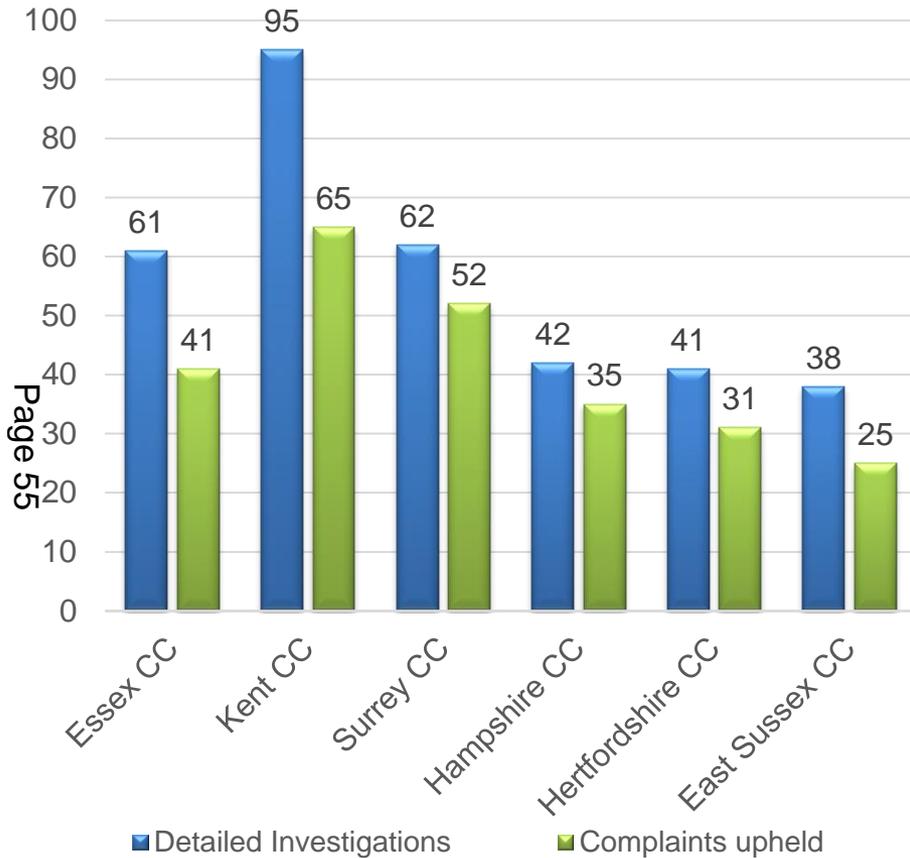
Corporate, Highways and Planning:

- Poor communication

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Financial redress recommended in 75% of upheld cases

Annex 5: Benchmarking 2021/22



Points to note from benchmarking:

- Top areas of complaint for all the benchmarked county councils are: Adult Social Care, Education & Children’s Social Care and Highways and Transport
- 37% of complaints referred to the Ombudsman progressed to detailed investigation. This compared to 29% for Hampshire, 32% for Essex, 35% for Hertfordshire, 40% for Kent and 66% for East Sussex.
- SCC had an uphold rate of 84%. This is a decrease from the previous year (89%). The national average is 71% for county councils. This compares to 66% for East Sussex, 77% for Essex, 68% for Kent, 76% for Herts and 83% for Hants
- The Ombudsman will uphold complaints when they find fault, even where the authority previously accepted fault before the Ombudsman investigated. Their decision will state simply that the complaint is upheld; this does not reflect whether some elements of the complaint have not been upheld. In Surrey, in 82% of cases the complaint had been upheld by the council before escalation to the Ombudsman.

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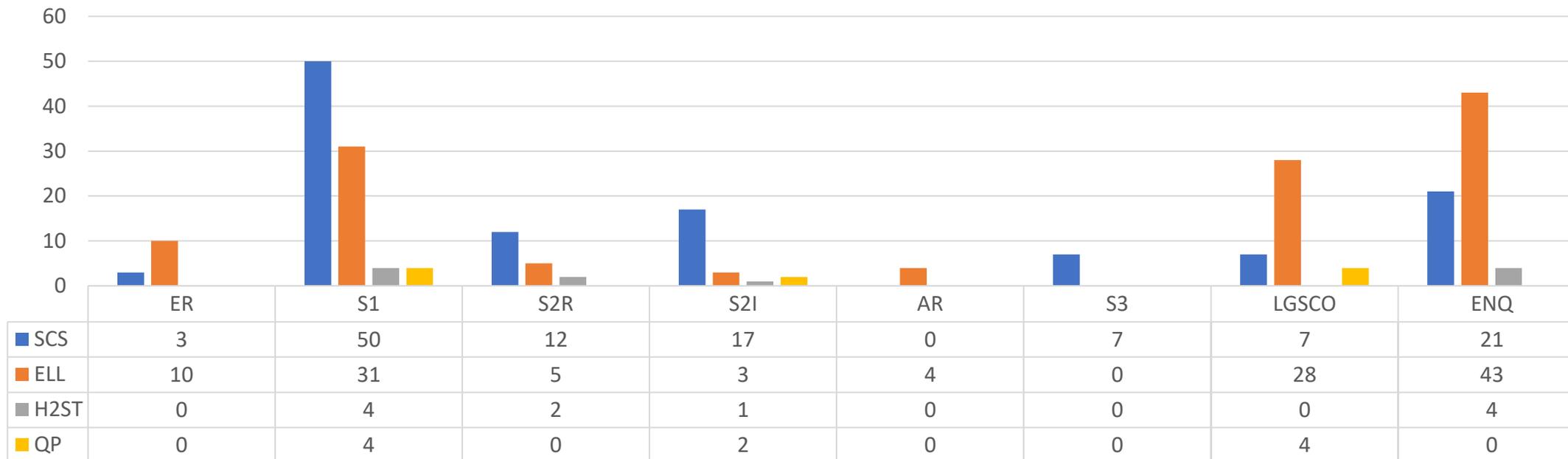
Customer Relations Update Quarter 1 (2022/23)



Childrens & Education

Quarter 1

Childrens & Education Active complaints and Enquiries at 30 June 2022



*Surrey Children Services (SCS) *Education and Lifelong Learning (ELL)
 *Home to School Transport (H2ST) *Quality and Performance (QP)

■ SCS ■ ELL ■ H2ST ■ QP

Volume of Contacts
 1st Quarter (2022/23)

- **157** Complaints recorded about Childrens Services
- **51** MP/Cllr Enquiries recorded about Childrens Services
- **33** Complaints recorded about Home to School Transport
- **58** MP/Cllr Enquiries recorded about Home to School Transport
- **143** Complaints recorded about Education
- **308** MP/Cllr Enquiries recorded about Education

Escalations to LGSCO are significantly higher for Education Services

CUSTOMER EXPERIENCE

Complainants are able to log more than one 'nature' of their complaint on the on-line portal, hence the nature of complaints may will not match the number of complaints received nor add up to 100%

SOCIAL CARE

Communication,
Staff conduct & Bias
57%

Disagree with
outcome 12%

Delayed process,
Timescales &
Information not
received 9%

Process issues 9%



CUSTOMER EXPERIENCE

Complainants are able to log more than one 'nature' of their complaint on the on-line portal, hence the nature of complaints may will not match the number of complaints received nor add up to 100%

EDUCATION

Communication,
Staff conduct & Bias
31%

Process issues 31%

Disagree with
outcome 12%

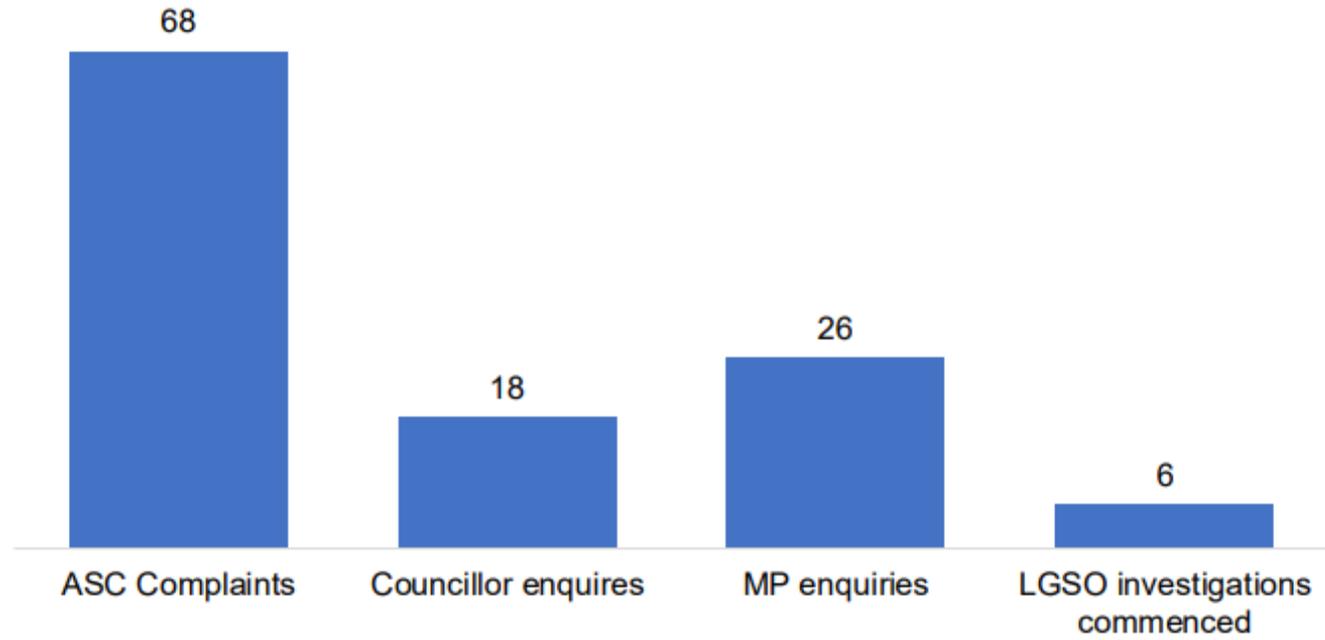
Delayed process,
Timescales &
Information not
received 12%



Adult Social Care

Quarter 1

ASC Complaints started in Q1 2022/23

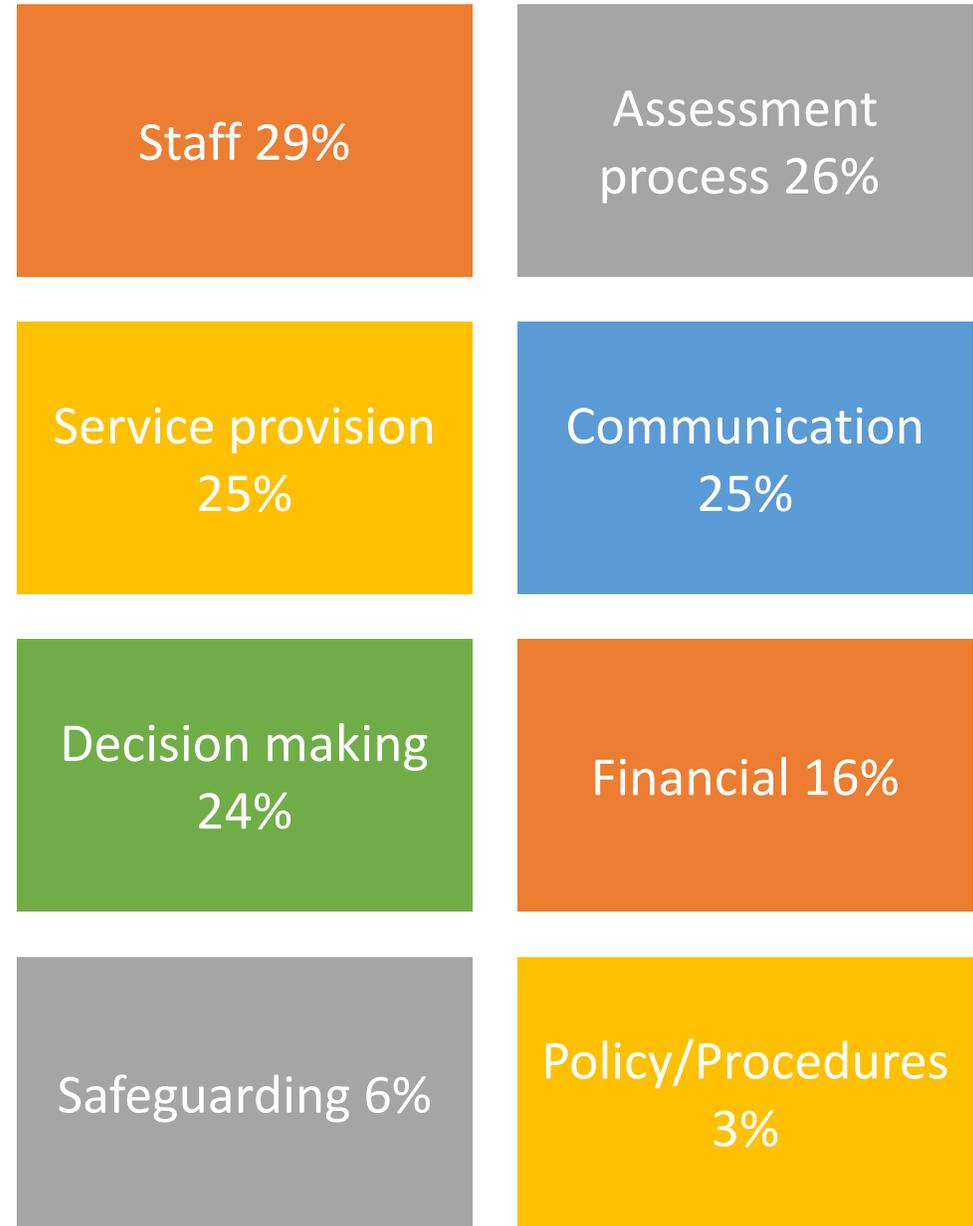


Volume of Contacts 1st Quarter

- 68 Complaints received about Adult Social Care
- 18 Cllr Enquiries responded
- 26 MP enquires
- 6 LGSCO investigations commenced

CUSTOMER EXPERIENCE

Complainants are able to log more than one 'nature' of their complaint on the on-line portal, hence the nature of complaints may will not match the number of complaints received nor add up to 100%

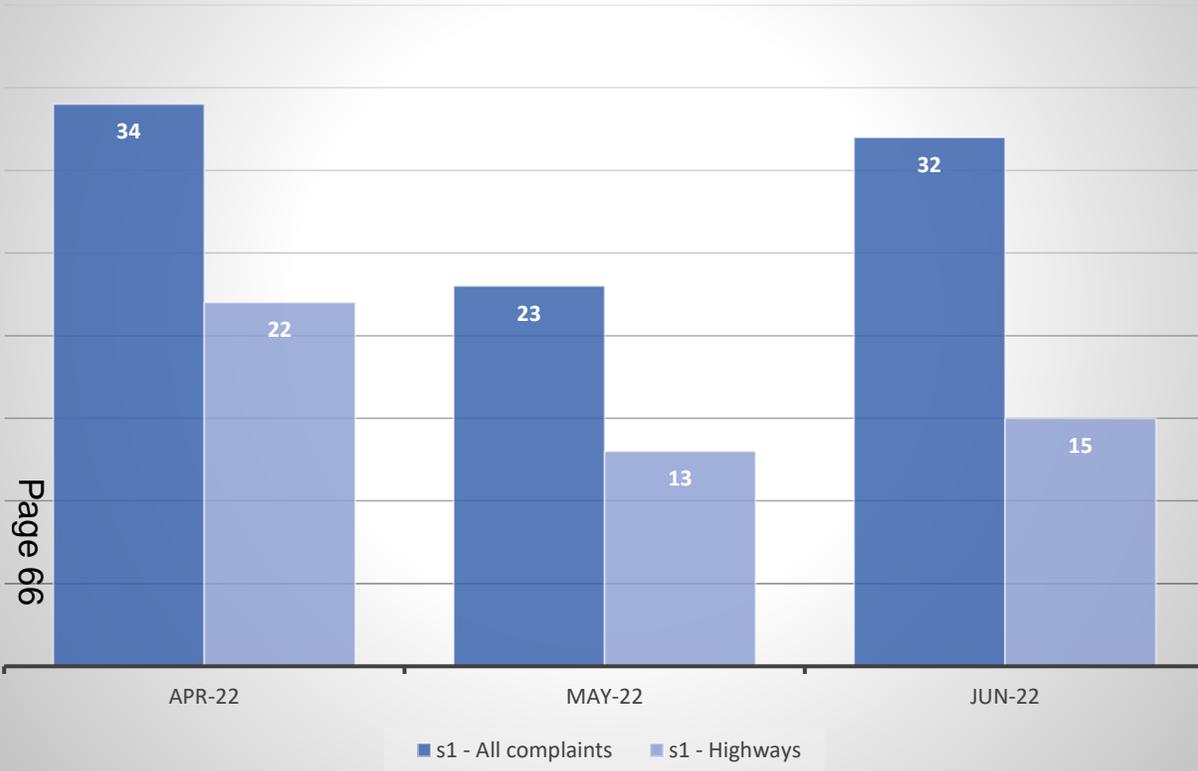


Corporate

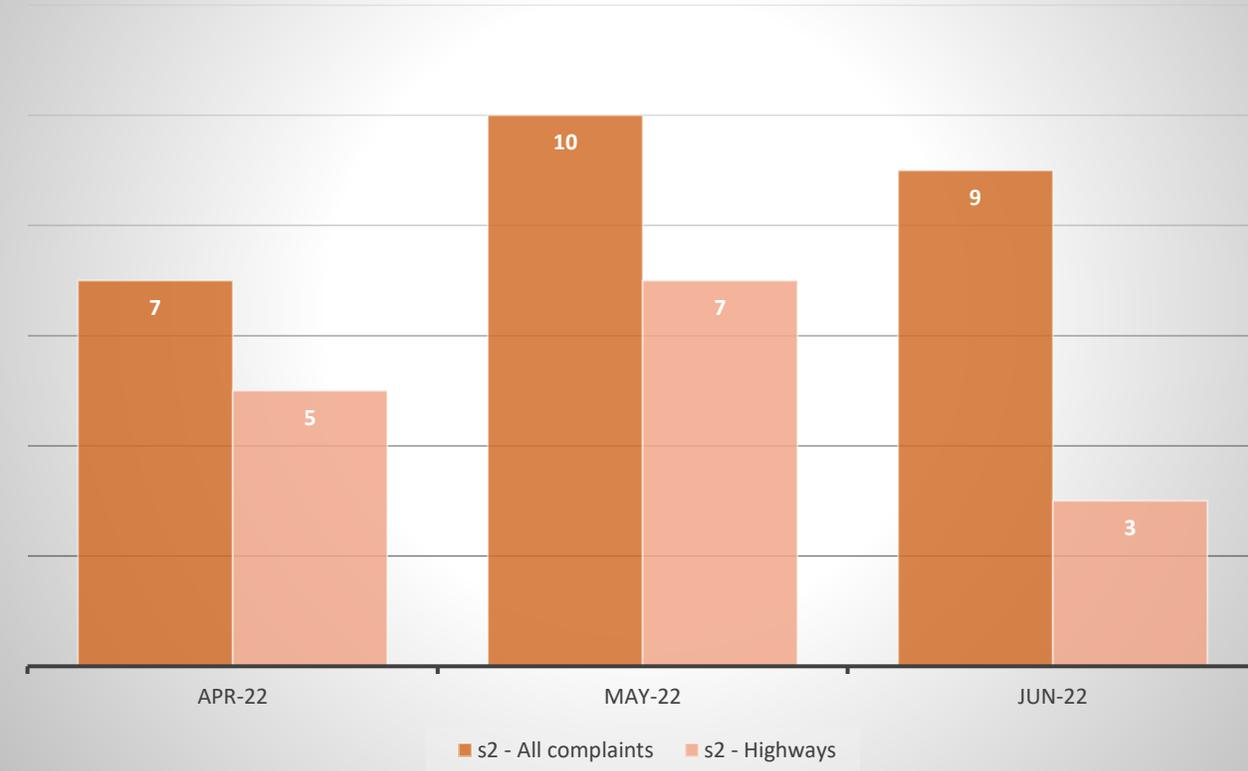
Quarter 1



Stage 1 Corporate Complaints Quarter 1 2022/23



Stage 2 Corporate Complaints Quarter 1 2022/23



Volume of complaints Quarter 1

- 88 stage 1 complaints recorded by corporate customer relations of which 50 were for Highways
- 27 stage 2 complaints recorded, of which 16 were for Highways
- 194 complaint enquiry forms logged on our website of which 31% were service requests, 13% were general enquiries and 19% were signposted to other authorities

CUSTOMER EXPERIENCE

Complainants are able to log more than one 'nature' of their complaint on the on-line portal, hence the nature of complaints may will not match the number of complaints received nor add up to 100%





LGSCO Training on Effective Complaints Management



Customer Service building links across the Council



Focus on resolving concerns via Alternative Dispute Resolution



Review, reflect and implement learning arising from complaints



Audit & Governance Committee
12 September 2022

Risk Management

Purpose of the report:

To provide an update on risk management

Recommendations:

It is recommended that:

1. Members note the update on risk management
2. Members approve the revised Risk Management Strategy

Introduction:

3. This paper provides an update on risk management over the past 6 months.

Risk Profile

4. The risk profile for Surrey County Council has deteriorated somewhat since the start of this year. This is reflected in the Corporate Risk Heat Map which shows that since January there have been 4 new risks, 2 risks deteriorating and 3 risks improving.
5. The causes for the worsening outlook are primarily driven due to external factors largely outside of the Councils' control. These include the geopolitical turbulence from the Ukraine conflict with Russia (risk ID ST27), a very challenging economic climate with higher inflation impacting the cost of living (risk ID ST 30), and changes in government policy (risk ID ST 28 & 31).
6. At the same time, it is important to understand that these risks are not restricted to Surrey County Council but being experienced by Councils across the country.

Risk Governance

7. This is the first risk management report since the revised governance changes came into effect in March 2022. To remind the Committee the changes related to:
 - Responsibility for the oversight and assurance on risk management being undertaken by the Audit & Governance Committee (AGC). The focus being on reviewing and approving the Risk Management Strategy along with updates on how risk management is operating in the Council.
 - Responsibility for reviewing specific Corporate risks (updated via the Corporate Risk Heat Map and Corporate Risk Register) being undertaken by Cabinet Members
8. Cabinet Members are reviewing risk on a quarterly basis and these sessions are supplemented with deep dives in a particular area - in the same way that AGC received previously. At the last risk session Councillor Becky Rush emphasised at the meeting that Members should have a good understanding of any Corporate risks sitting within their portfolio.
9. At a Corporate Leadership (CLT) level, risk continues to be discussed effectively by the CLT. These risk reviews are conducted monthly as a standing agenda item. Typically, there will also be a focus on specific risks with suggestions for improvements on how to progress. It should be emphasised that the risk sessions are not a 'tick-box' exercise but engaging discussions with contributions from all CLT.
10. At the Directorate level, risks are being reviewed with the additional support of a newly created 'risk lead' role. Each Directorate has nominated a member of their team to facilitate risk management such as ensuring mitigating actions are followed up, risks escalated if appropriate and there is close cooperation with the Strategic Risk Business Partner.

Risk Management Strategy

11. The Risk Management Strategy details how risk management is undertaken in the Council. It received a major overhaul in September 2021 and the AGC agreed to review the Strategy in a years' time to take account for any changes.
12. There are only two notable points of update to the Risk Management Strategy, namely:
 - The change in the role of AGC with the introduction of wider cabinet involvement (Sections 2 and 7)

- Reference to the risk lead roles now in place for each Directorate (Section 2)
13. To slightly complicate matters, while the AGC are asked to approve the updated Risk Management Strategy, the document also needs to be approved at Cabinet as it forms part of the Council Constitution. This does not seem the ideal solution for potentially relatively minor amendments in the future.
 14. A potential solution is to investigate whether it is appropriate for the Council Constitution to permit the AGC to have delegated authority to approve amendments to the Risk Management Strategy instead of having the whole Strategy approved and changed in the Councils' Constitution.
 15. The AGC are requested to approve the updated Risk Management Strategy and the Strategic Risk Business Partner will liaise with the Councils' Democratic Services department and Chair of AGC to find the most suitable long-term solution in relation to future Risk Management Strategy updates. It is worth noting that it is regarded as good practice for Audit Committees to review the Risk Management Strategy on an annual basis.

Risk Appetite

16. The Committee may recall from the last risk update in March 2022 that it was agreed by CLT that the Council would start to incorporate the concept of 'Risk Appetite'. Specifically, 2 pilot areas were identified to determine how useful risk appetite is in shaping the approach and getting alignment with stakeholders. The 2 areas selected were:
 - Your Fund Surrey (YFS) - within the Customer and Communities Directorate
 - Environmental and Climate Change - within the Environment, Transportation and Infrastructure Directorate
17. Both have completed risk appetite scenarios listing the range of option which could be selected (from Averse through to Disruptive). These scenarios are now being discussed with staff to gauge views and will then be expanded to a wider stakeholder base for opinions before establishing an agreed position.
18. Moving forward the key learning from this exercise from a risk management perspective is that the benefits from looking at risk appetite are derived for those specific organisational activities or areas which could benefit from more clarity and consensus on how much risk to take. As such, risk appetite will be applied on this basis.

Next Steps:

19. The AGC will continue to receive risk updates on a 6 monthly cycle with the next scheduled for March 2023.

Conclusions:

20. Risk management continues to be actively undertaken within Surrey County Council.

Financial and value for money implications

21. Improved decision making through risk management supports better allocation of resources and value for money.

Equalities and Diversity Implications

22. N/A

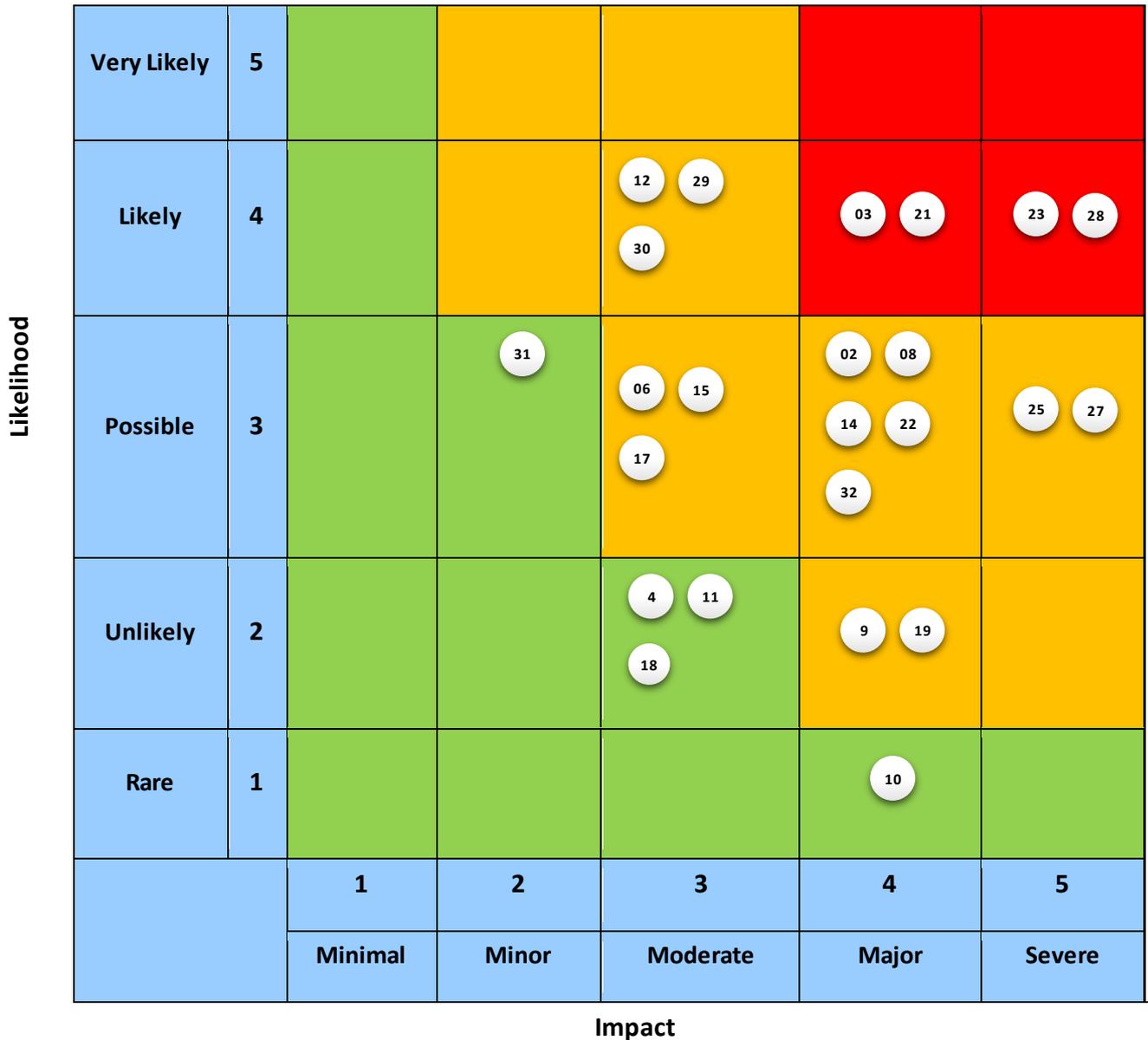
Risk Management Implications

23. Failure to implement effective risk management will reduce the quality of decision making within the Council. Moreover, the AGC will not be able to demonstrate that it is discharging its governance responsibility of having active risk management within the organisation.

Report contact: David Mody, Interim Strategic Risk Business Partner
Contact details: 07918 029479 / David.Mody@surreycc.gov.uk

Corporate Risk Heat Map

August 2022 - AGC



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Strategic Risk	Risk Lead	Risk with current mitigation controls in place		
		Likelihood	Impact	Overall Score
ST.23 There is a risk of a resurgence of Covid (variant) which leads to a major health crisis in Surrey	RC	4	5	20
ST.28 There is a risk the governments adult social care reforms add to the financial pressures for SCC if additional funding is not made available from central government	LB	4	5	20
ST.03 There is a risk of a deliberate and / or targeted cyber attack compromising IT systems and critical IT infrastructure	LW	4	4	16
ST.21 There is a risk that the Dedicated School Grant, which is currently running at a deficit, does not begin to return an in year surplus within the period of the MTFS and therefore does not return the DSG to balance with reasonable timescale	RW	4	4	16
ST25 There is a risk that a dispute with the waste management contractor SUEZ could impact on service delivery	KS	3	5	15



ST.27	There is a risk that SCC cannot deliver core services due to a dependency on national 'infrastructure components' that become unavailable e.g. power outage, fuel shortage	KS	3	5	15	
ST.08	There is a risk that SCC will be unable to meet an increasing level of demand for child and family services expected by the community over the medium term	RW	3	4	12	
ST.14	There is a risk that we do not deliver sufficiently good quality children's care services to the residents of surrey	RW	3	4	12	
ST.22	There is a risk that SCC will be unable to meet an increasing level of demand for adult services including spending pressures arising from NHS activity	LB	3	4	12	
ST.32	There is a risk the governments adult social care reforms will create significant and unmanageable demand pressures for ASC	LB	3	4	12	<NEW>
ST.02	There is a risk of a significant gap between the medium-term financial plan (2022/23 - 2026/27) and actual expenditure potentially leading to a need to reduce level and quality of services provided	LW	3	4	12	
ST.12	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	SK	4	3	12	
ST.30	There is a risk that the rising costs will reduce living standards for residents with some struggling to pay for the basic essentials	SK	4	3	12	<NEW>
ST.29	There is a risk that a lack of staff and skills to crew frontline appliances, particularly driver skills, means that service and response times could deteriorate	DQ	4	3	12	<NEW>
ST.17	There is a risk that SCC will not implement sufficient measures to deliver carbon emissions reductions and be carbon net zero as an organisation by 2030	KS	3	3	9	
ST.15	There is a risk that Climate Change (and various severe weather events) leads to a substantial loss of service around the network with associated economic and social consequences	KS	3	3	9	
ST.06	There is a risk that a supplier or a commissioned service is unable to continue to provide a service, or that that they fail to do so to the required level or quality standards	LW	3	3	9	
ST.19	There is a risk of failure to comply with H&S statutory duties (or managers/individuals failing to comply with H&S responsibilities and processes) could lead to serious harm, loss of life and corporate liability	MS	2	4	8	
ST.09	There is risk that we will not achieve the intended outcomes of our transformation programme in the planned timeframe	LW	2	4	8	
ST.31	The risk that our approach to tackle inequality does not lead to a more equal and diverse workforce	SK	3	2	6	<NEW>
ST.18	There is a risk of failure to maintain key infrastructure or assets or deliver major infrastructure	KS	2	3	6	
ST.04	There is a risk of a breach of the Data Protection Act from a loss/disclosure of personal data e.g. data is published into the public domain	LW	2	3	6	
ST.11	There is a risk that the working partnerships we have with other organisations will not deliver the intended objectives	MC	2	3	6	
ST.10	There is a risk that there is a serious breakdown in council governance which could result in external reporting/intervention	LW	1	4	4	

Removed risks :

Strategic Risk	Risk Lead	Risk with current mitigation controls in place		
		Likelihood	Impact	Overall Score
ST.05 There is a risk that some SSC staff will experience a significant decline in their health and / or wellbeing <i>e.g. isolation from home working, social distancing</i>	PL	3	3	9
ST.24 There is risk that there could be higher costs in operating a fire service if moved to the Police and Crime Commission (PCC) which SCC might have to help subsidise, or the overall fire service capabilities could be diminished from a move to the PPC	LW	3	3	9

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Risk Management Strategy

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1 Introduction

A risk is defined as an uncertain event which, should it occur, will influence the achievement of objectives. This Risk Management Strategy outlines the approach used by Surrey County Council in managing risk. A framework is detailed showing the process for undertaking risk identification, assessment, treatment, monitoring and reporting.

By operating a robust risk management process the following benefits can be derived :

- ▶ **Strengthen accountability** – through clear and robust risk governance including risk roles and responsibilities, risk ownership, risk monitoring, escalation of risks and oversight of the risk management process
- ▶ **Make best use of resources** – through relevant and proportionate treatment of risks, taking account of the level of risk
- ▶ **Build stakeholder trust** – by demonstrating that significant risks are consistently identified, assessed, managed, and monitored at the appropriate level across Surrey County Council
- ▶ **Avoid surprises** – by providing a consistent approach to identify, understand, and assess risks
- ▶ **Give confidence** – that appropriate actions are being taken to manage risks in a timely manner
- ▶ **Make informed decisions** – with reliable information on risks

The aim of Surrey County Council is to continuously improve its approach to risk management, prompted by new ideas and best practice. In particular, this strategy has drawn on guidance from :

- The Orange Book, Management of Risk : Principles and Concepts (*HM Government, 2020*)
- Fundamentals of Risk Management (*The Institute of Risk Management 2018*)
- Management of Risk : *Guide for Practitioners (OGC, 2010)*

This Risk Management Strategy will be reviewed annually by the Risk Manager and brought to the Audit and Governance Committee for review and approval.

2 Roles & Responsibilities

A number of key roles have been defined in supporting this risk management process :

Risk Owner : To manage any risks assigned and to provide up-to-date, accurate information about the risk

- *Work to develop suitable controls, actions and target completion dates*
- *Review risk including progress against plan, effectiveness of actions taken and any other factors that have impacted the risk*
- *Provide up-to date-risk information including any significant changes to risk levels and progress against treatment plans, to support timely and accurate risk reporting*

Directorate Lead / Service Lead : To coordinate the risk management process across their respective Directorate / Service

- *Manage the implementation of the risk management process across the Directorate or Service*
- *Monitor risk with Risk Owners and ensure the Directorate/Service risk register is updated*
- *Escalate or downgrade risks as appropriate*

Corporate Leadership Team : To support the effective implementation of risk management in the organisation

- *Promote a risk management culture*
- *Review the organisations top risks and ensure suitable mitigations are in place*

Cabinet Members : To ensure they have visibility of the current risks impacting the organisation

- *Understand the top risks for the organisation and particularly in their Portfolio*
- *Review and scrutinise the top risks and ensure suitable mitigations are in place*

Audit & Governance Committee : To ensure that there are adequate risk management processes and activities taking place to protect the viability of the organisation

- *Approve the Risk Management Strategy*
- *Receive updates on progress on the application of risk management*
- *Consider recommendations for improvements to the overall management of risk*

Head of Risk : To ensure risk management is consistently applied across the Council

- *Manage the implementation of the Risk Management Strategy (and update as needed)*
- *Provide support and guidance on risk management to the organisation*
- *Maintain the Corporate Risk Register and ensure Directorate Risk Registers are in place*

3 Risk Management Approach

(i) The Risk Process

In order to manage risk, Surrey County Council needs to first know what risks it faces and then how best to deal with them. To achieve this, a risk process is used (as shown in Fig 1.) The process highlights each of the risk stages, namely : identify, assess, treat, monitor and report.

More information on the activities undertaken at each stage of the risk process are detailed in the forthcoming chapters of this document.

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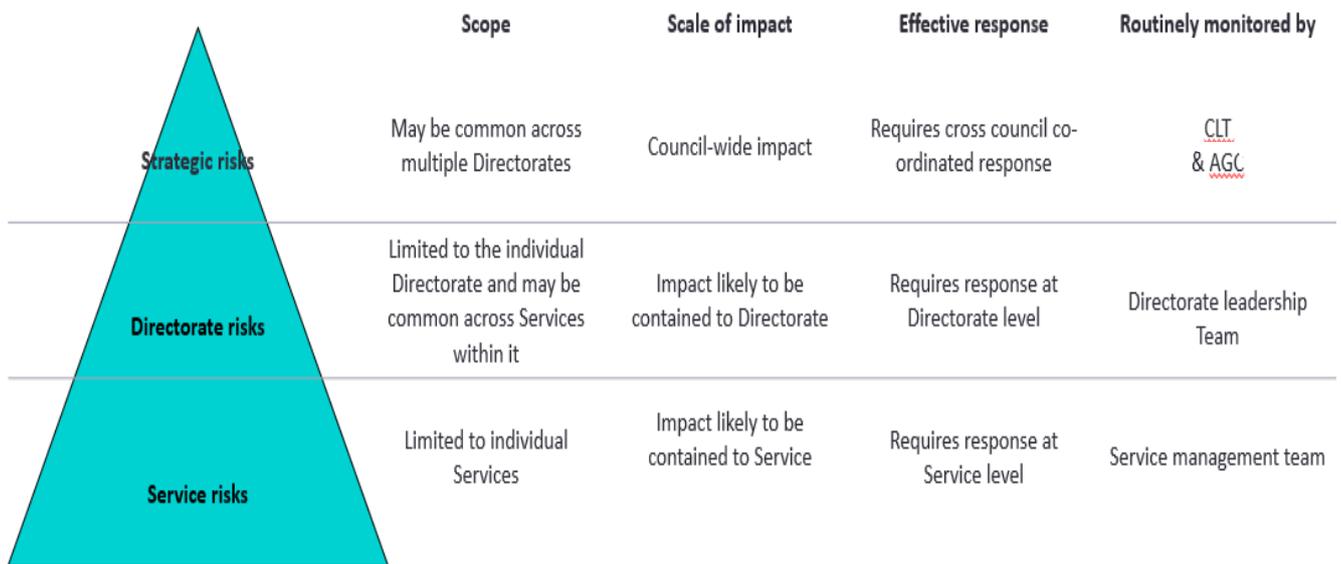
Fig 1 - The Risk Management Process



(ii) Risk Hierarchy

The primary method for prioritising risks in Surrey County Council is classifying the risk as either a **Strategic (Corporate)**, **Directorate** or **Service** level risk. Hence, this hierarchy informs the level in the organisation at which the risk is routinely managed and monitored.

Typically, the level of a risk will depend on the scope, scale of potential impact and nature of the response required to manage the risk. Examples of the types of attributes commonly associated with the 3 hierarchy levels are shown in Fig 2. Regardless of level assigned, any risk may be escalated for review or intervention if required (by the Risk Owner or via the Risk Manager).

Fig 2 – The Risk Hierarchy

Once the hierarchy is decided it is then possible to assign the risk to the correct risk register.

(iii) Risk Registers

Risk registers run alongside the risk management process and are used as the key tool to capture risk information in a structured and consistent way. The following risk registers are used within Surrey County Council :

Type of Risk	Risk Register Used	Owner of Risk Register
Strategic	Corporate Risk Register	Risk Manager
Directorate	Specific Risk Register for that Directorate	Head of Directorate
Service	Specific Risk Register for that Service	Head of Service

The format of the risk register used in Surrey County Council is shown in Annex A along with an explanation of the information required to populate. The focus of the risk register is to detail what the cause(s) and effect(s) of the risk are, the likelihood and impact, and the controls and further actions required. To help understand what risk information needs to be captured at each stage of the risk process a summary is shown at the end of each of the following Chapters - see '*Risk Register updated*'.

The frequency of reviewing and updating risk registers will depend on a number of factors such as the threat to the organisations objectives and the volatility of the risk i.e. the rate of change. It is recommended that risks are reviewed at least monthly (depending on the nature of the risk) **but as a minimum all risk should be reviewed at least quarterly.**

4 Risk Identification

Risk identification is the first step of the risk process journey. Risks can be identified in a number of ways - from a person spotting a risk while doing their job to a team during a workshop.

At this stage the intention is to describe the risk with a focus on :

The **risk event** – a summary explaining what may or may not occur

The **cause(s)** – those factors that will lead to the risk event occurring

The **effect(s) / consequence(s)** – the likely impact on activities and outcomes if the risk event does occur

By methodically working through the risk event and identifying the cause(s) and effect(s) it encourages a better understanding of the risk and a more structured definition of the risk. It is not always easy to describe risks, however the key point is that everyone understands what is meant by the risk and the description is sufficient to ensure an effective understanding of the risk moving forwards.

Some examples of causes of risk are :

- Failure to.....
- Loss of.....
- Insufficient.....
- Non-compliance with....
- Reduction in.....
- Conflict between.....
- Inability to.....
- Reliance on.....
- Disruption to.....
- Inadequate.....
- Increase in.....
- Delay in.....

The effects or consequences of risks can be numerous and some examples are :

- Service disruption
- Impaired performance
- Management distraction
- Breach of contract
- Fines and penalties
- Loss of assets
- Financial cost
- Damaged reputation
- Health and Safety failings

Risk Register Updated:

At the end of this step the risk register should be populated with the:

- *Risk Title (the risk event)*
- *Cause*
- *Effect*
- *An initial Risk Owner – the person best placed to manage the risk*
- *Unique ID*

5 Risk Assessment

Risk assessment categorises risks according to **likelihood** of occurrence and **impact** on the organisation using a scoring based system.

The **likelihood** is an estimate of the probability that the risk will occur. It takes into account any existing controls currently in place to help mitigate the risk from occurring. For example, applying the latest software patches to IT equipment is a control measure to reduce the chances of having computer viruses.

Shown below the likelihood is the current best assessment of the risk on a scale of 1-5.

Fig 3 - Likelihood criteria for risks

Level	Likelihood	Odds
1	Rare	<10%
2	Unlikely	10% to 29%
3	Possible	30% to 69%
4	Likely	70% to 90%
5	Very Likely	>90%

NOTE : It is important to understand that the goal is not to have the most accurate scoring but ensure that there is a prioritisation of risks. This allows for the allocation of resources focused on managing the most significant risks.

The **impact** is the negative effect that the risk could have on the organisation. Any existing controls to help manage the impact of the risk should be taken into account when undertaking the scoring assessment. For example, a business continuity plan would not change the likelihood of a risk occurring, but is designed to reduce the impact.

The scoring is on a scale of 1-5 and is the best assessment based on the known risk information. To aid scoring for the Risk Owner, an impact criteria matrix is used, as shown in Fig 4. The criteria is only a guide for the Risk Owner to get a better 'feel' for the risks relative impact and thereby providing a consistent level of evaluation and ranking of risk across the organisation. It is not intended to be an exhaustive list as there are a multitude of impact areas such as governance, environment etc.

Fig 4 - Impact criteria for risks

IMPACT					
Level	Impact	Financial (revenue)	Residents	Reputational	Performance
1	Minimal	<£100k	Minimal impact on a small proportion of the population	Has no negative impact on reputation and no media interest	Minimal impact on achievement of one or more SCC priority objectives
2	Minor	£100K to £1m	Minor impact on a small proportion of the population	Minor damages in a limited area. May have localised, low level negative impact on reputation and generates low level of complaints	Minor impact on achievement of one or more SCC priority objectives
3	Moderate	£1m-£2.5m	Moderate impact on a large (or particularly vulnerable group) proportion of the population	Moderate damages but widespread. Significant localised low level negative impact on the organisations reputation which generates limited complaints.	Moderate impact on achievement of one or more SCC priority objectives
4	Major	>£2.5m to £10m	Major impact on a large (or particularly vulnerable group) proportion of population	Major damage to the reputation of the organisation. Generates significant number of complaints and likely loss of public confidence. Unwanted local or possibly national media attention.	Major impact on achievement of one or more SCC priority objectives
5	Severe	>£10m	Serious long term impact on a large (or particularly vulnerable group) proportion of population	Serious damage to the reputation of the organisation. Large number of complaints. National media coverage. Possible government intervention.	Serious long term impact on achievement of one or more SCC priority objectives

8

Once the risk likelihood score and impact score have been determined, they combine to provide an overall risk score (by multiplying the impact by the likelihood). This allows for a relative ranking of risks and a better focus on prioritising the most significant risks (with resources allocated accordingly).

Risk Register Updated :

At the end of this step the risk register should be populated with the:

- *Existing management controls to reduce the likelihood or impact of the risk*
- *Likelihood score*
- *Impact score*
- *Overall Risk Score (likelihood x impact)*

6 Risk Treatment

Risk treatment involves looking at the options to help mitigate the risk and taking the most appropriate actions. Very often the first idea (or option) is the most expensive and it is important to consider alternatives. The intention is to consider the cost-benefits of each option and then select the most appropriate to either reduce the likelihood of occurrence or the impact.

There are essentially 4 main treatment option, shown below in Fig 5:

Fig 5 - Risk Management treatment options

Activity / Option		Mitigation
Terminate	Stop what is being done.	The specific actions to be taken to control the risk
Treat	Reduce the likelihood or impact of the risk occurring.	
Transfer	Pass to another service best placed to deal with mitigations but ownership of the risk still lies with the original service. <i>One example would be insurance.</i>	The reasons for the transfer and the name of the service provider that the risk is being transferred to.
Tolerate	Do nothing because the cost outweighs the benefits and/or an element of the risk is outside our control.	The specific reasons / rationale for tolerating the risk.

NOTE : When considering the options, more than one mitigation may be appropriate.

Risk Register Updated :

At the end of this step the risk register should be populated with the:

- *Planned Enhancements to Controls (Actions) – treatment option(s) to further mitigate the risk*
- *Target Date(s) - The date when the action(s) should be completed by*

7 Risk Monitoring and Reporting

Effective risk monitoring and reporting is essential for informed decision-making and ensuring that the right actions are taken to drive improvement.

Risks must be regularly monitored to track progress, review the effectiveness of existing controls and consider any other factors that may impact the (level of) risk. The frequency of risk reviews will depend on the type of risks being assessed and the area that the risk sits within. For many parts of the organisation, the review of the risk register will be a standing item on the agenda. Nevertheless, all risks in a risk register must be reviewed every quarter (at the very least) by the Risk Owner.

In addition to risk monitoring by the Risk Owner, a number of other stakeholders are likely to need to be kept informed on the risk status and contribute as required. Below shows some of the monitoring that takes place in the Council based on the risk hierarchy to support good risk management and good governance.

Risk Level / Hierarchy	Risk Monitoring
Strategic	<ul style="list-style-type: none"> Corporate risk reviewed by Corporate Leadership Team (monthly standing agenda item) and by Cabinet Members (quarterly). New risks added if appropriate or removed or downgraded to departmental level. Deep dives undertaken on risks to provide wider perspective and understanding Audit and Governance Committee consider the overall risk management process and progress of embedding risk management
Directorate	<ul style="list-style-type: none"> Risks reviewed and updated by Head of Directorate and their direct reports. Risks escalated (via Head of Directorate or via Risk Manager), removed or downgraded
Service	<ul style="list-style-type: none"> Risks reviewed and updated by Head of Service and their direct reports Risks escalated (via Head of Service or via Risk Manager) or removed

Reports provide stakeholders a view on the current state of specific risks. Essentially there are 2 types of reporting :

- **Pre-defined reports** which are in the same format and provided to regular committees or other meetings. These will typically be undertaken by the overall responsible for that specific risk register.
- **Ad-hoc risk reports** on the status of risk. Typically, these will be spanning different parts of the organisation and are normally undertaken by the Risk Manager.

Below are some of the interested parties in Surrey County Council that require risk reports. While it is not a comprehensive list it does reflect that there are a large number of stakeholders that require risk information.

Fig 6 – Overview of some of the stakeholders that require risk information



It is **IMPORTANT** that anyone providing a risk report understands that there may be content which could be confidential. For example, the mitigations may cover commercially sensitive information or could be used to by-pass intended safeguards. Therefore, there must be a clear understanding of why the report is needed, what content requirement / risk information is needed, and who will have access to the report.

Typically a risk report as a minimum should show :

- The Title of the Risk
- The Owner of the Risk

Additional information may be made available such as :

- The cause(s) of the risk and the effect(s) on the organisation if it were to occur
- The current likelihood and impact if the risk
- The current control(s) in place to stop the risk from occurring
- The planned mitigation(s) to further reduce the likelihood or impact of the risk
- The due date(s) for completion of the mitigation

Risk Register Updated :

At the end of this step the risk register should be reviewed and any changes / updates made

A risk register with a worked example

Risk ID	Risk Title	Causes	Effect	Risk Owner	Likelihood (1-5)	Impact (1-5)	Overall Score	Key Existing Management Controls	Planned Enhancements to Controls (Actions)	Target Date
Unique ref. no. to be provided by Risk Manager		The reason(s) giving rise to the risk	What would happen if the risk occurred?	Name of person owning/managing the risk	see risk matrix to help scoring	see risk matrix to help scoring	Calculation (Likelihood X risk from occurring impact)	Controls that are already in place to stop the risk from occurring	Actions planned to further mitigate the risk	Month & Year
Example :	There is a risk of a deliberate and / or targeted cyber attack compromising IT systems and critical IT infrastructure	<ul style="list-style-type: none"> - A deliberate attack by a cyber criminal or insider attack by a disgruntled employee or ex-employee. - State linked cyber crime attacks – a local government organisation can be viewed as less secure and a link into national government systems. - Lack of understanding amongst workforce of the potential cyber threats. - Failure of staff to adhere to the council's cyber security policies, procedures and guidance (behavioural and technical). - Legacy infrastructure and systems, that become increasingly vulnerable to exploitation as threats become more sophisticated and targeted. 	<ul style="list-style-type: none"> - An immediate disruption to services if systems are unavailable. - Loss of access to individual resident's records, creating a risk of harm to their health and wellbeing. - Loss of access to operational data e.g. payroll data, payment data for suppliers, case files etc. - Financial cost of the immediate response e.g. rebuilding systems and restoring data. - Financial cost of longer term recovery e.g. potentially buying new infrastructure and strengthening resilience to cyber attacks. - Damage to reputation / loss of trust amongst the residents of Surrey, and partner organisations. 	A. Smith	1	4	4	<ul style="list-style-type: none"> 4 - Protective systems Firewalls, anti-virus, internet scanning in place - Inhouse security monitoring and penetration testing - Systems have latest patches applied - Cyber liability insurance in place - User access controls limits access to data - Business Continuity Plan in place to enable support of key services 	<ul style="list-style-type: none"> - revised IT incident management policy being developed - internal audit planned and will undertake remedial work if identified 	<ul style="list-style-type: none"> Oct. 2021 Jan. 2022

Definitions for the fields in the Risk Register :

Area	Guidance
Risk ID	All risks must have a unique risk reference
Risk Title	A short summary explaining the risk
Cause	The reason(s) giving rise to the risk
Effect	What would happen if the risk occurred?
Risk Owner	The person best placed to own and manage the risk
Likelihood	The probability rating of the risk occurring
Impact	The rating of the risk effect to the organisation
Overall Score	Rating calculated by Likelihood x Impact
Key Existing Management Controls	Measures currently in place to reduce the likelihood or impact of the risk occurring
Planned Enhancements to Controls (Actions)	Further actions planned to help mitigate the risk to an acceptable level
Target Due	The deadline by which the mitigating actions should be completed



Audit & Governance Committee
12 September 2022

Informing the External Audit Risk Assessment 2021/22

Purpose of the report:

The report is an annual requirement of the International Standards on Auditing and brings together the views of management and those charged with Governance oversight into one report. Setting out key information to inform the external audit risk assessment for the 2021/22 Statement of Accounts for both the Surrey County Council Group and the Pension Fund.

Recommendations:

It is recommended that:

1. Audit & Governance Committee note the Informing the Audit Risk Assessment Report for both Surrey County Council Group and the Pension Fund.

Summary:

1. The Informing the Audit Risk Assessment Report (attached as Annex 1) forms part of the planning for the External Audit of the Statement of Accounts 2021/22 and supports the External Audit Plan, which was approved by this Committee in June 2022.
2. The purpose of this report is to contribute towards the effective two-way communication between Surrey County Council's and the Pension Fund's external auditors and Surrey's Audit and Governance Committee, as 'those charged with governance'.
3. Under International Standards on Auditing (UK), auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.
4. This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

5. The report covers some important areas of the auditor risk assessment where our External Auditors, Grant Thornton, are required to make inquiries of the Audit and Governance Committee, to obtain an understanding of management processes and the Council's oversight of the following areas:
- General Enquiries of Management
 - Fraud
 - Laws and Regulations
 - Related Parties
 - Going Concern
 - Accounting Estimates
6. This report includes a series of questions on each of these areas and the Council and Pension Fund management responses, which were compiled after consultation with senior officers and committee members.

Conclusions:

7. Grant Thornton's report 'Informing the Audit Risk Assessment for Surrey County Council Group and the Pension Fund 2021/22' is attached to this report for consideration.

Financial and value for money implications

8. There are no direct financial or value for money implications of this report.

Equalities and Diversity Implications

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

Risk Management Implications

10. There are no direct risk management implications of this report. The Council's approach to risk management is summarised in the Narrative Statement of the Councils Statement of Accounts.

Next steps:

The final, audited Statement of Accounts and Audit Findings Report are scheduled to be presented to this committee by 30th November.

Report contact: Barry Stratfull, Chief Accountant (Corporate)

Contact details: barry.stratfull@surreycc.gov.uk
Woodhatch Place, 11 Cockshot Hill, Reigate

Sources/background papers:

Appendix 1 – Grant Thornton – Informing the risk assessment of Surrey County Council Group & the Pension Fund 2021/22

Informing the audit risk assessment for Surrey County Council Group and Pension Fund 2021/22

Ciaran McLaughlin
Key Audit Partner
T +44 (0)20 7728 2936
E Ciaran.T.McLaughlin@uk.gt.com

Ade Oyerinde
Senior Manager
T +44 (0)20 7728 3332
E Ade.O.Oyerinde@uk.gt.com



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 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 your business or any 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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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Surrey County Council and Pension Fund's (the Council and Fund) external auditors and Surrey's Audit and Governance Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Governance Committee (Audit Committee) under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Council and Fund's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

Surrey County Council inquiries directed towards: Barry Stratfull (March & Aug 2022)

Surrey Pension Fund inquiries directed towards: Ayaz Malik/Siva Sanmugarajah (March & Aug 2022)

General Enquiries of Management

Question	Management response (Council)	Management response (Fund)
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?	Financial impact of Covid-19 and the uncertainty of government funding. Change in the way councils provide services and the additional challenges presented during the year (often at short notice). Councils have had to keep critical services running whilst supporting the national Covid-19 effort. Possible Impact of the Ukraine situation.	The Fund has a minor exposure to direct holdings in regions connected to the conflict in Russia/Ukraine (less than 0.25% of the Fund as at 24 February 2022 - approximately £12million based on the Fund's total value of £5billion).
2. Have you considered the appropriateness of the accounting policies adopted by Council and Fund? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	<p>Yes - The accounting policies for the council are in line with the CIPFA Code of Practice for Local Authority Accounting. The trading companies use private sector accounting policies. The group accounts will be based on the CIPFA Code and any adjustments required to ensure the policies of the group are consistent will be considered as part of the consolidation process.</p> <p>Yes – CIPFA's urgent consultation on temporary changes to the code to resolve infrastructure assets reporting issues has resulted in changes to our accounting policy for the treatment of additional capital expenditure on infrastructure assets.</p>	Yes - The accounting policies for the council are in line with the CIPFA Code of Practice for Local Authority Accounting. The trading companies use private sector accounting policies. The group accounts will be based on the CIPFA Code and any adjustments required to ensure the policies of the group are consistent will be considered as part of the consolidation process.
3. Is there any use of financial instruments, including derivatives? If so, please explain	<p>No - Derivatives are not used by the council.</p> <p>The council invests surplus cash with banks and other financial institutions in line with the treasury management strategy. In January 2022 a revised Treasury Management Strategy was approved by Council. This strategy continues to focus on using a combination of both short and long term borrowing. During 2021/22 the council has borrowed from other local authorities, pension fund and other public bodies.</p>	<p>The fund employs a currency hedging mandate with Legal and General Investment Management, which covers 50% of its global equities.</p> <p>Beyond this service, the Fund does not employ any external body for the purposes of trading financial instruments.</p>
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	No - Not aware of any significant transactions over and above the Covid-19 service provisions mentioned above.	No - Not aware of any significant transactions outside the normal course of business

General Enquiries of Management

Question	Management response (Council)	Management response (Fund)
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No - Not aware of any events in 2021/22	No - Not aware of any events in 2021/22
6. Are you aware of any guarantee contracts? If so, please provide further details	SCC has parental guarantees in place to fulfil the contracts of SE Business Services Ltd for providing data centre services to Central Surrey Health and First Community Health. Not aware of any other contracts	Not aware of any contracts in 2021/22
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No - Not aware of any that may affect the financial statements	Not aware of any that may affect the financial statements
8. Other than in house solicitors, can you provide details of those solicitors utilised by Council and Fund during the year. Please indicate where they are working on open litigation or contingencies from prior years?	In-house legal department provides the majority of legal support through the Legal Services Department. External lawyers are used in some instances for specialist advice and capacity issues. They would be working mainly on open litigation	Eversheds – Pensions Law, Browne Jacobson – Legal Due Diligence

General Enquiries of Management

Question	Management response (Council)	Management response (Fund)
<p>9. Have any of the Council and Fund's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details</p>	<p>Yes - There are reports of fraud, non-compliance and uncorrected misstatements as part of the bi-annual report on the irregularity and fraud investigations carried out by Internal Audit and the outcomes from the NFI that goes to the Audit and Governance Committee but they are not material and do not affect the financial statements.</p>	<p>Yes - There may well be reports of fraud, non-compliance and uncorrected misstatements as part of the bi-annual report on the irregularity and fraud investigations carried out by Internal Audit and the outcomes from the NFI that goes to the Audit and Governance Committee. They would not however be material and affect the financial statements.</p>
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p>	<p>Arlingclose provide treasury advice to the Council. Bruton Knowles provide Valuation advice and reports CBRE provide Investment property valuation advice and reports Hymans Robertson provide pension fund advice and reports</p>	<p>Actuarial advice: Hymans Robertson Investment consultancy: Mercer Independent Advisor: MJ Hudson</p> <p>Sustainability Advice: Minerva</p>
<p>11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details</p>	<p>Yes but no such issues have been identified.</p>	<p>Yes but no such issues have been identified.</p>

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Council and Fund's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Council and Fund's management.

Fraud risk assessment

Question	Management response (Council)	Management response (Fund)
<p>1. Have the Council and Fund assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council and Fund's risk management processes link to financial reporting?</p>	<p>Yes – The council is at risk of losses through fraud, bribery and corruption. The Council regularly assesses its exposure to fraud risk</p> <p>The Process of identifying and responding to the risk of Fraud is as follows (and also shows the link to financial reporting):</p> <ul style="list-style-type: none"> • The Counter Fraud Strategy and Framework was presented to the Audit & Governance Committee in May 2020. • A summary of irregularity investigations is presented to the Audit & Governance Committee twice a year. • There is a whistle blowing policy in place with confidential reporting available • The council is a member of the National Anti-Fraud Network which provides fraud alerts as well as a number of services that can be used to aid investigation of suspected incidents of fraud • Appropriate internal control and internal check arrangements have been specified in SAP with automatic workflow to ensure authorisation at the appropriate level. • There is a requirement for managers to review their control arrangements and to report on any material breaches identified. • The Audit and Governance Committee receive the Annual Governance Statement, Corporate Governance Review, Effectiveness of Internal Audit review, the Annual Internal Audit Plan and the Annual Audit Letter . 	<p>Yes – The Fund is at risk of losses through fraud, bribery and corruption. The Fund regularly assesses its exposure to fraud risk</p> <p>The Process of identifying and responding to the risk of Fraud is as follows (and also shows the link to financial reporting):</p> <ul style="list-style-type: none"> • The Counter Fraud Strategy and Framework was presented to the Audit & Governance Committee in May 2020. • A summary of irregularity investigations is presented to the Audit & Governance Committee twice a year. • There is a whistle blowing policy in place with confidential reporting available • The Council is a member of the National Anti-Fraud Network which provides fraud alerts as well as a number of services that can be used to aid investigation of suspected incidents of fraud • Appropriate internal control and internal check arrangements have been specified in SAP with automatic workflow to ensure authorisation at the appropriate level. • There is a requirement for managers to review their control arrangements and to report on any material breaches identified. • The Audit and Governance Committee receive the Annual Governance Statement, Corporate Governance Review, Effectiveness of Internal Audit review, the Annual Internal Audit Plan and the Annual Audit Letter .
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>All the companies have bank accounts. Only specific individuals have access to each account and there is a clear segregation of duties when making payments so the preparer and the authoriser are completely separate. This helps minimise the risk for fraudulent payments being made from the on-line banking.</p>	<p>The Pension Fund has a separate bank account. Only specific individuals have access to each account and there is a clear segregation of duties when making payments so the preparer and the authoriser are completely separate. This helps minimise the risk for fraudulent payments being made from the on-line banking.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Council and Fund as a whole, or within specific departments since 1 April 2021? If so, please provide details</p>	<p>No</p> <p>Significant risks are reported to the Audit and Governance Committee though the work of internal audit.</p> <p>The annual internal audit plan, as approved by the Audit & Governance Committee, identifies resources which are set aside each year, using a risk based approach, within Internal Audit and this includes provision for the investigation of fraud and irregularity.</p>	<p>No</p> <p>Significant risks are reported to the Audit and Governance Committee though the work of internal audit.</p> <p>The annual internal audit plan, as approved by the Audit & Governance Committee, identifies resources which are set aside each year, using a risk based approach, within Internal Audit and this includes provision for the investigation of fraud and irregularity</p> <p>Through the Fund's risk register which gets reported to the Local Pensions Board</p>

Fraud risk assessment

Question	Management response (Council)	Management response (Fund)
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>All heads of service are required to complete a monthly report setting out the current position of their budget, highlighting any significant issues and variations that have been identified.</p> <p>This report includes a summary of high level risk, emerging risks and issues that the head of services wishes to draw to the attention of the strategic director. In addition, each head of service is required to give a year end assurance statement to certify that they are satisfied with levels of compliance. This includes specific reference to the identification and reporting of fraud and irregularities in accordance with financial regulations.</p> <p>The risk register and associated reports will be discussed at management team level and also at Audit and Governance committee</p>	<p>Any issues relating to risk or fraud are shared with the Local Pension Board and Pension Fund Committee on quarterly basis. Furthermore, the Fund does keep a risk register which are presented to Local Board and Pension Fund Committee on quarterly basis.</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within the Council and Fund where fraud is more likely to occur?</p>	<p>Yes - The Council's Internal Audit strategy and plan is updated each year based on a combination of management's assessment of risk (including that set out within the departmental and strategic risk registers and the Internal Auditors own risk assessment of the Council's major systems and other auditable areas). The Chief Internal Auditor has provided reasonable assurance that the council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2021 to 31 March 2022.</p> <p>Yes: Covid 19 continued to have an impact on the Council in 2021/22. Flexible working practices were adopted and audits were rescheduled. During 2021/22 there was a continued increase in the number of government grants that needed to be certified. The Digital Business and Insights programme Board have been given advice throughout the year seeking to provide specific assurance in the key areas to support critical decisions such as cutover and go-live</p> <p>No – Not that we are aware of.</p>	<p>The Funds financial management arrangements during 2021/22 fully complied with CIPFA's Statement on the Role of the Chief Finance Officer (CIPFA, 2010). The Executive Director of Resources (s151) met his financial responsibilities during the year and ensured financial management arrangements were in place. He reports directly to the Chief Executive and had regular contact with the Leader and key Members, Monitoring Officer, Chief Internal Auditor and other Executive Directors.</p> <p>The Fund is currently going through its internal audit in relation to its Investments. The report will be shared with Grant Thornton.</p>
<p>6. What processes do the Council and Fund have in place to identify and respond to risks of fraud?</p>	<p>See above.</p> <p>Also - The council's financial management arrangements during 2021/22 fully complied with CIPFA's Statement on the Role of the Chief Finance Officer (CIPFA, 2010). The Executive Director of Resources (s151) met his financial responsibilities during the year and ensured financial management arrangements were in place. He reports directly to the Chief Executive</p>	<p>See above</p>

Fraud risk assessment

Question	Management response (Council)	Management response (Fund)
<p>7. How do you assess the overall control environment for the Council and Fund, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p>	<p>The Chief Internal auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement. The Council's internal audit strategy and plan is updated each year based on risk assessments.</p> <p>Based on the internal audit work completed, the Chief Internal Auditor has provided Reasonable Assurance that Surrey County Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2021 to 31 March 2022.</p> <p>The majority of audit opinions issued in the year were generally positive although internal audit activities have identified a number of areas where the operation of internal controls has not been fully effective, as reflected by one minimal assurance opinion and eight partial assurance opinions issued in the year. Reports would have been issued with recommended actions . All nine areas will be subject to a follow-up audit to ensure the expected improvement has occurred</p> <p>In addition to specific audit reviews the internal audit team undertake regular liaison activity with all directorates to understand emerging pressures and risk areas, and then amend their plan of work</p>	<p>The majority of audit opinions issued in the year were generally positive although internal audit activities have identified a number of areas where the operation of internal controls has not been fully effective. The internal audit plan, which ensures internal controls are adequately reviewed, is produced annually on a risk based methodology. An Investment Audit by Internal Audit is carried out on a regular basis and recent audits have found the control environment to be effective and testing did not identify any issues with a sample of journals selected. Journal input continues to be decentralised and can be done by a wide range of SAP user profiles.</p> <p>Internal audit reports note a weak control environment over banking controls. Actions have been agreed to mitigate the impact and have been included in an internal audit report.</p>

Fraud risk assessment

Question	Management response (Council)	Management response (Fund)
<p>7 Continued</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>None that we are aware of</p>	
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>There is potential for misreporting but the risk register and other controls put in place to mitigate the risks will reduce the likelihood.</p>	<p>There is potential for misreporting but the risk register and other controls put in place to mitigate the risks will reduce the likelihood.</p>

Fraud risk assessment

Question	Management response (Council)	Management response (Fund)
<p>9. How does the Council and Fund communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>A new Counter Fraud Strategy and Framework was developed and presented to the Audit & Governance Committee in May 2020. This has been reported to committees and is uploaded to the Councils website and intranet. There is also a published code of conduct for all members and staff.</p> <p>Surrey County Council is committed to the highest possible standards of honesty, openness, probity and accountability. The Council seeks to conduct affairs in a responsible manner, to ensure that all activities are open and effectively managed, and to sustain integrity and principles of public interest disclosure. Employees, contracted workers and other stakeholders who have serious concerns about any aspect of our work are encouraged to come forward and voice those concerns.</p> <p>Staff and contractors can use the Navex Global hotline service for whistleblowing. The hotline can be called any time, night or day, in complete confidence if you believe that someone acting on our behalf is involved in criminal activity, fraud, theft or damage to our property or reputation. Your call will not be traced or monitored.</p> <p>No significant issues have been reported</p>	<p>A new Counter Fraud Strategy and Framework was developed and presented to the Audit & Governance Committee in May 2020. This has been reported to committees and is uploaded to the Councils website and intranet</p> <p>Code of conduct is given to all staff.</p> <p>No significant issues have been reported.</p>

Fraud risk assessment

Question	Management response (Council)	Management response (Fund)
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Fraud is a risk throughout the organisation. Fraud may be attempted wherever there is cash, goods, information or services. Anyone carrying out business for or on behalf of the council are deemed to be a risk.</p> <p>Risks will be identified using expertise from within and from outside the organisation. Risk registers will be regularly reviewed and updated to reflect the impact and likelihood of occurrence.</p>	<p>Fraud in an issue throughout the organisation. Fraud may be attempted wherever there is cash, goods, information or services. Anyone carrying out business for or on behalf of the council are deemed to be a risk.</p> <p>Risks will be identified using expertise from within and from outside the organisation. Risk registers will be regularly reviewed and updated to reflect the impact and likelihood of occurrence.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>The Council is required to disclose material transactions with related parties. These bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council are disclosed in note 32 to the statement of accounts.</p> <p>Members and senior officers are required to complete related party disclosures forms annually, declaring whether they have a related party interest to declare and if so to state the nature of the declaration.</p>	<p>The Fund is required to disclose material transactions with related parties. These bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council are disclosed in note 22 to the Pension Fund Accounts</p>

Fraud risk assessment

Question	Management response (Council)	Management response (Fund)
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Arrangements in place to report fraud:</p> <ul style="list-style-type: none"> • Internal audit plan • The Counter Fraud Strategy and Framework • Whistleblowing policy <p>A summary of irregularity investigations is presented to the Audit & Governance Committee twice a year. There is a requirement for managers to review their control arrangements and to report on any material breaches identified. The Audit and Governance Committee receive the Annual Governance Statement, Corporate Governance Review, Effectiveness of Internal Audit review, the Annual Internal Audit Plan and the Annual Audit Report for scrutiny and comment</p> <p>The Chief Internal Auditor has provided Reasonable Assurance that Surrey County Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2021 to 31 March 2022. Any areas in need of improvement have been reported to committee and improvement plans will be reinvestigated.</p>	<p>Arrangements in place to report fraud:</p> <ul style="list-style-type: none"> • Internal audit plan • The Counter Fraud Strategy and Framework • Whistleblowing policy <p>A summary of irregularity investigations is presented to the Audit & Governance Committee twice a year. There is a requirement for managers to review their control arrangements and to report on any material breaches identified. The Audit and Governance Committee receive the Annual Governance Statement, Corporate Governance Review, Effectiveness of Internal Audit review, the Annual Internal Audit Plan and the Annual Audit Report for scrutiny and comment.</p> <p>The Chief Internal Auditor has provided Reasonable Assurance that Surrey County Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2021 to 31 March 2022. Any areas in need of improvement have been reported to committee and improvement plans will be reinvestigated.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>None that we are aware of</p>	<p>None that we are aware of</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>None that we are aware of</p>	<p>None that we are aware of</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that Council and Fund's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response (Council)	Management response (Fund)
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does the Council and Fund have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council and Fund's regulatory environment that may have a significant impact on the Council and Fund's financial statements?</p>	<p>Professional networks. Local authority and public sector groups. External consultants and sector experts</p> <p>Internal Audit's Annual Governance Statement (AGS) provided to Audit & Governance Committee, Information presented to the Audit and Governance Committee i.e. Risk Registers, Performance Reports, Cyber Security Policy, Breaches Policy, Breaches Report, Internal Dispute Resolution Procedure (IDRP), Business Continuity Plan, FOI responses, Technical Manager horizon scanning of legal and regulatory requirements.</p> <p>Controls built into the system (Altair, SAP), Performance Management, Regular Supervision, Monitoring of build-up of backlogs.</p> <p>Not aware of any changes.</p>	<p>Professional networks. Local authority and public sector groups. External consultants and sector experts</p> <p>Internal Audit's Annual Governance Statement (AGS) provided to Audit & Governance Committee (2020-21 AGS attached), Information presented quarterly to the Local Pension Board i.e. Risk Registers, Performance Reports, Cyber Security Policy, Breaches Policy, Breaches Report, Internal Dispute Resolution Procedure (IDRP), Business Continuity Plan, FOI responses, Technical Manager horizon scanning of legal and regulatory requirements.</p> <p>Controls built into the system (Altair, SAP), Performance Management, Regular Supervision, Monitoring of build-up of backlogs.</p> <p>Items identified in horizon scanning indicate the need for resources to address issues such as Dashboards and implications of McCloud judgement.</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Relevant qualified officers will be present at committee and sign off reports to say that laws and regulations have been complied with. Experts will also be called to appear where required.</p>	<p>Relevant qualified officers will be present at committee and sign off reports to say that laws and regulations have been complied with. Experts will also be called to appear where required.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details</p>	<p>None</p>	<p>None</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>None that we are aware of.</p>	<p>None that we are aware of</p>

Impact of laws and regulations

Question	Management response (Council)	Management response (Fund)
5. What arrangements does the Council and Fund have in place to identify, evaluate and account for litigation or claims?	Provisions and contingent liabilities are discussed with the legal and insurance teams each year to ensure that they are still accurate and that no additional liabilities have risen.	Regular communication and monitoring reports are provided by legal advisors as to the assessment of potential class action claims.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	None that we are aware of.	None that we are aware of.

Related Parties

Matters in relation to Related Parties

The Council and Fund are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by the Council and Fund.
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Council and Fund;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council and Fund, or of any body that is a related party of the Council and Fund.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council and Fund's perspective but material from a related party viewpoint then the Council and Fund must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response (Council)	Management response (Fund)
<p>1. Have there been any changes in the related parties including those disclosed in the Council and Fund's 2020/21 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and the Council and Fund whether the Council and Fund has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>None that we are aware of.</p> <p>Members and senior officers are required to complete related party disclosures forms annually, declaring whether they have a related party interest to declare and if so to state the nature of the declaration.</p>	<p>None that we are aware of.</p> <p>Members and senior officers are required to complete related party disclosures forms annually, declaring whether they have a related party interest to declare and if so to state the nature of the declaration.</p>
<p>2. What controls does the Council and Fund have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>The external audit plan for 2021/22 does not identify any significant risks in terms of related parties reporting. The value of income and expenditure at the companies is relatively low and a misstatement at a subsidiary level is unlikely to have a material impact on the statement. The risk in relation to financial reporting remains low.</p>	<p>The external audit plan for 2021/22 does not identify any significant risks in terms of related parties reporting. The value of income and expenditure at the companies is relatively low and a misstatement at a subsidiary level is unlikely to have a material impact on the statement. The risk in relation to financial reporting remains low.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>The Council's constitution, financial regulations and scheme of delegation within the agreed constitution are in place for transactions and arrangements</p>	<p>The Council's constitution, financial regulations and scheme of delegation within the agreed constitution are in place for transactions and arrangements</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>The Council's constitution, financial regulations and scheme of delegation within the agreed constitution are in place for all transactions and arrangements. Additional terms will be agreed within the scheme of delegation and rules and regulations if required.</p>	<p>The Council's constitution, financial regulations and scheme of delegation within the agreed constitution are in place for all transactions and arrangements. Additional terms will be agreed within the scheme of delegation and rules and regulations if required.</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response (Council)	Management response (Fund)
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by the Council and Fund will no longer continue?</p>	<p>Surrey County Council's accounts are drawn up under the CIPFA Local Authority Accounting Code of Practice (The Code). The Code requires Local Authorities to prepare their financial statements on a going concern basis, on the assumption that a council will continue to operate for the foreseeable future. This assumption is based on the fact that local authorities carry out functions essential to the local community, exist by statute and are themselves revenue-raising bodies. If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year</p> <p>Whilst, like all local authorities, the Council is currently operating in a challenging and uncertain financial environment, we do not have reason to conclude that the assumption to report on a going concern basis is no longer valid or that there is any evidence to suggest that the going concern assumption should be rebutted.</p>	<p>The assumption is that the Pension Fund will continue to operate for the foreseeable future, unless all of the over 300 employers defaulted at the same time. We monitor issues with the employers by analysing delays in contributions being paid which may indicate that the employers may be struggling.</p>
<p>2. Are management aware of any factors which may mean for the Council and Fund that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>None</p>	<p>None</p>
<p>3. With regard to the statutory services currently provided by the Council and Fund, does the Council and Fund expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for the Council and Fund to cease to exist?</p>	<p>The Council expects to continue to deliver current statutory services for the foreseeable future.</p>	<p>The Fund expects to continue to deliver current services for the foreseeable future.</p>
<p>4. Are management satisfied that the financial reporting framework permits the Council and Fund to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p>Yes</p>	<p>Yes</p>

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body'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 body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body'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 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?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response (Council)	Management response (Fund)
<p>1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?</p>	<p>Property, Plant and Equipment – the valuation techniques used by the external valuers, Bruton Knowles, involve a number of estimates and assumptions.</p> <p>Pension liability – This is calculated by the pension fund's actuary and involves a number of complex judgements related to retirement ages, longevity and expected rates of return on investments.</p> <p>In addition: challenging assumptions and judgements in significant accounting estimates in respect of property plant and equipment land and buildings, and investment property. Also the completeness and accuracy of accruals and payables. Significant assumptions have been made for Property plant and equipment, Fair value of Investment properties, Council Tax and Business Rates Baseline, Debtors and Fair Value measurements. When the fair values of assets and liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example the investment properties and surplus asset valuations are done by expert firms).</p>	<p>The calculation of fund benefit liabilities depends on a number of complex judgements made about pensions paid significantly into the future. An actuary firm is engaged to provide the fund with expert advice about the assumptions to be applied.</p> <p>Level 3 Private equity investments and Property Investments, are held at fair value, but these investments are not readily traded and so a market price involves a reasonable amount of uncertainty. Private equity investment valuations are provided by external fund managers.</p>
<p>2. How does the Council and Fund's risk management process identify and address risks relating to accounting estimates?</p>	<p>Any risks identified will be highlighted and reported back to officers who would investigate using experts where necessary. It would form part of the departmental or corporate risk register. Accounting policies will be reviewed as part of the closure of accounts</p>	<p>Any risks identified will be highlighted and reported back to officers who would investigate using experts where necessary. It would form part of the departmental or corporate risk register. Accounting policies will be reviewed as part of the closure of accounts</p>

Accounting Estimates - General Enquiries of Management

Question	Management response (Council)	Management response (Fund)
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Evaluate skills within team and use specialist advice where necessary	Evaluate skills within team and use specialist advice where necessary
7. How does the Council and Fund determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	Based on the code of practice and specialist knowledge. The following will be looked at: Contract terms, Performance management, Sense check response. There will also be Sign off and authorisation checks and review of data transferred	Contract terms. Performance management. Sense check response. Sign off and authorisation checks and review of data transferred
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Management will monitor Contract agreement and conduct a Review of data provided. There will be General internal controls (including internal audit)	Management will monitor Contract agreement and conduct a Review of data provided. There will be General internal controls (including internal audit)
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements.	Controls are in place across the organisation to prevent material misstatement. The finance ledger is regularly monitored through monthly budget monitoring. Regular balance sheet monitoring through the production of a quarterly balance sheet and the certification of balances process help ensure balances are materially accurate.	Controls are in place across the organisation to prevent material misstatement. The finance ledger is regularly monitored throughout the year.

Accounting Estimates - General Enquiries of Management

Question	Management response (Council)	Management response (Fund)
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No - All estimates that require significant judgement will be included in Appendix A	No - All estimates that require significant judgement will be included in Appendix A
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Any items identified have been produced following the code of practice and the code of practice guidance. In addition staff are qualified and external advisers are used where appropriate. All workings will be reviewed by suitably qualified staff .	Any items identified have been produced following the code of practice and the code of practice guidance. In addition staff are qualified and external advisers are used where appropriate. All workings will be reviewed by suitably qualified staff .
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Professionals will sign off the statements to say that they are prepared using code of practice and other regulations. Both internal and external auditors will be able to give the committee assurance and reports from recognised experts will be heard at committee.	Professionals will sign off the statements to say that they are prepared using code of practice and other regulations. Both internal and external auditors will be able to give the committee assurance and reports from recognised experts will be heard at committee.

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations - Council	IAS 16 – initially measured at cost. Assets carried in Balance Sheet using DHC, EUV-SH, EUV, DRC, Current Value depending on nature of asset	As per external valuers report	Yes- External valuers – Bruton Knowles	Expert valuation inform the accounting entries based on the assumptions of value and economic life. The economic life is calculated by Valuer and assumption is that consumption of benefits from the asset will be spread over this life.	No
Investment property valuations	IAS40 – initially at cost and subsequently at fair value. Measured at highest and best use. Not depreciated but revalued annually according to market conditions	As per external valuers report	Yes- External valuers – Bruton Knowles	Expert valuation inform the accounting entries based on the assumptions of value and economic life. The economic life is calculated by Valuer and assumption is that consumption of benefits from the asset will be spread over this life.	No
Depreciation	Depreciation is allocated over useful lives. Calculated using straight line allocation over the useful life of an asset	External valuers economic life calculation. Periodic review of UEL	No – although economic life calculation from external valuer is used	Estimated useful lives of assets based on assumptions of future maintenance of the asset. If future spending on maintenance was to change the useful lives may also change.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities - Council	<p>Calculated by a qualified actuary in accordance with current accounting requirements and based on the information provided by the Pension Fund with respect to the Authority.</p> <p>The process through which the Council submits data to the actuary, how they account for the IAS19 report and the controls around this are outlined in detail in the IAS19 process documentation.</p>	As per actuaries report	Yes – we use Hymans Robertson to value pension liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. These are all calculated by the actuary based on the underlying data provided to them.	No
Level 2 investments – Fund (Private Equity and Property Unit Trust)	Provided by external treasury advisors Arlingclose	Review fair value by external advisors is carried out for reasonableness	Yes we use Arlingclose as Treasury advisors	The assumptions underpinning the fair value process are: - instruments with quoted market prices – the market price - other instruments with fixed and determinable payments – discounted cash flow analysis.	No
Level 3 investments – Fund (Private Equity, Fund of Fund investments, and Property Unit trust)	Provided by external treasury advisors Arlingclose	Review fair value by external advisors is carried out for reasonableness	Yes we use Arlingclose as Treasury advisors	The assumptions underpinning the fair value process are: - instruments with quoted market prices – the market price - other instruments with fixed and determinable payments – discounted cash flow analysis.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions – Council	estimate is derived from system reports. Different percentages are applied to the debt to calculate the required provision. The older the debt the higher the percentage applied.	As the bad debt provision is a journal entry to adjust the pre-existing bad debt provision, journal controls are applied.	No	Assumptions made around the collectability of debt include.... 0 - 6 months are not provided for. 7 - 12 months are provided for using 10% of the balance. 13 - 18 months are provided for using 30% of the balance. 19 - 24 months are provided for using 700% of the balance. 24+ months are provided for using 100% of the balance.	No
Accruals - Council	Accruals are estimated using quoted costs, estimations based on market rates and past expenditure.	finance team members reviews the accrual for reasonableness.	No	The assumptions underpinning the accruals process are: - That cost will be incurred. - Where invoice is yet to be received, assumption that cost will be in line with previous invoices.	No
Credit loss and impairment allowances - Council	Credit losses on all financial assets held at amortised costs or FVOCI either on a 12 month or lifetime basis. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations.	A collective assessment is made for groups of instruments where reasonable and supportable information is not available for individual instruments without undue cost or effort. The aim will be to approximate the result of recognising lifetime expected credit losses if significant increases in credit risk since recognition had been measurable for the individual instruments.	No	Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Finance lease liabilities - Council	Payments made to the contractor are described as unitary payments. Unitary payments have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The value of any capital works are matched in the balance sheet by recognising a liability, either a finance lease liability or a deferred income liability where the contractor is able to exploit the assets for their own business.	PFI models are regularly revisited	No	Annual payments may be dependent on performance (i.e. tonnage of waste sent for disposal, beds available to purchase at care homes). Contract management will closely monitor performance and council liabilities	No
PFI Liabilities - Council	Payments made to the contractor are described as unitary payments. Unitary payments have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The value of any capital works are matched in the balance sheet by recognising a liability, either a finance lease liability or a deferred income liability where the contractor is able to exploit the assets for their own business.	PFI models are regularly revisited	No	Annual payments may be dependent on performance (ie tonnage of waste sent for disposal, beds available to purchase at care homes). Contract management will closely monitor performance and council liabilities	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
PV of Promised retirement benefits - Fund	Estimate of the net liability to pay pension depends on a number of complex judgements relating to the discount rate used. Hymans Robertson is the management's expert who make the estimate.	Management use Hymans Robertson to make the estimation. Hymans Robertson is audited and regulated by the Financial Conduct Authority. Regular reports are submitted to the Pension fund committee and Board.	Yes. Hymans Robertson is engaged to make the estimation.	<p>Estimation of the net liability to pay pension depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.</p> <p>Actuary makes estimate using professional valuations and other appropriate financial information. Keys assumptions are agreed with the Pension Fund committee.</p> <p>Assumptions used by the actuary are challenged. If there is material estimation uncertainty then this is disclosed in the financial accounts.</p>	No



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