

MINUTES of the meeting of the **AUDIT AND GOVERNANCE COMMITTEE** held at 10.00 am on 5 June 2024 at Surrey County Council, Council Chamber, Woodhatch Place, 11 Cockshot Hill, Reigate, Surrey, RH2 8EF.

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

Elected Members:

(Present = *)

- * Victor Lewanski (Chairman)
- * Richard Tear (Vice-Chairman)
Stephen Cooksey
- * Steven McCormick
Ayesha Azad
- * Helyn Clack
- * Matthew Woods (Independent Member)

Members in Attendance

David Lewis (Cobham) - Cabinet Member for Finance and Resources
Clare Curran - Cabinet Member for Children, Families and Lifelong Learning

The Chairman reminded officers and Members of the guidance issued around the current pre-election period for the General Election 2024 on Thursday 4 July.

23/24 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Stephen Cooksey.

24/24 MINUTES OF THE PREVIOUS MEETING - 13 MARCH 2024 [Item 2]

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

25/24 DECLARATIONS OF INTEREST [ITEM 3]

Regarding the changes from SAP to Unit 4/MySurrey and counter fraud concerning Epsom and Ewell Borough Council, Steven McCormick declared a non-pecuniary interest noting that he is the Chair of the Digital Business & Insights (DB&I) Task and Finish Group, and he is a borough councillor at Epsom and Ewell Borough Council.

26/24 QUESTIONS AND PETITIONS [Item 4]

There were none.

27/24 RECOMMENDATIONS TRACKER AND WORK PLAN [Item 5]

Witnesses:

Jessica Brooke, Customer Relations Manager
Nikki O'Connor, Strategic Finance Business Partner (Corporate)

Key points raised in the discussion:

1. A Committee member noted that it would be useful for the longstanding actions on the tracker to be completed and to explore the reasons for their delay. The

Chairman referred to the outstanding action A7/23 and sub-actions a) to i), the target date being June 2024, he noted the progress on that action made included in Appendix 1 'Complaints Task and Finish Group update' regarding completed action A33/23. He asked when the issues would be resolved. The Customer Relations Manager noted that she did not have a specific timeline, that was being reviewed under the Customer Service Transformation Programme; the Chairman requested that definitive responses be provided for the September Committee.

2. The Chairman referred to A16/23 asking whether Public Sector Audit Appointments (PSAA) had approved the proposed audit fee for 2022/23. The Strategic Finance Business Partner (Corporate) noted that PSAA had signed off the Pension Fund fee but not the Council fee. She was not aware of a reason for the delay but noted that the audit was only signed off in March 2024, she would follow that up for July.
3. The Chairman referred to A6/24 noting that the 10 June Resources and Performance Select Committee private online meeting to confirm the Digital Business & Insights (DB&I) report would be pushed back to late June or early July, as the final report was being delayed to July's Cabinet.
4. The Chairman referred to the 11 September 2024 Work Plan item, noting that two new items had been added to the agenda: Audit & Governance Committee Effectiveness Review 2024: a self-assessment exercise by officers and Committee members against the latest Chartered Institute of Public Finance and Accountancy (CIPFA) Position Statement; reviewing good practice, knowledge and training; and the Annual Report of the Committee: highlighting the Committee's activity, to then be reported to a Council meeting for information.

RESOLVED:

1. Monitored progress on the implementation of actions/recommendations from previous meetings (Annex A).
2. Noted the work plan and the changes to it (Annex B).

Actions/further information to be provided:

1. Regarding action A7/23, the Customer Relations Manager will provide definitive responses for the September Committee.
2. Regarding action A16/23, the Strategic Finance Business Partner (Corporate) would follow up an update for the July Committee.

28/24 ANNUAL COMPLAINTS PERFORMANCE REPORT [Item 6]

Witnesses:

Jessica Brooke, Customer Relations Manager
Tracey Sanders, Assistant Director - Inclusion and Additional Needs
Luke Entwistle, Assistant Director - Quality Relationships
Sue Grizzelle, Head of Customer Services

Key points raised in the discussion:

1. The Customer Relations Manager introduced the report and noted that across the three teams there was a 5% increase in complaints from the previous year. There was a 68% decrease in Home to School Transport complaints which reflected the changed approach and structure, a 26% increase in Adults, Wellbeing and Health Partnerships (AWHP) complaints which reflected the changes in how care was funded with families having to contribute, a 6% decrease in Children, Families and Lifelong Learning (CFLL) complaints, and a 38% increase in all other corporate

- services which reflected the Council taking over the accountability for parking enforcement and verge cutting from the district and borough councils.
2. The Customer Relations Manager noted that the increased volume of complaints highlighted the accessible complaints procedure and commitment to consider feedback received both positive and negative to improve the services delivered. Each customer relations team recorded and monitored the actions arising from customer feedback. The root cause of many of the complaints was the inadequate level of communication, it must be proactive for example through website updates.
 3. The Customer Relations Manager explained that complaints about Education Services reflected the ongoing national challenges around provision, the service sought to ensure the right level of support for families at the right time. The Learners' Single Point of Access (L-SPA) was vital.
 4. The Customer Relations Manager noted that the financial remedies more than doubled when compared to the previous year, AWHP increased to £15,400 from £1,550 and CFLL increased to £525,211 from £258,730. A significant amount of the remedies reflected the changes by the Local Government and Social Care Ombudsman in financial redress, for example £100 was paid monthly until an agreed Education, Health and Care Plan (EHCP) or assessed provision was in place. The delays were attributed to the shortage of Educational Psychologists (EPs), an increase in the cohort of children undergoing EHC Needs Assessment and backdated payments for missed provision.
 5. The Customer Relations Manager referred to the recommendation noting that inclusion of complaints within the Risk Register followed the review which recognised that whilst the potential for complaints was integral to customer facing roles, there was a high number of complaints received in CFLL and the associated remediation payments was a risk, there were actions to address the root cause.
 6. The Customer Relations Manager noted that the focus over the next year was to work with the services to deliver training and for them to obtain feedback and learn from that, to continue to embed an early resolution programme, to continue to avoid an increase in unnecessary complaints and to work with senior leaders in the delivery of the Customer Service Transformation Programme.
 7. A Committee member asked what level of root cause analysis was undertaken to understand how large a part in the EHCP delays the shortage of EPs was, and what the other factors were. The Assistant Director - Inclusion and Additional Needs explained that there was a recovery plan and the Council was nearing national levels for assessments. The national shortage of EPs was a key factor in the delays, Surrey was below 50% of its establishment and therefore contracted external EPs. There were also delays in the processing of annual reviews of EHCPs, the annual review recovery team was working to address the timeliness.
 8. A Committee member asked whether the increase in financial redress payments for complaints from the Ombudsman was anticipated and whether that was included in the risk register. The Customer Relations Manager explained that part way through the year the Ombudsman changed the way that they managed complaints at a national level from recommending lump sums to a monthly remedy until provision was put in place. That change could not have been anticipated and the Council and other local authorities challenged that and was working with them. The Assistant Director - Quality Relationships provided reassurance that there was a substantial amount of work underway to address complaints at the earliest point, through restorative practice and improving communication, and to pay remedies earlier. The Council had an improvement plan to reduce the number of complaints.
 9. A Committee member asked whether complaints not considered as part of the procedure were being measured and where, such as data breaches in Special Educational Needs and Disabilities (SEND). The Customer Relations Manager explained that complaints outside the remit of the complaint procedures were recorded and measured by the relevant team, decisions were made on each case.

10. The Chairman asked when the improvement plan was put into place and when were improvements expected to be seen. The Assistant Director - Quality Relationships highlighted that the additional needs and disability improvement plan sought to improve communication and relationships through a delivery group. The Assistant Director - Inclusion and Additional Needs noted that communication had been a concern for the SEND service and there were challenges around vacancy rates whereby backlogs developed. SEND staffing had since doubled and was stable and a Communications Protocol was put in place as case officers had not been clear of expected response times, they had since received training on taking a sympathetic approach; senior case managers oversaw complaints to ensure response timeliness. There was also an end-to-end review of the SEND statutory process for case officers to have enough information to respond to parents and to strengthen their ability to make decisions; those measures would be in place from September 2025. A SEND communication hub had been set up, officers were proactively communicating with families around specific issues, enquiries were triaged and complaints regarding communications had dipped. The Cabinet Member for Children, Families and Lifelong Learning noted that the improvement plan followed from the joint Care Quality Commission inspection of the SEND services in September 2023, and was monitored by the Department for Education.
11. A Committee member asked about the Ombudsman's guidance to provide financial remedies earlier, who made those decisions and was there guidance on how much could be paid out. The Customer Relations Manager explained that the Ombudsman provided guidance on the recommended remedies and the service decided the amount, the Council also reviewed published cases concerning other local authorities and the Council's historic cases to seek comparisons.
12. A Committee member welcomed the decrease in Home to School Transport complaints. Noting the Cabinet's £15 million investment into addressing the EHCP delays whereby those complaints had started to reduce, asked whether it was expected that the increase in EHCP applications would also start to reduce. The Assistant Director - Inclusion and Additional Needs noted that EHCP assessment requests had reduced slightly from the previous year, attributable to the preventative measures. The Ordinarily Available Provision document provided clarity on the expected provision by schools to SEND children and a multitude of support was available such as specialist teachers for inclusive practice, Speech and Language Therapists and support from other agencies. The backlog of old EHC Needs Assessment requests was being tackled, which meant a higher number of EHCPs being issued, that should stabilise going forward.
13. A Committee member reflected on the concerns regarding communications and asked why officers were not clear about the timeframes as there was a clear procedure in place. Asked what was meant by case officers not having control of the whole process and asked why measures from the end-to-end review could not be put in place sooner than September 2025 to be proactive. The Assistant Director - Inclusion and Additional Needs explained that officers had not been consistent in their responses and until a year ago had not been given a directive from management about when to respond by.
14. As a supplementary on the above, the Committee member highlighted the number of complaints from residents about the lack of response and that should have been simple to correct and asked whether it was the case that officers did not have training or procedures in place, or that they just did not follow those. The Assistant Director - Inclusion and Additional Needs noted that the issue around a consistent understanding of expectation regarding communications had been resolved.
15. A Committee member referred to the proactive follow-up by officers with parents of children without schools to get them allocated, noting that allocating children as quickly as possible should be procedural and asked how that was being addressed. The Assistant Director - Inclusion and Additional Needs referred to the Internal

Audit report which recognised that officers responded to parents and proactively communicated, there was positive feedback. She noted that whilst part of business as usual, there was dedicated resource for case officers to contact parents around progress regarding key stage transfer during that anxious time, it enabled case officers to meet their targets and address the backlog.

16. A Committee member referred to the shortage of EPs and asked why more EPs could not be contracted by the Council to deal with the backlog, the failings to children and financial penalties warranted additional spend. The Assistant Director - Inclusion and Additional Needs noted that the Council had commissioned over 1,000 EPs from external agencies and had cleared the backlog. The Cabinet Member for Children, Families and Lifelong Learning noted that she had raised the issues of the national shortage of EPs and the difficulty in recruitment for local authorities with the Government's Children's Minister and with Surrey MPs.
17. The Chairman asked how the Council compared with other local authorities regarding the complaints in Children's Services. The Customer Relations Manager noted that each local authority published its annual complaints report so that information could be gathered. The Assistant Director - Quality Relationships noted that information was benchmarked and he would provide that.
18. A Committee member asked when the Council's Pensions Service's separate report on complaints received by the service to the respective committee was scheduled. He noted that pensions complaints were dealt with through a separate procedure, yet the report also stated that it would fall under the corporate complaints procedure covering all other services. The Customer Relations Manager clarified that there were three main complaints procedures, but five in total as the complaints procedure about pensions and the complaints procedure about internal personnel matters mirrored the corporate complaints procedure, those two procedures were separate as they had different escalation routes.
19. A Committee member referred to the Early Resolution and use of online complaints form section and asked how the complaints received manually were entered into the system and tracked. He also asked how many contacts came in via non-electronic methods. The Customer Relations Manager explained that the three complaints teams in the business support unit manually add complaints into the customer record system, a reference number was allocated and the complaint was monitored and tracked in the same way as self-served complaints. She would provide the information requested regarding contacts via non-electronic methods.
20. A Committee member noted that the Customer Relations Team worked with Highways colleagues to improve response performance through localised training and webinars, yet as the same processes were used across the Council asked why there was a difference in the barriers and challenges to timely responses. The Customer Relations Manager outlined the different tiers of the complaints processes between services. She noted that Highways faced challenges this year as they took on additional work from the borough and district councils, there was also challenges around their response and engagement with the process. There was a programme to engage engineers and operational colleagues so that they understand the role of the complaints process and vice versa. Five training sessions had been delivered and complaints were being addressed sooner, building in the work of the Customer Service Transformation Programme.
21. A Committee member asked what needed to be done for the CFLL services to improve from 75% to meet the target of 80% compliance. The Assistant Director - Quality Relationships noted the comprehensive work underway such as investing in restorative practice training across the directorate, focused initially on additional disability services, investment in additional customer relations resource, increased training and development for staff, improving quality assurance practices, customer champions across the services to focus on communication and plain English training. In May nearly 100% of complaints in SEND services were responded to

- within 15 working days, the average response time now was less than 10 working days and enquiry responses averaged under 10 working days.
22. The Chairman noted that most of the work was based on training, it seemed like work was starting from scratch for staff who should be experienced. He asked what the benefit to the customer of staff training was and what did the training to create a stronger customer ethos across the organisation mean. The Customer Relations Manager noted that despite the large cohort of children with EHCPs the number of complaints received in SEND was only 10% of those. The Council had regular staff turnover and organisational changes, work was underway to identify the pockets of recruitment. Training for frontline officers enabled them to understand their key role in the complaints process. To develop the ethos now, there was training on the Ombudsman's code which comes into force in 2026. The Head of Customer Services explained that the Customer Service Transformation Programme sought to change the organisation's culture through training and communication - many complaints were avoidable - ensuring that all staff are aware of their responsibility.
 23. The Chairman noted that the benefits of the improvement plan would not be seen until September 2025 onwards and asked whether it was expected that the financial redress payments would flatline because of the work underway. The Assistant Director - Inclusion and Additional Needs confirmed that was the expectation. The SEND service welcomed that additional training to new staff and to upskill existing staff, a Communications Protocol set out the expectations and there were actions for management to ensure they monitor complaints activity.
 24. The Vice-Chairman sought assurance that the situation had stabilised and future improvement would be made, and asked whether the problems causing those complaints was improving and those dealing with the delivery were engaged. The Customer Relations Manager noted that the report reflected complaints gathered last year and the areas of fault would have happened a year prior. It was expected that there would be a downturn in complaints received and an upturn in service delivery. The Assistant Director - Inclusion and Additional Needs highlighted that the end-to-end review of the SEND service was addressing many of the causes of complaints and worked closely with the Customer Relations Team on the matter.
 25. A Committee member hoped that the improvement plan following the Ofsted inspection and Cabinet's £15 million investment and EHCP recovery plan over the next three years would lead to a reduction in complaints and an increase in performance in SEND. The Cabinet Member for Children, Families and Lifelong Learning confirmed that was expected, drawing a parallel with the escalation in Home to School Transport complaints the year before last whereby complaints reduced due to investment and the strengthening of procedures, and the service improved. She noted that the Council was back at national levels of timeliness for EHC Needs Assessments having dealt with the backlog of 1,000 children.
 26. A Committee member asked whether the issue of missed provision and remedy payments would reduce with the increase of EPs and the timeliness of EHCPs would increase. The Assistant Director - Inclusion and Additional Needs confirmed that was expected.
 27. A Committee member asked whether the Committee could have sight of the recommendations around addressing the cause of missed provision relating to children missing education for other reasons. The Assistant Director - Inclusion and Additional Needs would liaise with the relevant assistant director regarding the recommendations on the programme of work around children missing education.
 28. The Chairman asked whether the financial redress included legal costs incurred by the Council. The Customer Relations Manager clarified that there were no legal costs for the Council to pay, the financial remedies related to injustice based on the Ombudsman's guidelines. Only in exceptional circumstances in the past had the Ombudsman directed the Council to cover legal costs incurred by a complainant regarding an associated process.

29. The Chairman and Vice-Chairman thanked officers for their hard work and looked forward to seeing the improvements in next year's annual report.

RESOLVED:

That the Committee noted the report, specifically the complaint management processes in place, the inclusion of complaints within the Risk Register and the manner in which the feedback derived from complaints contributes to service improvements.

Actions/further information to be provided:

1. A12/24 - The Assistant Director - Quality Relationships will provide the information benchmarked from other local authorities regarding the complaints in Children's Services, as gathered from their annual complaints report.
2. A13/24 - The Customer Relations Manager will provide the information requested regarding the number of contacts received via non-electronic methods.
3. A14/24 - The Assistant Director - Inclusion and Additional Needs will liaise with the relevant assistant director to provide the recommendations on the programme of work around children missing education.

29/24 2023/24 TREASURY MANAGEMENT OUTTURN REPORT [Item 7]

Witnesses:

Nikki O'Connor, Strategic Finance Business Partner (Corporate)

Anna D'Alessandro, Interim Executive Director - Finance and Corporate Services

Key points raised in the discussion:

1. The Strategic Finance Business Partner (Corporate) introduced the report which outlined the management of the Council's cash, including its borrowing and investment decisions. The Council complied with the Prudential Indicators throughout the 2023/24 financial year. Due to capital programme spend during the year the Council's underlying need to borrow increased. The Council did not undertake any long-term borrowing but utilised its short-term and internal borrowing to avoid locking in higher interest rates for longer periods. She explained that short-term borrowing was often at its peak at the end of March across local government and as a result rates were unusually high over financial year end, the short-term market rates had reduced in April.
2. The Strategic Finance Business Partner (Corporate) noted that the Council's investments of short-term cash balances during the year were wholly invested in Money Market Funds, spreading the risk and ensuring liquidity. The higher than budgeted interest payable costs on short-term borrowing due to high interest rates, was offset by increased interest receivable from investments. She confirmed that the Council was compliant with the Department for Levelling Up, Housing and Communities (DLUHC) revised regulations regarding Minimum Revenue Provision (MRP), the Council changed its MRP policy in 2021/22 in anticipation of that.
3. A Committee member asked how many times the Council would have to breach the operational boundary for it to be an issue and if the Council had not gone near it or breached it in the last year was it a useful management tool. The Strategic Finance Business Partner (Corporate) confirmed that it remained a useful management tool, the operational boundary was an early warning sign and sat below the authorised limit which the Council must not breach. The operational boundary could be breached multiple times and its level was reset annually.
4. A Committee member asked what an 'appropriately low risk balance' was. The Strategic Finance Business Partner (Corporate) explained that it was a judgement

call, various factors were considered such as the future cash flow forecasts, length of borrowing required and prevailing interest rates. Based on the current capital commitments the Council's underlying need to borrow would increase, the Council would have to engage in more long-term borrowing in the next few years. Ideally this was awaiting forecast reductions in interest rates and prior to that the Council was managing through the utilisation of short term and internal borrowing. The Council regularly engages with its Treasury advisors, Arlingclose, with meetings occurring at least monthly, after the Bank of England's Monetary Policy Committee.

5. A Committee member asked why there was such a high variance of £3.6 million for Interest Paid. He noted that the variance of Interest Received was due to the increase in interest rates and MRP was £2.5 million under budget due to a capital underspend in 2022/23. He asked why there was an underspend if the capital was allocated for funding projects and asked why that work was not completed. The Strategic Finance Business Partner (Corporate) explained that several assumptions and estimates were factored in when setting the budget: the interest rate, average cash balances and capital expenditure. She explained that the variances in Interest Paid and Interest Received were primarily due to the increase in the interest rate above what was forecasted. The slippage in the capital programme in 2022/23 meant that the MRP charge for 2023/24 was less than forecasted. She noted that the monthly outturn reports to Cabinet detailed the summary of the capital slippage across the directorates and she could share the list of the individual schemes if requested.
6. The Chairman asked whether the Council reviewed the advice given by Arlingclose and asked how that impacted on what the Council's investment decisions were in terms of cash. The Strategic Finance Business Partner (Corporate) explained that every few years the contract goes out to re-tender, in line with procurement requirements, however it was a limited market. When providing their forecast of interest rates, Arlingclose also provided the market averages and the range of different assumptions; the Council also reviews other market insight and made its own assumptions about whether Arlingclose's forecasts were in line with its own. The Interim Executive Director - Finance and Corporate Services noted that there were around three providers in the market and Arlingclose was superior, the Council tested the market when it goes out to re-tender and triangulates their work.

RESOLVED:

Noted the content of the Treasury Management Outturn Report for 2023/24 and compliance with all Prudential Indicators.

Actions/further information to be provided:

None.

30/24 EXTERNAL AUDIT PLAN 2023/24 [Item 8]

Witnesses:

Janet Dawson, Partner, EY

Nikki O'Connor, Strategic Finance Business Partner (Corporate)

Key points raised in the discussion:

1. The Partner - EY introduced the report noting that EY was the Council's appointed auditor from the 2023/24 audit cycle under the new PSAA contract for the next five years, she was being supported by the Senior Manager - EY. The report outlined the situation in the wider market and the consultation processes were paused due

- to the calling of a general election, EY was undertaking its full reporting scope against the existing CIPFA Code. EY clearly stated its roles alongside the roles of the Committee and the Council's Finance team, setting expectations.
2. The Partner - EY noted that the key areas of risk outlined could change as EY gets to know the Council, any changes would be reported. Whilst the level of performance materiality was set at £21 million, any differences over £2.1 million would be reported to the Committee; she asked whether the Committee was satisfied with that level. She highlighted the value for money responsibilities and focus on financial sustainability, that had not been identified as a significant weakness, although the whole sector faced uncertainty over future funding arrangements. EY would be undertaking its own work on the scoping for the Group accounts, particularly around investment properties that sit within the subsidiaries.
 3. The Partner - EY noted that EY was committed to working to the timeline set out, with a report scheduled for November's Committee. She confirmed EY's independence from the Council. She noted that the fees were set at £384,130 by PSAA, those fees represented a significant increase for all organisations. She highlighted the section about non-compliance of laws and regulations for example in the case of fraud and the responsibilities for external auditors had been tightened by the regulator, any additional work would have an associated fee.
 4. A Committee member referred to the data migration onto a new Enterprise Resource Planning (ERP) system, asking whether the proposed work by EY would duplicate the work underway by Internal Audit. The Partner - EY explained that EY was reviewing the operation of the control environment across two different systems in the financial year for their own reporting purposes. She noted that must be documented to satisfy the audit requirements and EY must review the migration of data between the systems to ensure that it was complete, accurate and unamended. EY would work in a streamlined way using Internal Audit's work.
 5. A Committee member sought clarification that the scope for EY's work would be on the data migration from SAP to Unit 4/MySurrey for financial data only or whether it would cover all data migrated such as payroll data. The Partner - EY clarified that the focus was on the financial reporting data but EY would also test down into a year-end number which relied on non-financial information.
 6. A Committee member noted that the report was incomplete as there were several items regarding the fees that were to be confirmed, asked why that was the case and when those figures would be available. The Partner - EY noted that those fees were to be confirmed as there was more work to be done to assess how much work was needed in those areas. Regarding data migration and the impact on the financial reporting of the statements, the Finance team was mapping the migration between the systems; until that work was completed it would be difficult to understand the issues identified and the complexity. EY would undertake work from the start of July with the Finance team and would work out when they would be able to confirm those fees.
 7. A Committee member was uneasy with the recommendation for the Committee to approve the audit plan without those figures included. The Chairman asked whether EY could provide the figures for the July Committee. The Partner - EY, noted that whilst PSAA determined the fee, a fee range could be provided for the July Committee. The Committee agreed to defer the recommendation to July.
 8. The Chairman asked why that level of materiality was chosen, which was based on gross expenditure. The Partner - EY noted that EY was required to look at what the key areas of interest for the stakeholders were, typically for local authorities the assumption was that the taxpayer was most interested in the gross expenditure rather than a balance sheet figure like net assets in the case of the Surrey Pension Fund accounts. Typically, the materiality was between 0.5 and 3% of gross expenditure. Within local authorities and different audit firms the typical range was between 1 to 1.8% of gross expenditure, EY used 1.8% for the Council as it was

not viewed to be a significantly risky organisation. The Committee confirmed it was happy with the level of materiality.

9. The Chairman asked whether the walkthroughs scheduled in April had been completed as per the timeline. The Partner - EY confirmed that was the case.
10. The Strategic Finance Business Partner (Corporate) noted that the 2023/2024 draft Statement of Accounts were delayed by a few weeks from the expected 31 May 2024 publication date. She confirmed that the 2022/23 Statement of Accounts were signed off by the previous external auditors Grant Thornton on 27 March 2024.
11. The Chairman asked whether the audit teams were set up and ready to go. The Partner - EY confirmed that was the case.
12. The Chairman asked whether a date in June had been identified for the further planning and walkthroughs. The Partner - EY confirmed that further planning was underway in the background, there was not a team on site currently. She noted that she was working with EY colleagues and the Council's Finance team to progress the work and understand where any issues were and pulling together the relevant documents so the team would be ready to go in July.

RESOLVED:

The Committee deferred the 2023/24 Audit Plan to July's Committee meeting (Annex 1).

Actions/further information to be provided:

1. A15/24 - The Committee Manager will update the work plan adding in the deferred item and respective recommendation to July's Committee agenda for approval and that report will include the fee range to be provided by the Partner - EY.

31/24 INTERNAL AUDIT ANNUAL REPORT AND OPINION 2023-24 [Item 9]

Witnesses:

David John, Audit Manager

Key points raised in the discussion:

1. The Audit Manager introduced the report and explained that the annual opinion was a professional judgement he made with the Chief Internal Auditor, which considered where the lower areas of assurance were and how significant they were regarding the overall control environment. He noted that the distribution of the opinions over a four-year period looked consistent each year, there were more Reasonable Assurance opinions in 2023-24. The opinion of Reasonable Assurance had caveats as significant areas of concern had been flagged.
2. The Audit Manager noted that in collaboration with the Interim Executive Director - Finance and Corporate Services, a limited package of audits on key financial systems regarding Unit4/MySurrey was agreed so as not to impede the implementation and for the situation to stabilise. The full set of audits to be undertaken in the 2024/25 plan, as well as follow-up audits. The several Partial Assurance opinions in the key financial systems was not surprising given the complexity of the new ERP system, that had been considered as had management's response to the positive direction of travel.
3. The Audit Manager explained that another factor that influenced the overall opinion was the dilution in officer knowledge around key governance processes. Internal Audit undertook annual sampling of the key areas to ascertain officers' understanding of those, it was found that officers were not as aware of key policies as they should be and that would be addressed going forward.

4. The Audit Manager noted that five of the eight Partial Assurance opinions issued were in the CFLD Directorate. That had been accounted for in the 2024/25 plan and had been discussed with the Executive Director and her leadership team, follow-up audits would be undertaken.
5. The Audit Manager highlighted the significant amounts of positive assurance given across the year, both Substantial and Reasonable Assurance; for example, Accounts Receivable - part of Unit4/MySurrey - received Reasonable Assurance.
6. The Audit Manager highlighted that at the end of the year, there were 22 audits in progress from the 2023/24 plan, 11 were at draft report stage with management. At the end of May, 13 of those 22 were issued as finals, 5 of those 22 were in draft report stage and 4 were in field work but were well progressed.
7. The Audit Manager noted that there was a breadth of audit coverage in the year outside of the key financial systems and additional requests for audit work were incorporated into the plan and any deferred work would be carried forward. He concluded that the green performance indicators were positive, the 90% target of 'Audit Plan – completion to draft report stage' had been exceeded. He highlighted the positive customer satisfaction feedback and was proud of his Team's work.
8. The Chairman noted the Partial Assurance opinion given to the Fuel Cards and asked whether it was a recurring problem. The Audit Manager noted that he did not believe it was a recurring problem, it would be reported in Quarter 1 in September. Anomalies had been identified by the audit because routine compliance monitoring had stopped, there was no evidence of fraud. The written policy was out of date compared to current practice and compliance had since been restored.
9. The Chairman asked whether there was a major issue regarding the Accounts Payable audit. The Audit Manager noted that it would be reported in Quarter 1, it remained at Partial Assurance and that opinion was given because the controls were not as expected yet suppliers were being paid correctly.
10. A Committee member referred to the Section 106 Payments audit given Partial Assurance, there were concerns over the Council's management of the monies, the lack of ownership and timeliness. Asked whether there were recommendations for the relevant team to improve that performance. The Audit Manager noted that the system was audited at a time when there was management changeover. Since then, many of the problems were being addressed through new senior management which understood both the national and local challenges. The MIDAS system was being recommissioned and that would address the weaknesses.
11. As a supplementary on the above, the Committee member noted that it had been a problem in her district. She asked whether the matter had been reviewed by the Communities, Environment and Highways Select Committee, as most of the money was spent on highways improvements for residents, so it was crucial that those could be delivered. The Audit Manager explained that a summary of audit reports of lower assurance was sent to the Committee's Chairman and Vice-Chairman, as well as the chairman of the relevant select committee - which could follow that up - and the relevant Cabinet Members. He noted that he could share the summary of agreed actions from that audit to the Committee.
12. A Committee member referred to the £9 million spent on capital projects in education that potentially could have been funded by Section 106 funds. He noted that it would be interesting to see if the select committee follows it up, especially around the proposals to replace the MIDAS system, to see if lessons learnt were being implemented.
13. The Vice-Chairman referred to the EHC Needs Assessment Communication Protocol audit where six actions had been agreed with management, asked whether the Committee could see those actions. The Audit Manager would share those agreed actions with the Committee.
14. A Committee member asked whether Internal Audit undertook work to assess the risk culture and whether that informed the audit plan. The Audit Manager noted that

auditing culture was difficult, Internal Audit conducted cultural compliance audits which were deep dives into a team or service testing how managers and staff operated against key policies or activities. That could cover the approval of expenses and the holding of performance conversations, as well as spending control requirements. That learning and findings were used to inform the Corporate Leadership Team (CLT) and local management, and areas to look at elsewhere. Induction for new starters on policy implementation was crucial but varied across directorates, it was vital to understand where issues arise and why.

15. A Committee member referred to the LiquidLogic Integrated Finance Technology (LIFT) audit, regarding the Single View of a Child programme in Children's Services. He was surprised to see the findings that despite there being the LIFT system pilot scheme in place, it would no longer be supported by the vendor and there appeared to be significant control issues such as duplicate payments. He asked whether the Committee could see the eight actions agreed with management and noted that it would be interesting to see if the relevant select committee follows it up as the lessons learned from other implementations had not been implemented. The Audit Manager would share those agreed actions with the Committee.

RESOLVED:

1. Noted the work undertaken and the performance of Internal Audit in 2023/24 and the resultant annual opinion of the Chief Internal Auditor;
2. Determined that there were no matters that the Committee wished to consider for inclusion in the Council's Annual Governance Statement; and
3. Considered that the Council's arrangements for internal audit had proved effective during 2023/24.

Actions/further information to be provided:

1. A16/24 - The Audit Manager will provide the summaries of agreed actions by management regarding the following audits as requested by the Committee:
 - a) Section 106 Payments
 - b) Education, Health and Care Needs Assessments Communication Protocol
 - c) LiquidLogic Integrated Finance Technology (LIFT)

32/24 COUNTER FRAUD ANNUAL REPORT 2023/24 [Item 10]

Witnesses:

Simon White, Audit Manager - Counter Fraud

Anna D'Alessandro, Interim Executive Director - Finance and Corporate Services

Key points raised in the discussion:

1. The Audit Manager - Counter Fraud introduced the report noting that the Counter Fraud Partnership Team undertook both reactive work concerning investigations in response to specific allegations and proactive work through data analytics to look for anomalies as well as fraud risk assessments and awareness training. He noted that the Team worked closely with Surrey's borough and district councils and councils across the southeast, sharing intelligence.
2. The Audit Manager - Counter Fraud noted that last year, 162 days were used over the allocated 150 days and there were 38 allegations compared to 33 the previous year. That increase was not a concern as it showed organisational awareness of fraud risk, many allegations came from directorates with large officer numbers and transactions. A summary of the last set of National Fraud Initiative results was included and data would be submitted in the autumn again for the biennial exercise.

3. The Chairman asked whether Blue Badge fraud was increasing annually or remained the same. The Audit Manager - Counter Fraud noted that it was not a growth area, there was better oversight now as the Council was responsible for street parking enforcement. It was more of an issue in urban areas and work was underway with the Blue Badge team and the parking enforcement team.
4. The Chairman praised the Single Person Discount (SPD) review and noted that Reigate and Banstead Borough Council (RBBC) had the highest increased collection. The Audit Manager - Counter Fraud explained that RBBC was proactive in fraud, encouraging other borough and district council to participate. The Council funded new contract managed by the provider included Empty Homes Reviews, the borough and district councils were encouraged to take up the offer and grants.
5. A Committee member asked why Epsom and Ewell Borough Council was not an SPD participant. The Audit Manager - Counter Fraud explained that the reasons varied and the Council could not compel participation, borough and district councils were required to provide data but that should not be a big resource commitment. The Interim Executive Director - Finance and Corporate Services noted that the matter could be discussed outside of the meeting with the Member, the matter was discussed at the Surrey Treasurers meetings. The Audit Manager - Counter Fraud noted that the Council wanted to work with the borough and district councils on all areas of fraud, however not all those councils had internal fraud resource.
6. A Committee member noted concern regarding the allegation that a Member was planning to unduly influence a planning decision, she asked why that was dealt with internally and was not brought to the attention of the Member Development Steering Group so appropriate training could be facilitated. The Audit Manager - Counter Fraud noted that the allegation was reviewed by the Monitoring Officer who asked the Team to investigate it. It related to a conversation overheard in a pub by a Member concerning a borough and district council planning decision, they were not a borough or district councillor there; the allegation was found to be spurious.

RESOLVED:

Noted the fraud activity completed during 1 April 2023 to 31 March 2024.

Actions/further information to be provided:

1. A17/24 - The Audit Manager - Counter Fraud and Interim Executive Director - Finance and Corporate Services will follow up with the Committee member regarding the non-participation of Epsom and Ewell Borough Council on the Single Person Discount (SPD) review.

33/24 DATE OF NEXT MEETING [Item 11]

The date of the next meeting of the Committee was noted as 10 July 2024.

Meeting ended at: 12.22 pm

Chairman