


Notice of Meeting

Audit and Governance Committee



<u>Date and Time</u>	<u>Place</u>	<u>Contact</u>	<u>Web:</u>
Wednesday, 5 June 2024 10.00 am	Surrey County Council, Council Chamber, Woodhatch Place, 11 Cockshot Hill, Reigate, Surrey, RH2 8EF	Amelia Christopher amelia.christopher@surreycc. gov.uk	Council and democracy Surreycc.gov.uk @SCCdemocracy 

Committee Members:

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

If you would like a copy of this agenda or the attached papers in another format, e.g. large print or braille, or another language, please email Amelia Christopher on amelia.christopher@surreycc.gov.uk.

This meeting will be held in public at the venue mentioned above and may be webcast live. Generally the public seating areas are not filmed. However, by entering the meeting room and using the public seating area or attending online, you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes. If webcast, a recording will be available on the Council's website post-meeting. The live webcast and recording can be accessed via the Council's website:

<https://surreycc.public-i.tv/core/portal/home>

If you would like to attend and you have any special requirements, please email Amelia Christopher on amelia.christopher@surreycc.gov.uk. Please note that public seating is limited and will be allocated on a first come first served basis.

AGENDA

1 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

To receive any apologies for absence and substitutions.

2 MINUTES OF THE PREVIOUS MEETING - 13 MARCH 2024

(Pages
1 - 10)

To agree the minutes as a true record of the meeting.

3 DECLARATIONS OF INTEREST

All Members present are required to declare, at this point in the meeting or as soon as possible thereafter

- (i) Any disclosable pecuniary interests and / or
- (ii) Other interests arising under the Code of Conduct in respect of any item(s) of business being considered at this meeting

NOTES:

- Members are reminded that they must not participate in any item where they have a disclosable pecuniary interest
- As well as an interest of the Member, this includes any interest, of which the Member is aware, that relates to the Member's spouse or civil partner (or any person with whom the Member is living as a spouse or civil partner)
- Members with a significant personal interest may participate in the discussion and vote on that matter unless that interest could be reasonably regarded as prejudicial.

4 QUESTIONS AND PETITIONS

To receive any questions or petitions.

Notes:

1. The deadline for Member's questions is 12.00pm four working days before the meeting (*30 May 2024*).
2. The deadline for public questions is seven days before the meeting (*29 May 2024*).
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

5 RECOMMENDATIONS TRACKER AND WORK PLAN

(Pages
11 - 36)

To review the Committee's recommendations tracker and work plan.

6 ANNUAL COMPLAINTS PERFORMANCE REPORT

(Pages
37 - 60)

To give the Audit & Governance Committee an overview of the nature of complaints received by the Council and complaint handling performance in 2023/24 and to demonstrate how feedback from customers has been used to improve services.

- 7 2023/24 TREASURY MANAGEMENT OUTTURN REPORT** (Pages 61 - 76)
- This report summarises the Council’s treasury management activities during 2023/24, as required, to ensure compliance with the Chartered Institute of Public Finance and Accountancy’s Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Authority to approve a treasury management annual report after the end of each financial year.
- 8 EXTERNAL AUDIT PLAN 2023/24** (Pages 77 - 140)
- To provide the Audit & Governance Committee with oversight of the plan for the external audit of the 2023/24 Statement of Accounts.
- 9 INTERNAL AUDIT ANNUAL REPORT AND OPINION 2023-24** (Pages 141 - 180)
- The purpose of this report is to give an opinion on the adequacy of Surrey County Council’s control environment as a contribution to the proper, economic, efficient and effective use of resources. The report covers the audit work completed in the year from 1 April 2023 to 31 March 2024 in accordance with the Internal Audit Strategy for 2023/24. A separate report on Counter Fraud work undertaken in 2023/24 forms part of this Committee agenda.
- 10 COUNTER FRAUD ANNUAL REPORT 2023/24** (Pages 181 - 190)
- The report covers the counter fraud work completed in the year from 1 April 2023 to 31 March 2024 in accordance with the Counter Fraud Strategy and Framework.
- 11 DATE OF NEXT MEETING**
- The next meeting of the Audit and Governance Committee will be on 10 July 2024.

Leigh Whitehouse
Interim Chief Executive
Published: Tuesday, 28 May 2024

MOBILE TECHNOLOGY AND FILMING – ACCEPTABLE USE

Members of the public and the press may use social media or mobile devices in silent mode during meetings. Public Wi-Fi is available; please ask the committee manager for details.

Anyone is permitted to film, record or take photographs at Council meetings. Please liaise with the committee manager prior to the start of the meeting so that the meeting can be made aware of any filming taking place.

The use of mobile devices, including for the purpose of recording or filming a meeting, is subject to no interruptions, distractions or interference being caused to any Council equipment or any general disturbance to proceedings. The Chairman may ask for mobile devices to be switched off in these circumstances.

Thank you for your co-operation.

QUESTIONS AND PETITIONS

Cabinet and most committees will consider questions by elected Surrey County Council Members and questions and petitions from members of the public who are electors in the Surrey County Council area.

Please note the following regarding questions from the public:

1. Members of the public can submit one written question to a meeting by the deadline stated in the agenda. Questions should relate to general policy and not to detail. Questions are asked and answered in public and cannot relate to “confidential” or “exempt” matters (for example, personal or financial details of an individual); for further advice please contact the committee manager listed on the front page of an agenda.
2. The number of public questions which can be asked at a meeting may not exceed six. Questions which are received after the first six will be held over to the following meeting or dealt with in writing at the Chairman’s discretion.
3. Questions will be taken in the order in which they are received.
4. Questions will be asked and answered without discussion. The Chairman or Cabinet members may decline to answer a question, provide a written reply or nominate another Member to answer the question.
5. Following the initial reply, one supplementary question may be asked by the questioner. The Chairman or Cabinet members may decline to answer a supplementary question.

MINUTES of the meeting of the **AUDIT AND GOVERNANCE COMMITTEE** held at 10.00 am on 13 March 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 = *)

(Remote Attendance = r)

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

Members in Attendance

David Lewis (Cobham) - Cabinet Member for Finance and Resources

11/24 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

Apologies were received from Ayesha Azad (remote).

12/24 MINUTES OF THE PREVIOUS MEETING - 17 JANUARY 2024 [Item 2]

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

13/24 DECLARATIONS OF INTEREST [Item 3]

Regarding item 6: Internal Audit Progress Report - Quarter 3, Terry Price declared a non-pecuniary interest noting that he was an examiner for a set of school accounts for a voluntary school.

14/24 QUESTIONS AND PETITIONS [Item 4]

There were none.

15/24 RECOMMENDATIONS TRACKER AND WORK PLAN [Item 5]

Witnesses:

Nikki O'Connor, Strategic Finance Business Partner (Corporate)
 Paul Evans, Director of Law and Governance, and Monitoring Officer
 Amelia Christopher, Committee Manager
 David John, Audit Manager

Key points raised in the discussion:

1. The Chairman asked for a verbal update on completed action A5/24, he understood that one Member had not signed the requisite documentation. The Strategic Finance Business Partner (Corporate) explained that the External Audit Plan 2023/24 ideally would have come to March's Committee meeting, it would however be brought to

June's Committee meeting. She noted that the new external auditors Ernst & Young (EY) had to delay the beginning of their audit planning work by a month as they could not start that work until they had a complete set of independence questionnaires from all Members and senior officers. She was actively chasing the outstanding questionnaire from a Member.

2. The Chairman referred to action A16/23 noting that the target date for completion was still outstanding. The Strategic Finance Business Partner (Corporate) explained that Grant Thornton had responded that Public Sector Audit Appointments (PSAA) had approved a series of 'bake in' variations which had been included on the audit plan for 2022/23, they do not however approve any additional variations on top of that until after the accounts are signed. The Strategic Finance Business Partner (Corporate) noted that they were close to signing off the 2022/23 Statement of Accounts. Final checks were underway, and it was hoped that it would be signed by early next week; once signed off the fee variation would be formally approved.
3. Regarding action A38/23 the Director - Law and Governance, and Monitoring Officer referred to the report going to March's Health and Wellbeing Board which outlined how health integration was improving. The Committee Manager noted that she sent the update to Committee members yesterday afternoon attaching that report titled: Health and Wellbeing Board and Surrey Heartlands Integrated Care Partnership/Integrated Care Board Governance Review.
4. A Committee member referred to action A1/24 which was scheduled to be deleted, he noted ongoing concerns about the issue of late payments to members of staff; he welcomed the response provided and the progress being made, however he had not had a response to confirm that the issue had been resolved. From his research he found that there were many outstanding issues and having asked a question on the website, the answer given was that a response would be provided in three months. He requested an up-to-date response as to how all the complaints around late payments concerning the new Unit4/MySurrey system were being progressed. The Audit Manager noted that an audit was planned to start in March/April looking at the schools' payroll function and it was hoped to be completed within quarter one, an audit was currently underway on the corporate payroll system.
5. The Cabinet Member for Finance and Resources explained that the issues around payroll had been well publicised, and a lot of work had been done and was underway to resolve the issues concerning Unit4/MySurrey, the current data showed that progress was being made. He suggested that the Committee member awaits the outcome of the deep dive by the Resources and Performance Select Committee's Task Group. The Committee member noted that he was concerned that there were many employees who were in difficulties due to the failings of Unit4/MySurrey, he noted that it would be useful for the Committee to receive a report before the summer about the progress being made. The Cabinet Member for Finance and Resources noted that it was incorrect to say that there were large numbers of employees with problems. A Committee member noted that he was the Chair of the Digital Business & Insights (DB&I) Task and Finish Group, which would produce the report to the select committee in May, that could be shared with the Committee for it to review alongside Internal Audit's report.
6. The Chairman referred to completed action A2/24 asking when the Greener Futures Team would take an annual carbon report to the Cabinet. A Committee member suggested that the action be reinstated and for a date to be included around when the report would be taken to the Cabinet; the Strategic Finance Business Partner (Corporate) would find out the timing, a Committee member noted that the Cabinet Forward Plan might include that report.
7. Regarding action A10/23 whereby the SharePoint site was now up and running, a Committee member asked whether that link would be shared with Members by the end of the month. The Committee Manager noted that she had been advised that the link would be available to all by the end of March and would follow that up.

8. Regarding action A33/23 a Committee member noted that the Committee should have received the report which sets out the parameters of the Complaints Task and Finish Group in March and asked when it would be shared. The Chairman noted that the report had been delayed to June's Committee meeting.

RESOLVED:

1. Monitored progress on the implementation of 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. A6/24 - The Committee will receive the report from the Resources and Performance Select Committee's DB&I Task and Finish Group, for it to review alongside the later report from Internal Audit; ensuring that the Committee member gets an up-to-date response as to how all the complaints around late payments concerning the new Unit4/MySurrey system were being progressed.
2. Regarding completed action A2/24, it will be reinstated and the Strategic Finance Business Partner (Corporate) will find out when the Greener Futures Team would take an annual carbon report to the Cabinet.
3. Regarding action A10/23, the Committee Manager will follow up with officers around the SharePoint link being made available to all Members by the end of March.

16/24 INTERNAL AUDIT PROGRESS REPORT - QUARTER 3 [Item 6]

Witnesses:

David John, Audit Manager
 Paul Evans, Director of Law and Governance, and Monitoring Officer
 Simon White, Audit Manager - Counter Fraud
 Paul Fielding, IT Audit Manager

Key points raised in the discussion:

1. The Audit Manager outlined the breakdown of the twenty completed assignments in the last quarter, the level of assurance was fairly high. He referred to the two Partial Assurance audits: Schools Alliance for Excellence (SAfE) Contract and Unofficial School Funds (USFs). Regarding the SAfE Contract there were no issues with the quality of the service being delivered, the issues were around internal contract management processes and due to Covid-19, an insufficient level of input from procurement. The service had been responsive in agreeing actions to address the weaknesses identified, a follow up audit would take place in next year's plan. Regarding USFs, the audit had been scheduled in response to the £500,000 fraud case at Hinchley Wood Primary School, to ensure that the process set out in the Schools Finance Manual is transparent, robust, and followed good practice. The problem was the low level of assurance to the Council that schools had got the funds properly under control and that schools finance colleagues know what the balances being held were and how they were examined. Actions had been agreed and once schools are up to speed with that guidance, a follow up audit would be undertaken late in the next financial year.
2. The Audit Manager highlighted the Surrey Fire & Rescue Service (SFRS) Contract Management Arrangements Follow-Up audit which had an upgraded opinion from Partial to Reasonable Assurance. SFRS had been responsive to the agreed actions and the area would be kept under review.

3. The Audit Manager noted that nine schools audits had been undertaken in the quarter, one had Partial Assurance although there was no fundamental weaknesses of grave concern just a cumulative level of findings within the control environment.
4. The Audit Manager noted that the performance of the Productivity and Process Efficiency aspect delivered by the Internal Audit Service was rated at Amber with a delivery of 67.5% for the Audit Plan - completion to draft report stage indicator against the 90% target, the service was striving to meet that by the end of March.
5. A Committee member welcomed the USFs audit being carried out as there was a reputational risk in terms of the Council not knowing the balances held by schools. Being an examiner himself, he was not totally surprised by some of the findings and it would take time to embed the changes, it was important that inspection certificates are provided to the Council as well as the details about how much money has been held as it varied by school. The Audit Manager agreed regarding the reputational risk, noting the time and effort that went into the fraud case against a Council employee concerning Hinchley Wood Primary School, employees should be clear about what they should do and that the processes are fit for purpose. He noted the governor and bursar briefings to communicate messages widely, as well as the bulletin and talking to people to identify the key risks.
6. A Committee member welcomed that all except one of the school audits were given Reasonable Assurance. Referring to common themes being identified in paragraph 1.42, he would prefer that the wording 'encouraged' be changed to 'required' in the first bullet point: 'School staff should be encouraged to declare any relevant interests', if that was in line with the Council's Constitution. The Audit Manager agreed noting that he would make sure to reword that appropriately going forward. The Director - Law and Governance, and Monitoring Officer noted that the Council's Officer Code of Conduct requires officers to declare interests, he would confirm if it applied to school staff. The Audit Manager - Counter Fraud noted that the leadership group and business managers could have an influence on a decision-making process so would be required to make a declaration, whereas teachers for example without that influence on procurement would be encouraged to declare interests.
7. A Committee member referred to the SAfE Contract audit key findings around contract monitoring where there seemed to be little control or assurance, he asked for detail on contract segmentation. The Audit Manager noted that contract segmentation was a tool endorsed by the procurement team to break down the contracts into specific areas such as cost, quality and delivery and then to put in place proportionate management and oversight into the areas that need it the most. The Committee member noted that as it was implied that it originated from the Council's procurement team, the fact that it was not in place was a concern since the SAfE Contract was established in 2019. The Audit Manager understood that it was not a mandated approach, it was a tool that helped contract managers, in this case the services were unaware that they could use the tool.
8. Regarding the SAfE Contract audit key findings, the Committee member sought clarity on the secure transfer of data between the Council and the provider, why was Partial Assurance provided if data was being transferred insecurely and what would the reputational impact be to the Council. The Audit Manager referred to the finding that the transmission of data between the supplier and the Council was challenging due to the supplier not having a commercial email address, however all sensitive data is uploaded to the data sharing platform: Nexus, which is operated by the Department for Education. Once the service addresses that through a revised communications protocol with the supplier, the risk of a data breach was minimal and commercially sensitive information was protected.
9. A Committee member referred to the USFs noting concern about the Partial Assurance opinion given, and the three actions for management; asked whether the Council has adequate control over schools in this area, or whether its role was to encourage better practice and was there a good practice guide. The Audit Manager

noted that the Council sets out the framework for how the fund should be administered, the responsibility for its governance was the schools' through their Governing Board. The Council had sought to improve the framework set out in the Schools Finance Manual, but relied on that being followed by the schools and governors for example asking to see the inspection certificate; work was underway to relay that message.

10. The Committee member noted concern that school governors might put themselves at risk for example around the funding of a project in a local school where the contractor used is related to a staff member or a parent. Regarding the risks around collusion, the Council set out the requirement to declare an interest for those in a decision-making leadership role; using known contractors was legitimate so long as the decision-making process was transparent and was ratified by independent people such as the chair of governors.
11. Responding to the Chairman, the Audit Manager clarified that the USFs accounts were donations that schools receive whether from parents or from a school fete for example. A Committee member noted that local charities such as the Henry Smith Charity or local villages with large trust funds might for example make a significant donation to a school. Her concern was around ensuring that schools have the ability and resources to be accountable for spending USFs and to be transparent, and whether the governance process was robust and governors were properly aware of their responsibilities and what documents they should be requesting.
12. The Chairman asked whether examiners would be asked to formally follow the Schools Finance Manual as part of the recommendations. The Audit Manager confirmed that a section of the Schools Finance Manual would be redrafted and communicated to schools over the next few months to be effective from the new academic year, evidence of compliance would be gathered subsequently. He noted that the approach must be proportionate to the size of the fund.
13. Responding to the Chairman, a Committee member explained that he had not dealt with the Schools Finance Manual himself as that was followed by the School Business Manager and any issues that came up during the year they would liaise with him for example on how best to handle donations within the USF. The Audit Manager responded to the Chairman around whether School Business Managers or governors were required to confirm that they had followed the Schools Finance Manual, noting that Internal Audit would determine the best approach to ensure it gets the right level of assurance when it does the follow up. Assurance was also provided via the schools audit programme through inspection certificates. He stressed that many school bursars do follow the Schools Finance Manual, it was just not providing the right level of assurance.
14. Responding to the Vice-Chairman, a Committee member who had been a governor a while ago noted that governors were offered training as they were responsible for the decisions taken at their school. The chairs work hard overseeing the school and the bigger the school the larger the financial responsibility.
15. A Committee member referred to the Surrey Fire & Rescue Service (SFRS) Contract Management Arrangements Follow-Up audit where the opinion had improved to Reasonable Assurance over the controls, sought confirmation that the three high priority actions had been implemented; if that was the case why was that assurance level not higher. The Audit Manager explained that within the follow-up audit, Internal Audit checks that all agreed actions have been implemented including the high and medium priority actions, it did not give Substantial Assurance because it did not look across all contract managers and contracts, and there was residual training to do for the people managing the less significant contracts.
16. A Committee member referred to the SFRS Customer Relationship Management (CRM) System and asked whether SFRS was using the Council's project management governance framework or its own. The IT Audit Manager noted that the procurement of the system was not covered by the audit, the audit looked at the

governance around the project and the implementation of the system. Regarding the identification of the areas for improvement, the Committee member asked whether SFRS was following the Council's Risk Management Strategy. The IT Audit Manager assumed that SFRS was following that strategy as it formed part of the Council, the finding was that although the project had a risk register with risks highlighted in line with the Council's risk management framework, in some cases the responsible officers nor mitigations were being recorded.

17. A Committee member referred to the Adult Social Care (ASC) Data Handling audit whereby an area for improvement was to identify a responsible officer to delete data held digitally at the end of its retention period, he deduced that the Council might be holding data past its retention period, was there an action plan and did that impact the Council's General Data Protection Regulation (GDPR) responsibilities. The IT Audit Manager understood that there was a project underway looking at the deletion and holding of records, a lot of the ASC records had significant retention periods, he could not comment on retention periods about certain files and whether the Council was holding those past GDPR legislation. The Chairman requested that written responses be provided to the questions asked in key points 16 and 17.

RESOLVED:

That the Committee noted the report.

Actions/further information to be provided:

1. A7/24 - The Audit Manager will in future reports reword 'encouraged' to 'required' regarding school staff declaring any relevant interests.
2. A8/24 - The Director - Law and Governance, and Monitoring Officer will confirm whether the Council's Officer Code of Conduct applied to school staff.
3. A9/24 - The IT Audit Manager will provide written responses to the questions asked in key points 16 and 17 concerning the SFRS Customer Relationship Management (CRM) System and Adult Social Care (ASC) Data Handling audit.

17/24 INTERNAL AUDIT STRATEGY AND ANNUAL AUDIT PLAN 2024/25 [Item 7]

Witnesses:

David John, Audit Manager
 Russell Banks, Chief Internal Auditor
 Simon White, Audit Manager - Counter Fraud

Key points raised in the discussion:

1. The Chairman highlighted that the Committee had a training session on the plan.
2. The Audit Manager explained that the content of the plan was drawn from consultation with management and Members and takes a risk-based approach, sought the Committee's endorsement that the approach and the content seem reasonable and fit for purpose. Noted that due to the implementation of Unit4/MySurrey this year some of the key financial systems would be assured next year as a priority. Reiterated that Internal Audit undertakes follow-up audits given Minimal or Partial Assurance, to check management has actioned what they agreed to and that the controls have improved. Highlighted that the plan adapts to emerging issues whereby there were 400 days of contingency time, and any audits not completed in the year would be rolled over. Noted that the number of audit days increased back to the 2022/23 amount, that includes 225 dedicated days of schools audit time equating to 30 to 35 schools audits.

3. A Committee member noted the discussion last March about staffing and the difficulties in recruiting to fill vacancies, sought an update on the current situation. The Chief Internal Auditor noted that there were some vacancies within the service, recruitment was ongoing and some successful appointments had been made. Due to the national challenges of recruiting experienced qualified auditors, the approach taken was to hire entry level people and invest heavily in their professional development. The gap at senior principal auditor level was being filled through external contractor resource, the ambition was to not have to use that external resource going forward. Noted confidence in having the resources to deliver the plan, hence the increased number of audit days.
4. The Chairman asked whether there had been many identified cases from the National Fraud Initiative (NFI). The Audit Manager - Counter Fraud noted that the Pensions Administration team had updated all the mortality matches, the savings in concessionary travel were lower compared to the previous exercise which cleared off many cases, it would be a biennial exercise going forward. Results using the new Unit4/MySurrey system were uncertain regarding creditors and preventing duplicate payments, and some payroll matches were being looked at.
5. The Audit Manager - Counter Fraud responded to the Chairman noting that Blue Badge fraud was still being looked at, that was administered by a national body and the Council received matches, referrals concerning misuse were infrequent.
6. The Audit Manager - Counter Fraud responded to the Chairman noting that 150 days were set aside for counter fraud, if needed more days could be allocated if other areas in the plan are reprioritised. Hinchley Wood Primary School fraud case had exceeded that allocation over the past few years, however large scale cases were not frequent, investigations were usually 10 or 15 days. Every two years there was a peak when collating and submitting the NFI data. The Chief Internal Auditor clarified that counter fraud was not a function of Internal Audit and some local authorities keep it separate, the Council maintained a close relationship between the two as in most fraud cases there is found to be an internal control management role implication that needs to be strengthened. The level of counter fraud resource was proportionate to the fraud risk and the size of the organisation.

RESOLVED:

Members considered the contents of the report and appendices, and approved:

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

Actions/further information to be provided:

None.

18/24 ETHICAL STANDARDS ANNUAL REVIEW 2023-24 [Item 8]

Witnesses:

Paul Evans, Director of Law and Governance, and Monitoring Officer

Key points raised in the discussion:

1. The Director of Law and Governance, and Monitoring Officer explained that the annual report on the operation of the Member Code of Conduct had expanded to include sections on declarations of interest, and gifts and hospitality. Members

received induction training on the Code with ongoing development throughout the year such as on social media and refresher training on the Member-Officer Protocol. Noted that ten complaints had gone through the complaints process, none were formally investigated and no breach of the Code was found. Noted the importance of Members being aware of how their comments are perceived by others, particularly on social media. Members were required to register their interests and a reminder was sent every six months to update it. There were nine declarations last year at decision-making meetings, officers were not aware of any issues where a Member has not declared an interest at a meeting when they should have done. Noted that Members must register any offers of gifts or hospitality over £50, whether accepted or refused; there were 18 entries last year mainly relating to the Leader. Noted the suggestion that a more targeted reminder be sent to those roles more likely to be offered gifts and hospitality. At present, the suggestion of requiring a nil return by all Members was considered disproportionate based on the entries.

2. The Chairman agreed that it would at present be disproportionate to ask all Members to submit a nil return regarding the gifts and hospitality register.
3. A Committee member agreed that it would be disproportionate, noting that even as former Chair of the Council she paid her own way; it was vital to remind Members to declare their gifts and hospitality, the Director of Law and Governance, and Monitoring Officer noted that the last reminder was sent in December 2023.
4. A Committee member welcomed the annual report which covered the Member Code of Conduct and queried whether there should be a similar report covering senior officers alongside the report on Members. The Director of Law and Governance, and Monitoring Officer explained that a report was monitored on a quarterly basis for gifts and hospitality, interests and whistleblowing at an officer level. The proposal for some time had been to report it to the Committee, he understood that the Unit4/MySurrey system generated those reports and once those declarations were coming through reliably, the report would be brought to the Committee.

RESOLVED:

1. Noted the Monitoring Officer's report on recent activity in relation to the Members' Code of Conduct, including Registration of Interests and Gifts and Hospitality, and complaints made in relation to Member conduct.
2. Noted the further training and development planned for the coming year at paragraph 14.

Actions/further information to be provided:

1. A10/24 - The Committee will receive the report on gifts and hospitality, interests and whistleblowing at a senior officer level alongside the annual report on Members.

19/24 APPOINTMENT OF INDEPENDENT MEMBER TO THE AUDIT AND GOVERNANCE COMMITTEE [Item 9]

Witnesses:

Paul Evans, Director of Law and Governance, and Monitoring Officer
Amelia Christopher, Committee Manager

Key points raised in the discussion:

1. The Director of Law and Governance, and Monitoring Officer noted that the date for the recruitment panel to interview the suitable candidates would be confirmed in the next few weeks; there had been six applicants.

2. The Committee Manager confirmed that Group Leaders had been consulted and the four Committee members that formed the recruitment panel would be: Victor Lewanski, Richard Tear, Steven McCormick, Stephen Cooksey.

RESOLVED:

Noted the recruitment process being undertaken and following an interview process, will recommend the preferred candidate to County Council to be appointed as the Independent Member to the Audit and Governance Committee.

Actions/further information to be provided:

1. A11/24 - The Committee Manager will send out an email to the recruitment panel noting the next steps.

20/24 RISK MANAGEMENT [Item 10]

Witnesses:

David Mody, Head of Strategic Risk

Key points raised in the discussion:

1. The Head of Strategic Risk outlined the progress made in 2023 as set out in the report, covering: Risk Management Strategy, risk 'intranet', Local Working Instructions, Risk Management training, completed Risk Management actions, Grant Thornton's review of Risk Management, and welcomed the two nominations to Risk Management for the Council's Stars in Surrey 'Team Award for Outstanding Customer Service'. Compared to the previous year, 2024 was more outwardly focused with best practice being sought from other councils' risk managers to see what they were doing and what could be applied to the Council, and would look at benchmarking against their Corporate Risk Registers; progress had been made.
2. A Committee member congratulated the officer for receiving those nominations. He highlighted ST.34 and asked why that risk regarding Home to School Travel Assistance had been removed from the Corporate Risk Register. The Head of Strategic Risk noted that over the last few years there had been 37 corporate risks and there were currently 22 corporate risks; areas which had improved were removed and new priorities were added in. Regarding Home to School Travel Assistance, improvements had been made over the past year so it was decided that it be removed as it did not need to be monitored from a corporate level, it continued to be monitored at directorate level and a report went to Informal Cabinet last year.
3. The Chairman noted a typo regarding ST.27 which had an overall score of 10 and it says that it 'was 2', should that be 'was 12' as the score had decreased. The Head of Strategic Risk clarified that 'was 2' was an error in the old version of the report, the published agenda correctly noted that the overall score is 10 and 'was 15'.

RESOLVED:

Noted the update on risk management.

Actions/further information to be provided:

None.

21/24 VOTE OF THANKS TO RETIRING INDEPENDENT MEMBER [Item 11]**Witnesses:**

Anna D'Alessandro, Director - Corporate Finance and Commercial, and Interim Section 151 Officer

Key points raised in the discussion:

1. The Chairman noted that the Committee's Independent Member, Terry Price, was retiring and he thanked him for all his contributions over the past two years; he wished him all the best for the future and noted that it had been a pleasure to have him on the Committee. The Independent Member noted that he was leaving to do fewer things, he thanked the Chairman, Committee members, and Cabinet Member for Finance and Resources, and officers for addressing his queries; noting that he had enjoyed his time as a Committee member.
2. The Chairman echoed the Committee member's comments about the officers thanking them for all their hard work in preparing the Committee's reports. The Director - Corporate Finance and Commercial, and Interim Section 151 Officer welcomed that thanks.

RESOLVED:

That a vote of thanks was given to the retiring Independent Member.

Actions/further information to be provided:

None.

22/24 DATE OF NEXT MEETING [Item 12]

The date of the next meeting of the Committee was noted as 5 June 2024.

The Chairman noted that Paul Evans, Director of Law and Governance, and Monitoring Officer would be leaving the Council, he thanked him for all his exemplary legal advice provided to the Committee. The Director of Law and Governance, and Monitoring Officer welcomed the Committee's thanks.

Meeting ended at: 11.24 am

Chairman



Audit & Governance Committee
5 June 2024

Recommendations Tracker and Work Plan

Purpose of the report:

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

Recommendations:

The Committee is asked to:

1. Monitor progress on the implementation of actions/recommendations from previous meetings in Annex A.
2. Note the work plan at Annex B and any changes to it.

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 work plan is attached as Annex B.

Report authors: Amelia Christopher, Committee Manager, Democratic Services

Contact details: telephone: 07929 725663
email: amelia.christopher@surreycc.gov.uk

Sources/background papers:

- None

Annexes/Appendices:

- Annex A - Recommendations Tracker
 - Appendix 1 - Action A33-23 Update
 - Annex B - Work Plan
-

This page is intentionally left blank

Audit & Governance Committee – Recommendations Tracker

5 June 2024

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update	Target date for Completion
2023						
A7/23	5 June 2023	Annual Complaints Performance Report	<p>The Customer Relations Manager, the Head of Customer Engagement and System Development and the Director of Law and Governance will take Committee member's comments and suggestions away and will report back at November's meeting where the LGSC Annual Letter and Complaints Update, and Council Complaints – Half Yearly Update items are scheduled; areas to cover:</p> <ul style="list-style-type: none"> a) comparative complaints figures with other local authorities. b) whether a similar internal investigator appointment will be beneficial for ASC and having more internal investigator roles in Education Services. c) consider whether the Corporate category can be renamed to 'Other' and explore whether it can be broken down by the services they related to as soon as possible; to liaise with Committee members on the services to be listed. d) consider how non-formal complaints information such as around highways that residents direct to Members, can be incorporated in future reports or provided to the Committee in another form. e) explore the suggestion with database providers of a response box being 	Customer Relations Manager / Head of Customer Engagement and System Development / Director of Law and Governance	<p>The Customer Relations Team Manager on 15 May 2024 has noted that questions b), c), e), f), i) were answered as part of the previous update on 3 November 2023 in the Recommendations Tracker or are included in the Annual Complaints Performance Report – June 2024.</p> <p>Questions a), d), g), h) were responded to as part of the previous update on 3 November 2023, and are referred to in the briefing document (A33/23 - Appendix 1) that provides the update on the Complaints Task and Finish Group:</p> <p><i>The recommendations and questions put forward by Audit & Governance Committee Members (as detailed below - Action A7/23), will be included in the forward work plan for the Senior Complaints Practice Lead, and have been shared with the Customer Transformation Programme for consideration as part of their work to streamline processes, make better use of technology and improve the information we provide.</i></p> <p>As of 14 February 2024, the Customer Relations Team Manager and the team provided the following update:</p>	June 2024

Audit & Governance Committee – Recommendations Tracker

5 June 2024

Page 14			<p>added to formal complaints indicating the residents' borough or district.</p> <ul style="list-style-type: none"> f) provide a report on the customer services steering group, identifying the problems, where those were occurring and what was being done. g) provide an update on the Customer and Communities Directorate's mapping exercise of the Council's communication touch points and whether those were user friendly. h) consider a similar approach of having a central email address for residents when communicating with the Council around reporting a defect or complaint and issues to be allocated to the relevant officers for a response within an agreed timeline. i) provide an update on dovetailing residents' formal complaints with concerns raised to Members if they were about the same issue, as well as where concerns should be referred to the formal complaints process. 		<p>The ongoing Customer Service Transformation Programme has remained the focus for the Service. Officers remain committed to addressing the questions from the Committee; at this time the update is such that a significant amount of the focus on Customer Service Transformation includes the areas highlighted by committee and as such they remain a work in progress.</p> <p>Update provided by the Customer Relations Manager on 3 November 2023:</p> <p style="padding-left: 40px;">a) Comparative complaints figures with other local authorities.</p> <p>We are continuing to gather data from comparable authorities. Challenges include that data captured is different and does not lend itself to direct comparisons. So far only three authorities have responded to the data sharing request.</p> <p style="padding-left: 40px;">b) Whether a similar internal investigator appointment will be beneficial for ASC and having more internal investigator roles in Education Services.</p> <p>The ASC complaint procedure is a single tier process. The expectation is that the service complained about is best placed to respond in detail; essentially taking forward their own investigation. Complaints are responded to by Managers / Senior Managers who have a background in Social</p>
---------	--	--	---	--	---

Audit & Governance Committee – Recommendations Tracker
5 June 2024

Page 15					<p>Work and therefore completely understand the complexity of the complaint and if the Council have adhered to its duties under the Care Act 2014.</p> <p>Staffing resources in Customer Relations for Education Services have increased to allow better triaging and quality assurance of complaints as well as enquiry handling. 4 complaint leads have also been appointed within the SEND Service who are working closely with the Customer Relations Team to improve the quality and timeliness of initial responses which in turn will decrease the volumes of complaints escalating through the process.</p> <p>c) Consider whether the Corporate category can be renamed to ‘Other’ and explore whether it can be broken down by the services they related to as soon as possible; to liaise with Committee members on the services to be listed.</p> <p>The update report recognises the request and refers Services other than social care and education rather than Corporate Services. The weekly complaint snapshot reports shared with the CEO and Leader of the Council provide the Service breakdown suggested. Proposal that A&G Committee Chair and Vice Chair are included in the circulation of the weekly reports going forward.</p>	
---------	--	--	--	--	--	--

Audit & Governance Committee – Recommendations Tracker
5 June 2024

Page 16					<p>d) Consider how non-formal complaints information such as around highways that residents direct to Members, can be incorporated in future reports or provided to the Committee in another form.</p> <p>This proposal continues to be considered; challenges include that the way these enquiries are captured and recorded is not currently uniform within the three Customer Relations Teams.</p> <p>e) Explore the suggestion with database providers of a response box being added to formal complaints indicating the residents' borough or district.</p> <p>The request has been shared with the provider who are exploring the most appropriate way to take this forward. Challenges include restrictions due to GDPR which means that providing the information cannot be compulsory and therefore the data may not be complete.</p> <p>f) Provide a report on the customer services steering group, identifying the problems, where those were occurring and what was being done.</p> <p>In Education Services the steering group continues to focus on improving the quality and timeliness of responses whilst</p>	
---------	--	--	--	--	--	--

Audit & Governance Committee – Recommendations Tracker
5 June 2024

Page 17					<p>identifying the root causes of complaints. Perceived poor standards of communication and delays in the Education Health Care Plan process continue to be the primary cause of complaints. Education Services continue to work to address this given the acknowledged national challenges in securing assessments and outcome reports by Education Psychologists.</p> <p>g) Provide an update on the Customer and Communities Directorate’s mapping exercise of the Council’s communication touch points and whether those were user friendly.</p> <p>h) Consider a similar approach of having a central email address for residents when communicating with the Council around reporting a defect or complaint and issues to be allocated to the relevant officers for a response within an agreed timeline.</p> <p>The above (g and h) continue to be explored as challenges include the fact that the timescales for responses for two of the complaint procedures (Adults and Childrens Services) are governed by statutory legislation and cannot be deviated upon. The introduction of the online self service complaint portal addresses the central point to register a complaint. As the three customer relations teams are located separately within the Council a central or</p>	
---------	--	--	--	--	---	--

Audit & Governance Committee – Recommendations Tracker

5 June 2024

Page 18					<p>single email address at present needs to be explored in more detail due to the administrative element of recognising the specific nature of the complaint and which service is best able to respond.</p> <p>i) Provide an update on dovetailing residents' formal complaints with concerns raised to Members if they were about the same issue, as well as where concerns should be referred to the formal complaints process.</p> <p>The CFLL Customer Relations Team has recruited an officer to a new role that focuses on building relationships with members and services. The role remit includes working with the services and members to decrease the volume of duplicated effort in providing both a response for the Member to share with the family or their representative MP and a formal stage 1 complaint response direct to the family.</p>	
A8/23	12 July 2023	Counter Fraud Annual Report 2022/23	The Audit Manager – Counter Fraud will find out whether a check had been undertaken across all schools in Surrey to make sure that all the business managers were on the right salary level.	Audit Manager – Counter Fraud	<p>Update provided by the Audit Manager (Counter Fraud) on 10 May 2024:</p> <p>The action is ongoing, it is hoped that progress will be made as business as usual (BAU) is nearing.</p> <p>Update provided by the Audit Manager (Counter Fraud) on 22 January 2024:</p> <p>We will update the Committee at the November meeting of the results of the data</p>	November 2024

Audit & Governance Committee – Recommendations Tracker

5 June 2024

Page 19					<p>matching on school business managers grades. We plan to complete this exercise in Unit4 in September.</p> <p>(Update provided by the Audit Manager (Counter Fraud) on 2 January 2024:</p> <p>Supporting papers for school staff are held locally, confirmation of SBM paypoints would not be possible without writing out to all schools; the team did perform analysis on payroll records for schools. This included stratified sampling and review of high earners to identify anomalies. The team did not detect any oddities. Further work in this area will be picked up once Unit4 has bedded down and BAU has returned to school payroll.)</p>	
A10/23	12 July 2023	Update on the Surrey Forum and the Four Associated Strategic Partnership Boards	The Director – Corporate Strategy and Policy will liaise with the chairs of the Surrey Forum and the non-statutory boards: One Surrey Growth Board, Greener Futures Board, and Thriving Communities Board, asking whether the agendas, minutes and membership lists could be made available to all Members.	Director – Corporate Strategy and Policy	The Committee Manager shared the SharePoint site link with Committee members on 22 March 2024. The link will be shared with all Members via email from the Leader following the publication of the upcoming June Cabinet report that will provide an update on the strategic partnerships landscape.	June 2024
A16/23	12 July 2023	External Audit Plan 2022/23	The Grant Thornton representative will confirm whether PSAA has approved the proposed audit fee for 2022/23.	Grant Thornton representative	<p>As of 23 May 2024, there is no further update, PSAA are yet to sign off the final amount.</p> <p>Extract from minutes of March's (2024) Committee meeting (minute item 15/24, key point 2):</p> <p>The Strategic Finance Business Partner (Corporate) explained that Grant Thornton</p>	May/June 2024

Audit & Governance Committee – Recommendations Tracker

5 June 2024

					had responded that Public Sector Audit Appointments (PSAA) had approved a series of 'bake in' variations which had been included on the audit plan for 2022/23, they do not however approve any additional variations on top of that until after the accounts are signed. The Strategic Finance Business Partner (Corporate) noted that they were close to signing off the 2022/23 Statement of Accounts. Final checks were underway, and it was hoped that it would be signed by early next week; once signed off the fee variation would be formally approved.	
Page 20 7/23	12 July 2023	Whistleblowing Annual Report	<p>The two recommendations for improvement made by the Committee will be incorporated into next year's Whistleblowing Annual Report.</p> <ul style="list-style-type: none"> • That existing employees alongside new employees would be asked to sign the Code of Conduct too. • That the headcount figures regarding the whistleblowing cases be updated to include other employees such as those in schools and contractors. 	Head of Insight, Programmes and Governance	<p>Update provided by the Head of Insights, Systems and Governance on 10 May 2024:</p> <ul style="list-style-type: none"> • A Governance training course is being produced on 'Olive', the Council's Learning Management System. This will include the Code of Conduct and a short 'test' will need to be completed by new and existing employees. This will then sit on the employee record. Go Live is estimated to be in July 2024. • We are hoping to be able to show Schools WB figures separately. Contractors would come through the Corporate reporting, but due to the confidential nature of the recording via Navex Global, these would not be identifiable at recording stage. 	July 2024

Audit & Governance Committee – Recommendations Tracker

5 June 2024

A18/23	12 July 2023	Whistleblowing Annual Report	The Head of Insight, Programmes and Governance will ensure that next year's Whistleblowing Annual Report includes the comparison of how other councils track their grievances as well as their whistleblower cases.	Head of Insight, Programmes and Governance	Update provided by the Head of Insights, Systems and Governance on 10 May 2024: <ul style="list-style-type: none"> We are working with some partner councils in identifying how they track their grievances and will provide an overview in the Annual Report. In addition, we have introduced a new Case Management System, which reports on our Case work by category eg. Bullying, Harassment, Grievances. An overall HR casework statistic is reported corporately to CLT and the Resources & Performance Select Committee. 	July 2024
A35/23	22 November 2023	LGSCO Annual Letter and Complaints Handling Update	The Committee Manager will add an item to the work plan for the next Committee meeting in January where officers will present the results of the Task and Finish Group.	Committee Manager	The Customer Relations Team Manager has requested that the item be further deferred from June (had been deferred from January and March), to November's 2024 Committee meeting. The briefing document (A33/23 - Appendix 1) provides the update on the Complaints Task and Finish Group, setting out the key elements. Once the outcome report has been to CLT, a more detailed update can be provided to the Committee.	November 2024
2024						
A2/24	17 January 2024	Treasury Management Strategy Statement 2024/25	Regarding Annex 1, paragraph 2.25 on Environmental Sustainability, the Strategic Finance Business Partner (Corporate) will find out where that work is shared regarding the reporting of carbon impacts of the Capital Programme.	Strategic Finance Business Partner (Corporate)	Update as of 24 May 2024: The Greener Futures Team take an annual progress carbon report to Cabinet. The last one was November 2023: Cabinet Report - CC progress report.pdf (surreycc.gov.uk) . In addition, the Capital Programme Panel are amending the capital business case template	November 2024

Audit & Governance Committee – Recommendations Tracker

5 June 2024

					<p>to ensure carbon impacts are captured for capital schemes.</p> <p>The Climate Change Strategic Lead (SCC) noted that she is aiming to schedule that report for the November Cabinet, prior to that the report to be received by the Communities, Environment and Highways Select Committee.</p>	
Page 22	A6/24 13 March 2024	Recommendations Tracker and Work Plan	The Committee will receive the report from the Resources and Performance Select Committee's DB&I Task and Finish Group, for it to review alongside the later report from Internal Audit; ensuring that the Committee member gets an up-to-date response as to how all the complaints around late payments concerning the new Unit4/MySurrey system were being progressed.	Chair of the DB&I Task and Finish Group / Audit Manager	<p>Update from Scrutiny Business Manager on 10 May 2024:</p> <p>The Chair of the Digital Business & Insights (DB&I) Task and Finish Group is working to a revised DB&I report timeline. The report is due to be signed off at a private Resources & Performance Select Committee meeting on 10 June prior to submission to June's Cabinet meeting.</p> <p>Update provided by the Audit Manager on 10 May 2024:</p> <p>Internal Audit's Accounts Payable draft report is currently being finalised with management and should hopefully be published as a final report w/c 13 May. It will, therefore, be part of Internal Audit's summary of completed audits for Q1 as expected, which will come to the Committee in September. The opinion on the report is Partial Assurance, so the Chairman and Vice-Chairman of Audit & Governance Committee will be getting Internal Audit's standard briefing note for a lower assurance audit before the end of May.</p>	<p>July 2024 - DB&I Task and Finish Group report</p> <p>September 2024 - Quarter 1 - Internal Audit's report</p>

Audit & Governance Committee – Recommendations Tracker
 5 June 2024

A10/24	13 March 2024	Ethical Standards Annual Review 2023-24	The Committee will receive the report on gifts and hospitality, interests and whistleblowing at a senior officer level alongside the annual report on Members.	Director - Law and Governance, and Monitoring Officer	<p>The Committee Manager has highlighted the action to the interim Monitoring Officer/Director of Law and Governance.</p> <p>The Head of Insights, Systems and Governance is working with the interim Monitoring Officer/Director of Law and Governance. The team are pulling together the Annual Gifts & Hospitality Officer report. The Declaration of Interests report will follow later once the reporting on Unit4 functions to a satisfactory level. The developer team in IT & Digital are supporting with it.</p>	To be confirmed
--------	---------------	---	--	---	---	-----------------

Audit & Governance Committee – Recommendations Tracker
5 June 2024

COMPLETED RECOMMENDATIONS/REFERRALS/ACTIONS – TO BE DELETED

2023					
A9/23	12 July 2023	Counter Fraud Annual Report 2022/23	The Audit Manager – Counter Fraud will ensure that next year’s Counter Fraud Annual Report includes an NFI results section summarising the major areas identified in the cases.	Audit Manager – Counter Fraud	The Audit Manager (Counter Fraud) has provided a section in the Counter Fraud Annual Report 2023/24 on the NFI results.
A32/23	22 November 2023	LGSCO Annual Letter and Complaints Handling Update	The Customer Relations Team Manager will look to provide a dashboard or Key Performance Indicator within the complaints annual report going forward setting out the year-on-year comparison regarding the volume of financial remedies to enable the evaluation of improvements being made.	Customer Relations Team Manager	The Annual Complaints Performance Report (June 2024) contains this information.

Audit & Governance Committee – Recommendations Tracker
5 June 2024

A33/23	22 November 2023	LGSCO Annual Letter and Complaints Handling Update	The Head of Customer Services will share the document which set out the parameters of the Task and Finish Group.	Head of Customer Services	<p>The briefing document (A33/23 - Appendix 1) provides the update on the Complaints Task and Finish Group, setting out the key elements.</p> <p>Update which had been provided on 20 February 2024:</p> <p>The Head of Customer Services sends her apologies, requesting that she defers her item to the next available meeting please (June's Committee) - it had already been deferred from January's Committee to March. This is because she is unable to provide a detailed update currently. The outcome report has now been received and is being shared with Michael Coughlin as Director Customers and Communities. She and the Customer Relations Team Manager anticipate being able to share the full update at the next A&G Committee and respectfully, request that the item is postponed to the next available date. In the interim they can confirm that the Senior Complaints Practice Lead role, has been confirmed and recruitment is in progress.</p>
--------	------------------	--	--	---------------------------	---

Audit & Governance Committee – Recommendations Tracker

5 June 2024

A38/23	22 November 2023	Annual Governance Statement Half Year Update	The Director - Law and Governance will provide an update on health integration and how it was improving.	Director - Law and Governance	Extract from minutes of March's (2024) Committee meeting: the Director - Law and Governance, and Monitoring Officer referred to the report going to March's Health and Wellbeing Board which outlined how health integration was improving. The Committee Manager noted that she sent the update to Committee members yesterday afternoon attaching that report titled: Health and Wellbeing Board and Surrey Heartlands Integrated Care Partnership/Integrated Care Board Governance Review.
2024					
A7/24	13 March 2024	Internal Audit Progress Report - Quarter 3	The Audit Manager will in future reports reword 'encouraged' to 'required' regarding school staff declaring any relevant interests.	Audit Manager	The Audit Manager has confirmed that he and the team notes the wording change for future progress report updates on schools for relevant staff.

Audit & Governance Committee – Recommendations Tracker
5 June 2024

A8/24	13 March 2024	Internal Audit Progress Report - Quarter 3	The Director - Law and Governance, and Monitoring Officer will confirm whether the Council's Officer Code of Conduct applied to school staff.	Director - Law and Governance, and Monitoring Officer	<p>Response provided by the People Business Partner, Education and Resources, Surrey County Council:</p> <p>Noted that she has spoken to her colleague who supports Schools who has confirmed that staff are covered by the SCC Code of Conduct particularly if they are in schools where SCC (and not the governing body) is the employer (although typically all the maintained schools will adopt it).</p> <p>Schools also have what is called the Safeguarding code of conduct document, it is produced by the Education Safeguarding team annually and relates mainly to the provisions of Keeping Children Safe in Education (KCSIE). Probably relevant to anyone who works in regulated activity so would likely cover our Centrally Employed Teachers (CETs), Specialist Teachers for Inclusive Practice (STIPs), for example. The advice to schools is to publish both to staff, and to adapt the Education Safeguarding one to include anything else that is relevant to the school's context for example: use of mobile phones, camera, IT etc. so as to have one really robust document.</p>
-------	---------------	--	---	---	--

Audit & Governance Committee – Recommendations Tracker

5 June 2024

A9/24	13 March 2024	Internal Audit Progress Report - Quarter 3	The IT Audit Manager will provide written responses to the questions asked in key points 16 and 17 concerning the SFRS Customer Relationship Management (CRM) System and Adult Social Care (ASC) Data Handling audit.	IT Audit Manager	<p>The Committee Manager on 26 March 2024 circulated the below responses provided by the IT Audit Manager to the Committee:</p> <p>16. A Committee member referred to the SFRS Customer Relationship Management (CRM) System and asked whether SFRS was using the Council's project management governance framework or its own: <i>The council have a Programme & Project Management Academy which provides a methodology and framework which follows industry best practice and is grounded in Agile Project Management methodology. It is important to recognise that while the council have a framework in place, this framework is not considered mandatory. As a result, our audit work did not assess whether SFRS followed the council's framework or not, but instead assessed whether industry best practice had been followed within the project implementation.</i></p> <p>17. A Committee member referred to the Adult Social Care (ASC) Data Handling audit whereby an area for improvement was to identify a responsible officer to delete data held digitally at the end of its retention period, he deduced that the Council might be holding data past its retention period, was there an action plan and did that impact the Council's General Data Protection Regulation (GDPR) responsibilities. <i>There is a project underway looking at the deletion and holding of records within ASC. Following our audit, an action plan was agreed with the service where the Business Systems & Digital Team would take responsibility for looking to developing a robotic process automation to electronically purge</i></p>
-------	---------------	--	---	------------------	---

Audit & Governance Committee – Recommendations Tracker
5 June 2024

					<i>any digital records at the end of their recorded retention period.</i>
A11/24	13 March 2024	Appointment of Independent Member to the Audit and Governance Committee	The Committee Manager will send out an email to the recruitment panel noting the next steps.	Committee Manager	The Committee Manager liaised with the PA to Head of Service - Director of Law and Governance, and Monitoring Officer around the recruitment process, who sent an email to the recruitment panel on 22 March 2024 noting the next steps: checking availability for the date of the interviews.

This page is intentionally left blank

Complaints Task and Finish Group Update

The outcome report is in the process of being shared with senior officers to agree follow-up actions, after which we can provide a more detailed update as required - the item scheduled for June's Committee has been deferred to November's Committee: Report of the Complaints Task and Finish Group.

Some areas of current practice were highlighted for improvement; namely around existing oversight and reporting mechanisms to enable more visibility and learning from complaints across the organisation, as well as opportunities for complaints teams to collaborate more closely. The findings will feed into the council's wider customer transformation programme which will deliver better experiences and outcomes for our customers.

We can confirm that in the interim we have recruited to the senior complaints practice lead post, which will support the delivery of improved practice and influence how we can use the learning from complaints to improve services.

The recommendations and questions put forward by Audit & Governance Committee Members (as detailed below - Action A7/23), will be included in the forward work plan for the Senior Complaints Practice Lead, and have been shared with the Customer Transformation Programme for consideration as part of their work to streamline processes, make better use of technology and improve the information we provide:

- A7/23 a) Comparative complaints figures with other local authorities
- A7/23 d) Consider how non-formal complaints information such as around highways that residents direct to Members, can be incorporated in future reports or provided to the Committee in another form.
- A7/23 g) Provide an update on the Customer and Communities Directorate's mapping exercise of the Council's communication touch points and whether those were user friendly.
- A7/23 h) Consider a similar approach of having a central email address for residents when communicating with the Council around reporting a defect or complaint and issues to be allocated to the relevant officers for a response within an agreed timeline.

This page is intentionally left blank

AUDIT & GOVERNANCE COMMITTEE - WORK PLAN 2024

17 January 2024		
TREASURY MANAGEMENT STRATEGY STATEMENT 2024/25	This report sets out the Council's Treasury Management Strategy for 2024/25, as required, to ensure compliance with the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code)	Strategic Finance Business Partner / Strategic Capital Accountant
Deferred from November 2023 STATEMENT OF ACCOUNTS 2022/23	To approve the 2022/23 Statement of Accounts, including the external auditor's Final Audit Findings Report.	Chief Accountant (Corporate) / Grant Thornton
2022/23 AUDIT REPORTS AND ANNUAL STATEMENT OF ACCOUNTS FOR SUBSIDIARIES OF SURREY COUNTY COUNCIL	Annual accounts to be presented.	Commercial Finance Team – Strategic Finance Business Partner
EXTERNAL AUDIT: AUDITOR'S ANNUAL REPORT 2022/23	The Council's external auditors present their Annual Audit Report, replacing the below item.	Chief Accountant (Corporate) / Grant Thornton
EXTERNAL AUDIT: ANNUAL AUDIT LETTER	The Council's external auditors present their Annual Audit Letter	Director – Corporate Finance/ Grant Thornton

13 March 2024		
INTERNAL AUDIT PROGRESS REPORT - QUARTER 3	The purpose of this progress report is to inform Members of the work completed by Internal Audit during Q3.	Chief Internal Auditor/ Audit Manager
INTERNAL AUDIT STRATEGY AND ANNUAL AUDIT PLAN 2024/25	To receive the strategy and the plan for 2024/25.	Chief Internal Auditor/ Audit Manager
ETHICAL STANDARDS ANNUAL REVIEW 2023-24	To enable the Committee to monitor the operation of the Members' Code of Conduct over the course of the last year.	Director of Law and Governance / Head of Insight, Programmes and Governance

	To include sections on: (for review) <ul style="list-style-type: none"> - Gifts and Hospitality Register - Member Declarations of Interest 	
New item APPOINTMENT OF INDEPENDENT MEMBER TO THE AUDIT AND GOVERNANCE COMMITTEE	A recruitment exercise is underway, a report be presented to the Committee to make recommendations to a future Council meeting, to formally appoint the Independent Member.	Director of Law and Governance
RISK MANAGEMENT	To receive an update on Risk Management (March & September).	Head of Strategic Risk
New item VOTE OF THANKS TO RETIRING INDEPENDENT MEMBER	The Chairman to report.	Chairman

5 June 2024

5 June 2024		
ANNUAL COMPLAINTS PERFORMANCE REPORT	To give the Audit & Governance Committee an overview of the Council's complaint handling performance in 2023/24 and to demonstrate how feedback from customers has been used to improve services.	Customer Relations Team Manager/Head of Customer Services
2023/24 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 Business Partner
EXTERNAL AUDIT PLAN 2023/24	The Council's external auditors to present their Audit Plan in respect of Surrey County Council.	EY / Strategic Finance Business Partner

Moved from July INTERNAL AUDIT ANNUAL REPORT AND OPINION 2023-24 (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.	Chief Internal Auditor/Audit Manager
Moved from July COUNTER FRAUD ANNUAL REPORT 2023/24	To receive the annual report.	Chief Internal Auditor/Audit Manager - Counter Fraud

10 July 2024

2023/24 DRAFT ANNUAL GOVERNANCE STATEMENT	This report presents the draft Annual Governance Statement, which summarises the Council's governance arrangements for the financial year.	Director of Law and Governance / Senior Finance Business Partner Interim Head of Paid Service / Leader
WHISTLEBLOWING ANNUAL REPORT	The Committee to receive the report for information.	Director of Law and Governance / Head of Insight, Programmes and Governance
DRAFT STATEMENT OF ACCOUNTS 2023/24	To receive the report.	Strategic Finance Business Partner
Deferred from June SURREY PENSION FUND EXTERNAL AUDIT PLAN 2023/24	To provide the Committee with an update on the process for undertaking the external audit of the 2023/24 Surrey Pension Fund.	EY / Head of Accounting and Governance, and Assistant Director – LGPS Senior Officer

11 September 2024

RISK MANAGEMENT	To receive an update on Risk Management (March & September).	Head of Strategic Risk
INTERNAL AUDIT PROGRESS REPORT – 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

New item AUDIT & GOVERNANCE COMMITTEE EFFECTIVENESS REVIEW 2024	To receive a report of the Committee's effectiveness.	Democratic Services - in liaison with A&G officer leads
New item ANNUAL REPORT OF THE COMMITTEE	To receive an annual report highlighting the Committee's activity over the past year.	Democratic Services - in liaison with A&G officer leads

20 November 2024		
LGSCO ANNUAL LETTER AND COMPLAINTS HANDLING UPDATE	To give the Audit & Governance Committee an overview of the Local Government and Social Care Ombudsman's annual letter for the year 2023/24 and an update on complaint handling across the council.	Customer Relations Team Manager/Head of Customer Services
6 MONTH COMPLAINTS PERFORMANCE UPDATE REPORT 2024/25	To receive a half year update report on the operation of the Council's complaints procedures.	Customer Relations Team Manager/Head of Customer Services
Deferred from January, March, June 2024 REPORT OF THE COMPLAINTS TASK AND FINISH GROUP	The Committee to receive the results of the Task and Finish Group - action from November's (2023) Committee meeting.	Customer Relations Team Manager/Head of Customer Services
ANNUAL GOVERNANCE STATEMENT - HALF YEAR UPDATE	This report provides an update on progress on the improvement areas identified in the 2022/23 Annual Governance Statement.	Director of Law and Governance / Senior Finance Business Partner Chief Executive / Leader
STATEMENT OF ACCOUNTS 2023/24	To approve the 2023/24 Statement of Accounts.	Strategic Finance Business Partner
EXTERNAL AUDIT UPDATE REPORT	To receive an update from the council's external auditors.	EY
TREASURY MANAGEMENT MID YEAR REPORT 2024/25	This report summarises the council's treasury management activity.	Director - Corporate Finance
INTERNAL AUDIT PROGRESS REPORT - Q2	To report on Internal Audit progress during quarter 2.	Chief Internal Auditor/ Audit Manager



Audit & Governance Committee
5 June 2024

Annual Complaints Performance Report

Purpose of the report

To give the Audit & Governance Committee an overview of the nature of complaints received by the Council and complaint handling performance in 2023/24 and to demonstrate how feedback from customers has been used to improve services.

Recommendations

It is recommended that the Committee note 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.

Introduction

1. The Council has three Customer Relations teams managing complaints and enquiries, one each for:
 - Adult Wellbeing and Health Partnership (AWHP) services;
 - Children Families and Lifelong Learning (CFLL) services;
 - All other Council services.

The procedures for dealing with complaints about children's and adult social care functions are set out in law. The corporate complaints procedure (covering all other Council services) is based on best practice. This report gives an overview of complaint management for all three procedures.

2. 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. This will be the subject of a separate report to the Committee later in the year.

3. This report also includes complaints made about Surrey County Council's Pensions Service. Pension complaints are dealt with through a separate complaints procedure and have a separate Ombudsman, The Pensions Ombudsman. The Pensions Service provides separate reports on complaints received to the respective Pensions Funds.

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 from what our residents and customers tell us and use this to inform and improve the services we deliver, rebuilding and maintaining 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. Escalation rates and uphold rates are a better measure of performance because these indicate where complaints were not resolved at service level and where fault has been found. Low escalation rates are a positive sign indicating robust responses and early resolution as appropriate.
7. Where fault is found, actions are put in place to resolve the complaint for the customer and to make sure we improve our service. Specific examples are highlighted in **Annex 1**.
8. Even if a complaint is not upheld, the opportunity to learn about why the customer has made a complaint and how their experience or customer journey could have been improved is always considered.
9. Where there is an alternative route for resolution such as legal forums and appeals procedures, the matter will not be considered through the complaint procedure. Examples of these include data breaches, Special Educational Needs (SEN) tribunals and school transport appeal panels.
10. It is important to capture a balanced view of services and to recognise and learn from good service, which is why compliments received by customers are also recorded and referenced in this report. Examples are given in **Annex 2**.

Early Resolution and use of online complaints form

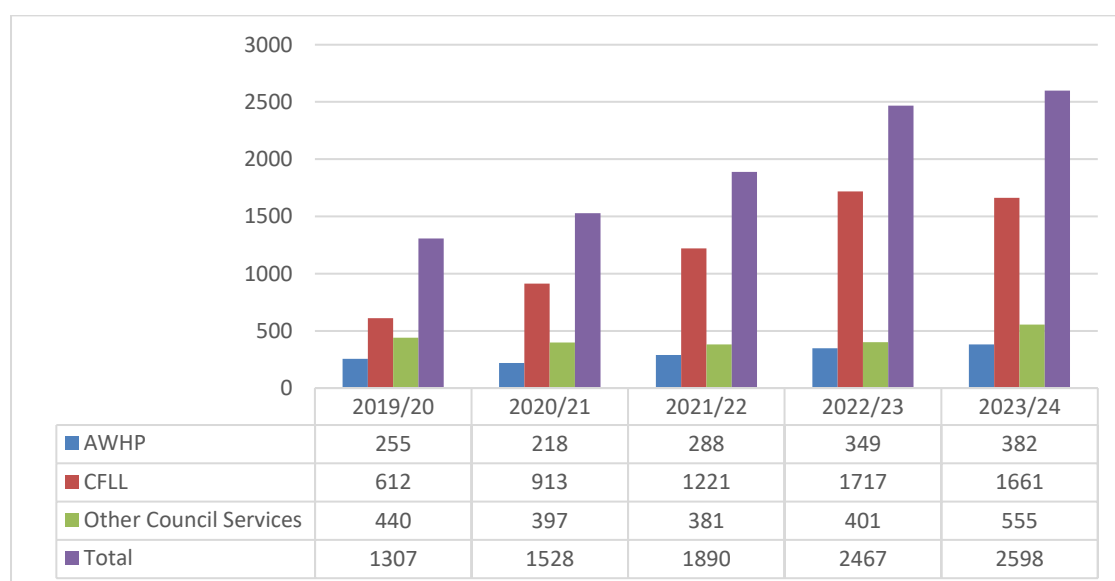
11. The Council's online complaint form makes it easy for customers to make contact with any concerns at their convenience as they can access this route at any time of day. Several service requests are received through this route, as well as residents commenting on policy decisions. While the online form is popular, it is recognised that not everyone has access to, or can use, digital services. This is why there are other ways to make complaints, such as by telephone and written correspondence.

12. The Council's early resolution approach means that all complaints are reviewed when they are received to make sure any enquiries are properly routed to the person or service best placed to help or respond. It is also determined at an early stage whether what the customer has asked for can be achieved without the need to go through the complaint procedure.
13. The Customer Relations Teams proactively work with services to prevent issues escalating where the required advice, information or preferred outcome can be provided quickly outside of the complaint procedure. This is an example of Early Resolution in the context of Alternative Dispute Resolution. This approach enables a proportionate and resolution focused service; it is not designed to prevent complaints being made.
14. This approach helps distinguish complaints from service requests quickly and makes sure they are properly routed with minimum delay. During 2023/24, 3,415 online (web) complaint forms were submitted compared to 2560 in the previous fiscal year. This demonstrates that our online form is accessible and used by our customers.
15. Many customers who used the online form were contacting about the delivery of non-social care or education provision services, primarily highways issues (1,252). The next most frequent contact related to Education Services (717) primarily relating to Education Health Care Plans (EHCP) for children and young people with Additional Needs and Disabilities (AN&D). 180 online enquiries were recorded about support from Children's Services. A further 295 online contacts recorded related to the delivery of Transport Services, with 63 of these relating to Home to School Transport. The least number of online contacts (135) were recorded in relation to Adult Social Care.
16. Some of the regular issues reported through the online complaints form that were unrelated to the provision of education services, home to school transport services and the delivery of social care support for both children and adults, included:
 - **Highway enquiries** - trees and vegetation enquires, roadworks/road closures and potholes.
 - **Insurance claims** - claims for damage to vehicles.
 - **District & Borough Council matters** - recycling and bin collections, and environmental issues.
 - **Waste** charges and questions relating to the community recycling centres.
 - **Countryside** - overgrown footpaths/vegetation issues.
 - **Bus services** - changes to routes / bus operators, timetables, queries regarding bus passes etc
 - **Trading standards** - comments about local businesses not trading correctly.
 - **Property** - reports about lighting / alarms / generators.

Complaint volumes and key themes in 2023/24

17. During the year 2023/24, the three complaint teams within Surrey County Council recorded a total of 2,598 complaints: a 5% increase across the board compared to the previous fiscal year (2,467).
18. Breaking this down into the three main areas:
 - AWHP services saw a 26% increase from 302 in 2022/23 to 382 during 2023/24.
 - CFLL services saw a 6% decrease from 1,771 in 2022/23 to 1,661 in 2023/24.
 - All other services saw a 38% increase from 401 to 555 at stage 1 of the formal complaint process.

Figure 1: Total complaints received.



Children’s Social Care services and Education services

19. Complaints about Children’s Social Care Services decreased by 18% from 607 during 2022/23 to 495 in 2023/24, which is indicative of the successful transformation and quality assurance work underway across social care services, embedding the family safeguarding model, increasing team capacity and staff retention, improving partnership working, finding more stable homes for looked after children and expanding services for care leavers.
20. In terms of themes in social care complaints, there has been an increase in complaints about the personal data held by the Council and the accuracy of that data, which are translating into Requests for Rectification under GDPR 2018. Another theme in Children’s Social Care related to concerns about the application of the Direct

Payments Policy, which staff have consequently reviewed and relaunched.

21. Complaints about Education Services increased by 30% from the previous year, from 832 to 1,078.
22. An estimated 65% of these complaints related to delays in completing an Education, Health and Care (EHC) Needs Assessment, issuing a final EHC Plan or completing an Annual Review. These delays, particularly in assessments, have been well documented as a national issue, caused in large part by the shortage of trained Educational Psychologists available to meet the increasing demand.
23. Cabinet approved a £15 million investment in July 2023 to address this challenge, and with implementation now well underway, the number of complaints regarding delays is expected to gradually reduce in 2024-25. The overall number of complaints directed to the SEN service between October 2023 and April 2024 has already reduced from a peak of 109 active complaints in October, to 67 in April.
24. Other Education-related complaint themes included disagreement with the Council's decisions; desired provision not being put in place, especially for children not attending school; and standards of communication.
25. For both social care and education provision, 30% of complaints included an element related to communication, with families requesting more frequent updates and more timely responses from key workers. As part of the new improvement plan following last year's Ofsted inspection, the Additional Needs & Disabilities Partnership has now established a Delivery Group specifically focused on improving Communication, Relationships and Collaboration. Restorative practice training is also being rolled out across the CFLL directorate, and Customer Champions have been appointed in each service to help embed the Council's refreshed Customer Promise.
26. Complaints about Home to School Transport decreased by 68% from 278 recorded during 2023/23 to 88 recorded during 2023/24.
27. This is reflective of the changes made within the structure of the service and adoption of an early resolution approach. It also includes reimbursement of costs incurred by parents transporting children themselves amongst other procedural changes.
28. The work is supported by a team of dedicated customer relations and complaints officers within the Home to School Transport Service, a successful model which has now also been replicated in SEN services, with a complaint lead in each geographic area working closely with the CFLL Customer Relations team.

29. In 2023/24, 1,446 enquiries were raised via MPs and Councillors, with 1,090 (75%) of these relating to Education services. Communication is underway to encourage residents to contact the CFLL Customer Relations team directly, particularly as over half of these enquiries relate to existing complaints.
30. For Education Services, primarily in provision for children with additional needs and disabilities, concerns can also be pursued through the appeals process.
31. For Adult Social Care, the increase in volume of 26% partly reflects the increased numbers of complaints relating to charges applied once someone has had a financial assessment. In Surrey a high number of people receiving care support will be making a client contribution towards their care costs and it is difficult to manage and balance the expectations sought when the care comes at an increased cost, due to the cost-of-living crisis.
32. Additionally, we are also experiencing a rise in complaints from mental health clients who are struggling to navigate the complex landscape of accessing support and differentiating between Adult Social Care Services and Surrey and Borders Partnerships service provisions.
33. The most frequent subject of complaint for each of the complaint procedures are shown in Figure 2 below. Service specific delivery issues followed by lack of communication were the most frequent complaint categories.

Figure 2: Complaint categories 2023/24

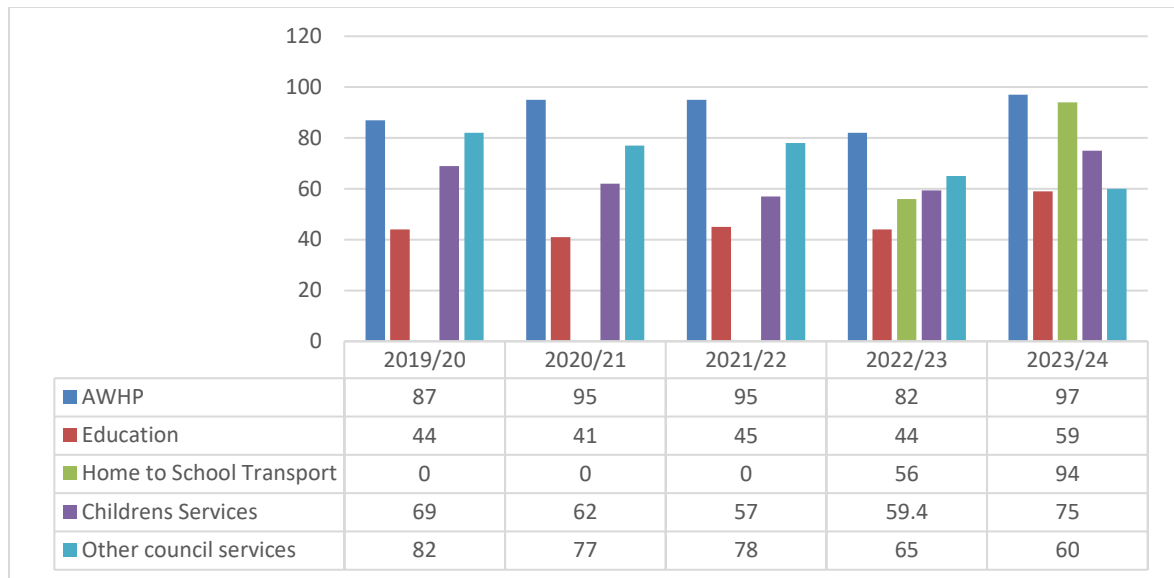
CORPORATE	CHILDREN, SCHOOLS & FAMILIES	ADULT SOCIAL CARE
Road works/resurfacing	Disagreement with assessment, content, and outcomes	Communication, Staff Conduct and Decision Making
Trees/vegetation	Children out of education and without alternative provision	Assessment Process
Parking	Delays in EHCP process/disagreement with content	Financial
Flooding/drainage	Direct Payment Policy does not meet requirements of pertinent legislation as it is too prescriptive	Service Provision
Libraries	Children not meeting the criteria for support from Children with Disability Services	Safeguarding

Complaint-handling performance

34. For corporate complaints, the target is for 90% of stage 1 complaints to be responded to within 10 working days. This year, 60% were responded to within timescale, compared to 65% the previous year. The adoption of accountability for parking enforcement and maintenance of our verges has contributed both to the increase in volume of complaints reflected as a 63% increase in complaints about Highways compared to the previous 12 months. Timeliness of responses for Highways has decreased from 77% during 2022/23 to 67% for 2023/24.
35. The Customer Relations Team is working with Highways colleagues to identify barriers and challenges to timely responses, aiming to improve response performance. This includes delivering localised training on complaints management and arranging training webinars to be delivered by the Local Government and Social Care Ombudsman during the Autumn of 2024.
36. For Adult Social Care, the target is for 90% response within 20 working days (extensions can be agreed). The figure for this year was 97% compared to 82% in the previous year 2022/23.
37. CFLL services are working towards 80% compliance within the 10 working days target (extended to 20 working days with the customers agreement if necessary). Additional resourcing in the second half of the year, both in the CFLL Customer Relations team and in the SEND service (four dedicated complaint specialists, one in each of the four quadrant teams), have enabled improvements in timeliness towards this target. 75% of complaints in Children's Social Care services were responded to within timescale (15% improvement on the previous year) and 59% in Education services (12% improvement).
38. 94% of complaints about Home to School Transport were responded to on time during the year. This is an increase of 5% when compared to the previous 12 months when 89% of complaints were responded to within timeframe. This continues to reflect the positive impact of a proactive early resolution approach.
39. The ongoing Cost of Living challenges continue to impact customers and residents presenting challenges for front line staff in providing appropriate and proportionate support. The longer response times for Children's Services and Education are not unexpected because of the increasingly complex nature of concerns shared by families.
40. There were 78 complaints still open at the end of the year (31 March 2024), either because they were still within the response time or because they had yet to be resolved and responded to. The breakdown was:
 - 1 (Adult Social Care)
 - 33 (Children's Services)
 - 35 (Education)

- 0 (Home to School Transport)
- 9 (all other services)

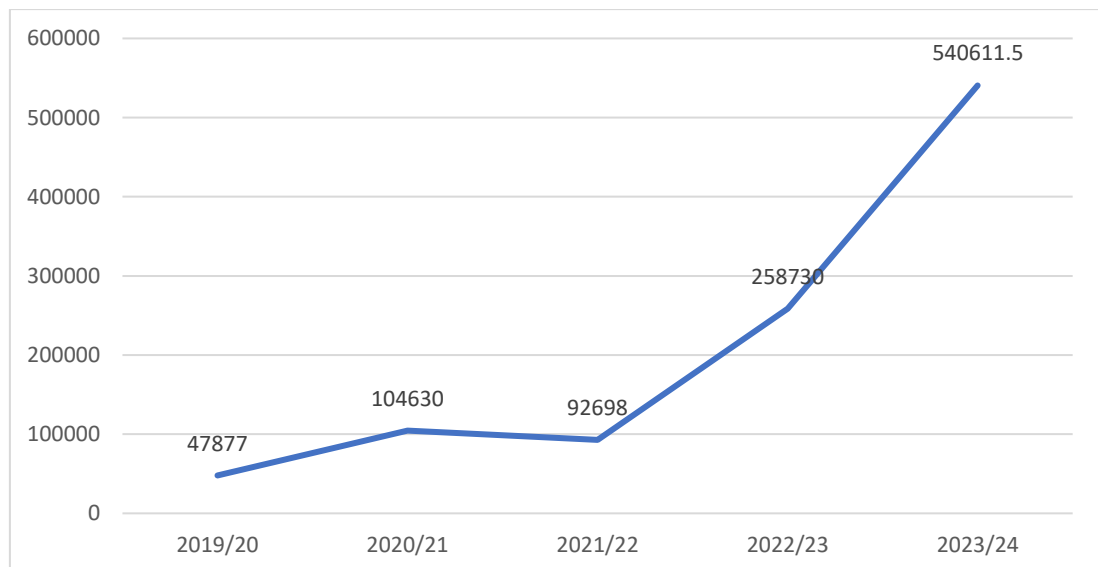
Figure 3: Performance against response target



Financial Redress

- Where fault is found following a complaints investigation, financial redress can be recommended where appropriate. All financial awards are approved by the relevant Head of Service and, if greater than £1,000, in consultation with the relevant Cabinet Member. The Ombudsman can also recommend financial redress if they find fault following an investigation.
- During 2023/24 the total amount paid in financial remedies was £540,611.59.

Figure 4: Financial Redress payments year-on-year



43. The notable increase in remedy payments from the previous year is due in part to a recent change in guidance from the Ombudsman, which encourages local authorities to provide financial remedies at an earlier stage, as well as remedies on an on-going basis for delays to EHC needs assessments and plans, regardless of the final decision to assess or to issue a plan.
44. Appendix 4 illustrates the month-on-month improvement in issuing plans within statutory timescales. Timeliness for initial needs assessments is also improving at an even faster rate, with almost 60% forecast within timescale by the end of May 2025. It is worth noting that although EHCP delays are gradually reducing, the volume of complaints reaching the Ombudsman, and consequent remedies, will take longer to reduce as they can relate to cases from up to two years prior.
45. Of the remedy payments directed by the LGSCO, £222,657.20 were for reimbursement costs to address missing provision. Where it is agreed that a child should have been receiving certain provision, the Council may make a symbolic financial payment to recognise each month of that missed provision. These payments therefore are funds that the Council would be spending to meet assessed needs irrespective of a complaint being made. This portion of the remedy payments equates to 68% of the total financial remedies directed by the Local Government and Social Care Ombudsman.
46. Missing provision is often due to delays in the EHCP process, as the appropriate provision for each child is dependent on first completing an assessment and agreeing this provision in the child's EHCP. As timeliness improves, provision will be put in place within normal service delivery rather than retrospectively through remedies.
47. Another cause of missed provision is related to children missing education for other reasons. The Council has undertaken an analysis of complaints under this theme, reviewing its responsibilities under section 19 of the Children's Act and implementing a series of recommendations.
48. For Adult Social Care, the total paid was £15,400 which was a result of recommendations from the Ombudsman. The largest of these included payment for the following complaint:
 - This amount includes a payment of £9,150 made due to the care provider, acting for the Council, being at fault as they charged an additional fee with no top up agreement being in place. The Council were instructed to repay the top up fee.
49. There were no remedy payments made for corporate services.
50. The totals of financial redress payments are shown below (figure 5).

Figure 5: Financial Redress breakdown 2023/24

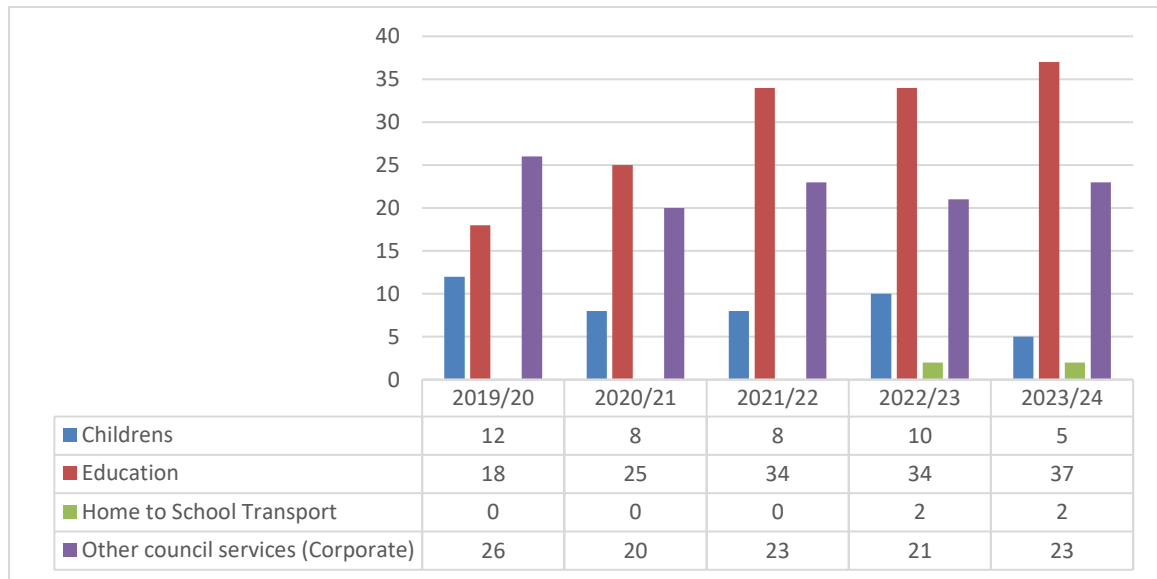
	FINANCIAL REMEDIES	
	2023-2024	2022-2023
Adult Wellbeing and Health Partnership (AWHP)	£15,400.00	£1550.00
Children Families and Lifelong Learning (CFLL)	£525,211.59	£258,730.53
Other Council Services (Corporate)	None Paid	None Paid
TOTAL	£540,611.59	£260,280.53

Complaint Escalation

51. The aim is to resolve complaints at the earliest opportunity; however, customers can escalate their complaint, both to the next stage of the Council's complaints process (where this option applies) and to the LGSCO for external independent investigation. Escalation rates are a good indicator of how successfully complaints are being handled at point of service.
52. 26.5% of complaints (147 out of 555 Stage 1 complaints) were escalated from Stage 1 to Stage 2 of the Council's corporate complaints procedure in 2023/24. This is a 5.5% increase on 2022/23 (21%). Some escalation requests reflected the delay in responding at the initial stage of the complaint process. As indicated earlier in this response the Customer Relations Team is working with operational colleagues to identify barriers in timeliness of response. 22 complaints were taken on immediately at stage 2 due to the complex nature of the concerns and to avoid further frustration for customers.
53. During the 2023/24 financial year, 27 complaints (5% of complaints) about Children's Services escalated to independent investigation at the second stage of the complaint process. This is 5% lower than the previous 12 months and reflects the increased use of an Alternative Resolution Approach that focuses on resolving the complaint rather than simply investigating the complaint. The aim of Alternative Dispute Resolution is to focus on drawing matters to a close as speedily as possible and to improve both the timeliness and appropriateness of support for children and young people in Surrey.
54. 37% of complaints about Education Services escalated to investigation at the second stage, a 3% increase when compared to the previous 12 months. This figure largely reflects the number of complaints related to delays in EHCP which were upheld at each stage. The SEND service has since recruited to four dedicated complaint roles to lead on early resolution and to coordinate more comprehensive responses at Stage 1, which will reduce escalation rates going forward.
55. 2% of the complaints recorded about Home to School Transport escalated to the second stage of the complaint process. This has remained unchanged since 2022/23 and continues to reflect the positive impact following the appointment of a dedicated complaints lead within the

Service. Prior to 2022/23 Home to School Transport complaints were included within the figures for Education.

Figure 6: Complaint escalation year-on-year



56. Adult Social Care is required by law to have a one stage complaint procedure. This is why there is no escalation rate for Adult Social Care complaints.

Escalation to the Local Government & Social Care Ombudsman

57. 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.
58. The Ombudsman issues their annual letter in July each year. This year's annual letter will confirm the enquiries and complaints received about Surrey County Council during 2023/24. A further report analysing this letter will be brought to a future meeting of the Audit and Governance Committee.

Pensions Complaints

59. Pension complaints are dealt with through a separate complaints procedure and have a separate Ombudsman, The Pensions Ombudsman. The Pensions Service provides separate reports on complaints received to the Pension Fund. A total of 54 complaints were received for the year 2023/24 for Surrey County Council's Pensions Service, with no change from the year before, when there were 55.
60. During the last financial year there has been a single recorded case of a complaint referred to the Pensions Ombudsman. This is ongoing with an outcome yet to be shared by the Pensions Ombudsman.

Learning from complaints

61. Every complaint presents an opportunity to put things right for the complainant and for the Council to learn and improve. An individual complaint may result in a single action to put that situation right or to mitigate against that situation re-occurring. Multiple complaints about the same issue could indicate a need to review how a service is delivered. Actions underway as a result of complaint themes in CFLL have been described in paragraphs 19 – 28 and more detail is provided in the final section on Conclusions. Specific examples are given in **Annex 1**.

Compliments

62. It is important to present a balanced view of services and to recognise and learn from good service. Throughout the year Surrey residents and customers have taken the time to compliment the standard of service they have received. In 2023/24, the Council recorded 1,105 compliments about its services: 49 for Children's Services, 64 for Education, 1 for Home to School Transport, 674 for Adult Social Care and 317 for all other services.
63. The Customer Relations Teams are encouraging the logging of individual compliments received direct by services to enable identification of areas of good practice. Compliments are now routinely captured on our casework management system. Some extracts from compliments received are given in **Annex 2**.

Conclusions

64. What are we doing well?

- a) Regular weekly and quarterly reporting on customer relations activity across the three areas to the Chief Executive and Senior Leadership Team. This has increased transparency and informed changes in service delivery.
- b) Providing high quality advice, training on complaints management and support on general complaint handling across all three areas.
- c) Focusing on early resolution – actively reviewing initial enquiries to prevent unnecessary complaint escalation.
- d) Providing timely and full responses to Ombudsman enquiries. Proactive prompting of deadlines is in place to help set clear and consistent standards.
- e) The appointment of an internal investigator for the consideration of escalation requests relative to complaints about Children's Services has enabled a shift in focus to Alternative Dispute Resolution. This continues to have a positive impact on reducing the volumes of complaints escalating to independent investigation and through to the Ombudsman.

- f) Within Children, Families & Lifelong Education (CFLL) services, the CFLL Customer Relations team have worked collaboratively with colleagues in Education Services to recruit and train additional staff both within the Customer Relations team and within the SEND service. This has enabled a gradual improvement in quality and timeliness of responses, which will continue into 2024-25.
- g) Members of staff across Education services have been trained in restorative practice, with additional customer service improvements pending an end-to-end review of the EHCP process. As part of the new Additional Needs & Disabilities Improvement Plan, the CFLL Customer Relations team present key themes and recommendations on a quarterly basis to the delivery group for improved communication with families.
- h) The CFLL Customer Relations team also meets quarterly with senior leaders in social care services at the Practice Challenge Leadership meetings, presenting insights and case reviews to inform service improvements.
- i) Adults, Wellbeing and Health Partnerships Customer Relations Team holds urgent case reviews with all senior managers to ensure a proactive approach to complaint handling and continues to deliver training and guidance for new managers and practitioners on handling complaints and responding effectively.
- j) Adults, Wellbeing and Health Partnerships Customer Relations Team also uses learning from complaints to inform practice improvement and periodic learning space activities; we follow up with teams to complete actions agreed on upheld complaints where learning has been identified.
- k) All teams provide guidance on good and timely communication with people who use services and their families to help with the delivery of key messages, to manage the impact on service delivery and to improve relationships with customers.

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

- a) Training and support to create a strong customer ethos that cuts through each part of the organisation – putting our customers at the heart of what we do every day.
- b) Using learning from complaints to drive changes to behaviours and the way we work, so that we can build better relationships with our customers and support improved collaboration and engagement. This change will be built on the refreshed Customer Promise and underpinned by the Customer Service Transformation programme. The CFLL Customer Relations team is undergoing training in Plain English language to make complaint responses more accessible and more customer-centred. They will share this training with colleagues in operational services as well as initiating a quality assurance step in the process to review responses before they are sent.

- c) Reduce the financial impact of complaints by getting things right first time more often and make sure all staff feel empowered and have the time to respond positively to customer complaints.
- d) Showcase good practice and share more widely the learning from complaints.
- e) The Corporate (Other council services) Customer Relations Team will:
- Deliver training on effective complaints handling for corporate complaints, focusing on sharing the premise behind the Joint Complaint Management Code drawn up between the Local Government and Social Care Ombudsman and the Housing Ombudsman.
 - Arrange the delivery of Training on Effective Complaints Management by the LGSCO to improve services understanding of the role of the Ombudsman as well as the quality of initial complaint responses.
- f) The Children's Customer Relations Team will:
- Continue to support services in embedding a culture of learning from complaints. This will be achieved both through continued collaborative working and through formal participation in Practice Learning Challenge and Customer Service Improvement meetings.
 - Review and improve written language and tone of voice in line with the Customer Promise principles and introduce a consistent quality assurance process for all written responses to complaints and enquiries.
 - Support service colleagues in developing a 'hands on' proactive communication approach to managing concerns with a focus on resolution and putting things right.
66. Adults, Wellbeing and Health Partnerships (AWHP) Customer Relations Team will:
- Focus on the link between complaint handling and service performance by continuing to support teams with their complaints responses and highlighting the key trends identified from the quarterly reports.
 - Promote getting the basics right by highlighting the need for good record keeping and encouraging the necessity for clear audit trails of how and why decisions are made.
 - Provide advice/support managers across the Directorate who lead on the investigation and responses.

Financial and value for money implications

67. Payment of financial redress (as shown in Figures 4 and 5) is the financial implication of complaint handling. Responding to complaints quickly and resolving concerns as early as possible ensures complaints do not escalate unnecessarily through the process and minimises the requirement to pay financial redress.

Section 151 Officer Comments

68. The Council continues to operate in a very challenging financial environment. Local authorities across the country are experiencing significant budgetary pressures. Surrey County Council has made significant progress in recent years to improve the Council's financial resilience and whilst this has built a stronger financial base from which to deliver our services, the cost of service delivery, increasing demand, financial uncertainty and government policy changes mean we continue to face challenges to our financial position. This requires an increased focus on financial management to protect service delivery, a continuation of the need to deliver financial efficiencies and reduce spending in order to achieve a balanced budget position each year.
69. In addition to these immediate challenges, the medium-term financial outlook beyond 2024/25 remains uncertain. With no clarity on central government funding in the medium term, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority, in order to ensure the stable provision of services in the medium term.
70. The learning from this Annual Complaints report will enable services to make improvements and as such the s151 Officer endorses this report.

Equalities and Diversity Implications

71. 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 groups, and individuals 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 & Legal Implications

72. The complaints process does not have any direct risk management implications; however, complaints do carry both a financial risk and a risk to the council's reputation if the subject of the concerns is not appropriately addressed by the services to which they relate. Complaints are included in the Risk Register for the appropriate service and monitored accordingly. We routinely review and report on complaints data to ensure our processes are effective and to minimise any risk.

73. This report is a noting report and there are no legal implications directly arising from the contents. The implementation of our learning from complaints and listening to our residents should lead to a reduction of complaints received and a reduction in those going to the Ombudsman or the Courts. Social Care services for Adults and Children are required to follow a separate procedure stipulated by the Department of Health (DOH) and Department for Education & Skills (DFES) as set out in the report. Regular reports on the Council's performance in responding to complaints assists the Council to ensure that it complies with its best value duty to secure continuous improvement in the way in which its functions are exercised having regard to a combination of economy, efficiency, and effectiveness.

Next steps:

74. 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: Jessica Brooke, Customer Relations Manager

Contact details: Tel: 07891 001205; Jessica.Brooke@surreycc.gov.uk

Sources/background papers:

- Surrey County Council complaints tracker, Adult Social Care Customer Relations Team, Children's Customer Relations Team.
- Decision Notices available on LGSCO [website](#)

Annexes:

Annex 1 - Examples of learning identified through customer feedback

Annex 2 - Extracts of compliments

Annex 3 - Summary graphs from main report

Annex 4 - Data showing EHCP requests and timeliness

Annex 5 - Additional detail on financial remedies

Annex 1: Examples of learning identified through customer feedback

Customer said: The Social Worker's comment about being disappointed that family couldn't attend a pre-planned meeting caused offence and complainant shared that it made her feel misunderstood and unvalued.

We did: Learning identified was around communication style. There is a need to recognise that we should approach situations with sensitivity and be mindful to people's feelings. The Social Worker was happy to call the family and apologise personally to ensure they work together in a collaborative way in future.

Customer said: Daughter raised concerns around father's residency at a Nursing Home, issues included lack of records to reference medication times, staff behaviour and absence of any stimulating activities. The response daughter received from CQC, and the Team, initially alleged she claimed they did nothing to address or resolve the Management issues reported at the home.

We did: A review of everyone's placement at the home took place and we were happy that they were receiving the appropriate level of care. We also asked CQC to inspect the home and they asked the home to make a series of improvements. Through the Provider Intervention & Support Process, we held Provider Support Meetings. These meetings were attended by the home and professionals (including CQC). At these meetings we discussed areas of concern and how they could make improvements with their standards of care. We were happy that the standards had now been improved.

Customer said: Parent complained about insufficient reimbursement of costs incurred when transporting a child to and from school due to delay in providing contractual Home to School Transport

We did: We reviewed the Transport Policy to ensure that parents are not financially disadvantaged; we published a Guide to Home to School Transport that accompanies the Policy for ease of reference for residents, families, young people, and council officers. We appointed an officer as complaints lead within the Service to enable early resolution of complaints.

Customer said: Parent complained that the Council was incorrectly directing how Direct Payments should be used. This impacted on a young person's ability have their social and networking needs met.

We did: We reviewed and revised the Direct Payment Policy. The new policy provides clear information about the use of Direct Payments and a more flexible approach for out of Panel decisions to enable prompt resolution of concerns. This in turn will ensure that children and young people are not disadvantaged if the parent encounters unforeseen challenges in using the Direct Payment as originally agreed and provides for a fair and equitable approach.

Customer said: Parent complained that the Council did not consider the customer (child or young person) and the wider family in terms of impact and poor customer experience associated with delays in putting appropriate education provision in place.

We did: In association with the outcome of a recent internal audit considering the management of complaints about children and education services, we have recruited four complaint leads to work with the customer relations team. The aim is to embed a culture of early resolution to improve the customer journey and experience thereby enabling a reduction in the receipt of unnecessary complaints. This is in addition to an increased focus on improving the customer journey with the implementation of a cross-sector partnership 'Communication, Relationships and Collaboration' Improvement Delivery Group.

Customer said: Complaint that following reconstruction of pathways, vehicle cross overs do not meet the specifications set out on our Policy Documents.

We did: We clarified that the specifications contained within the Policy relate to newly installed vehicle crossovers. The council has a duty to ensure that following reconstruction the existing cross over must retain the original specifications.

Customer said: Complaints about failure to appropriately address risks associated with concerns about road safety in rural areas.

We did: We recognised that we did not have a published document that captures the actions taken to assess road safety concerns when brought to our attention. We are capturing these actions in the form of a Standard Operating Procedure that can be published on our webpage.

Customer said: They were not given sufficient advance notice of the impact on visitor parking permits not being valid following the transfer of parking enforcement from Districts and Boroughs to the County Council.

We did: We undertook to honour the visitor parking permits for the 12 months following the transfer of parking enforcement thus enabling residents to make alternate arrangements and purchase the new visitor permits.

Annex 2: Extracts of compliments received.

ADULTS:

Mental Health Specialist Services Team: I wanted to acknowledge how helpful and supportive the Enabling Independence Team worker has been. She has been integral to me getting through some of the hardest times of my life. My sincere appreciation of her, she has gone above and beyond.

Guildford & Waverley: Thank you for all your help during a very difficult time. X is settling in well at her new home. We are starting to get back into a normal routine again.

Transition Team: Words can't really express how grateful I am to you for the kindness, help and support you have all given over the extremely difficult past few weeks. I know how extremely hard everyone has worked and I can't thank you all enough.

Elmbridge Locality Team: We can't thank you enough for your diligence and professionalism in resolving the issues around finding a suitable care home for Mum. Your recommendation on a suitable home has been excellent - more than we could have hoped for. Your work is a real credit to your profession and your locality team.

Reigate and Banstead Locality Team: Thank you for your professional, practical and realistic advice, and help. You worked with us through a difficult period in Mum's care and helped Mum, us and her carer reach a much happier situation. Mum had her 98th birthday and she enjoyed her weekend of celebrations in a way that I hadn't thought would be possible at Christmas.

Learning Disability and Autism Team: Social Worker is truly an inspirational person, kind, considerate, very professional, and totally understands my daughter. A big thank you. You have a lovely member of your team.

CHILDREN'S & EDUCATION

Children's Services

I am a foster carer under the watchful eye of SSW AX. She's just wonderful, everything a SSW should be. [...] I think AX deserves some recognition for just being great and going above & beyond. She has helped transport my little charge to nursery whilst my foot recovers, offers of help with shopping. [...] She had big boots to fill as I lost PKr who was just the greatest, but she's filling them and is making my world a little easier. It's all too easy to recognise the bad, but the great need some recognition too.

'I just wanna say thank you so so much. I know I said it but I feel like nothing in this world can tell you how grateful I am for you coming into my life and becoming such a huge support system for me. Thank you for believing in me, making me feel like I can do anything I can set my mind to[...] Thank you for making me feel seen and for making me feel like I matter, thank you for taking the time to understand me and get to know me and I am eternally grateful that

you didn't just see me as just a case. [...] You are such an amazing person and without u I don't know if I could have had the courage that I have had during the 4 years I have known you, everything you have taught me and shown me I will never ever forget. [...] I mean it from the bottom of my heart thank you for everything along my journey'

Education Services

Thank you so much for your hard work and I am over the moon with the fencing. I can now relax a little knowing that my son is safe whilst playing in the garden. Can I also mention that the 2 Workmen that fitted and replaced the fence were amazing, polite and professional.

We just wanted to reach out today to thank you for all the time and effort you spent on our daughter and her out of cohort application over the last five months. We really appreciate everything you did, from calling to check about the status of our school request to triple check we were withdrawing for this year, to suggesting we make late applications for the schools we have received agreement from so these can be on our application for next year. You made a particularly complex and stressful situation that bit easier, and remained calm, even on the day we sent you four emails in a row!! We hope that this week is not too stressful and look forward to this being us next year. Thanks again for all your help, please let us know if there's anywhere we can feed back more formally for you.

Home to School Transport

Thank you so much for your help and support. You really did very well on our request. Highly appreciated and kind to us.

CORPORATE (other council services):

Highways: What a fantastic job your team has done in Wey Road. So quick, so efficient, and a nice bunch of contractors too. All the residents I've spoken to are most impressed. I've done my fair share of complaining in the past, but credit where is due. So thank you very much, and please pass on the collective thanks of the residents in Wey Road for a job well done.

Trading Standards: Thank you, yes I have received notification from my bank of the deposits made to my account and as far as I can tell, all is well. I would have been so overwhelmingly stressed by this situation that I would have been incapable of handling it without your help, and I cannot express in words how much I appreciate your dedication and support. Thank you so much.

Surrey Fire and Rescue Service: Last night we called your fire brigade to attend a car fire at my house. I was given an incident report number and told that there would be a report as I need to pass this onto my insurers and so forth. I want to say a massive thank you to the guys who came over, they were at the house within minutes and were so helpful and lovely. They also attended a house fire we had last year, and it was the same group of men, so just want to say a massive thank you for continuing to help us!"

Waste Sites: I spoke to an officer from the Weybridge site with a query on how to get rid of some breeze blocks and he was very helpful and said to go to the Slyfield site. I went on Sunday morning and was most impressed by how helpful and customer focused the people working there were. I also needed to get rid

of a duvet. I saw another man ask where it would go, and he said where the black bags go. He was very helpful, and I went over to the black bag area and was met with another person who was really helpful. All three people I came across today were happy, helpful and customer focused. I would just like to say thank you.

Registrations: Good morning to you all. I would just like to pass on a lovely message from the family who you all helped massively last week. You all went above and beyond to help this nice family and as a result of that they were able to bury their little son the following day. I telephoned the father and he said that everyone has been so kind and accommodating and with everyone's cooperation the funeral went ahead as planned. He said you were exceptionally kind at the mortuary and that the Registrar was amazing. He totally appreciates all the stops that were pulled out to get this to happen. I would like to also thank you for taking care of this nice, sadly bereaved little family. As you know they have recently moved to the UK, so not near their relatives.

Countryside: Thank you so much for reducing the grass verge cutting in my area. We find it much more attractive with longer grass and our daughters noticed a particular rare caterpillar in the grass/ flowers which when we searched online had a national decline of 85%. Please cut our verges as little as possible! We feel very disappointed when the mower comes around! :).

Blue Badge: I just want to give feedback for the Blue Badge team. They have been very quick and helpful - prioritising our application after a change in circumstances of my son - and have gone beyond what I hoped or expected. It is much appreciated and will have an immediate and beneficial impact on his care. Thank you.

Contact Centre: My elderly mother's been in St. Peter's this month and it's been a nightmare trying to get the discharge team there to sort anything out or even do basic communications with me or her local authority in London. During this awful time, I called the Surrey ASC helpline twice for advice. On both occasions you've been outstanding. The advice on navigating the system, what phrases mean, what forms are and do, and how to simply get through to the end of the nightmare has been a life raft in a crisis. I was so grateful you for your practical support and compassion, especially when Mum's not in any way your responsibility. Thank you so much.

Annex 3: Summary graphs from main report

Figure 1: Total complaints received.

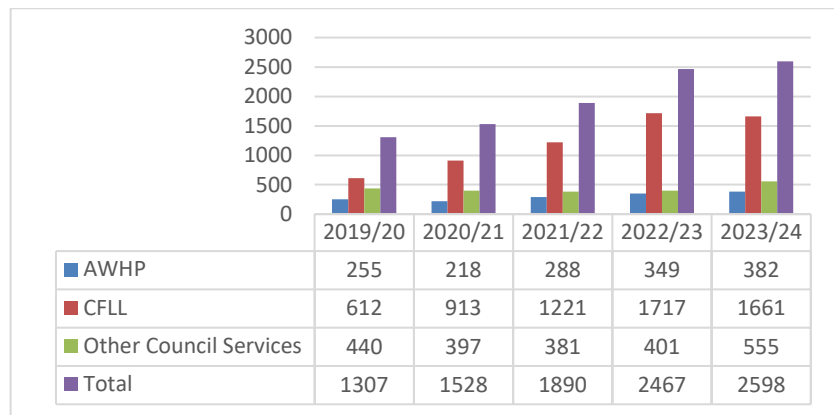


Figure 4: Financial Redress payments year-on-year

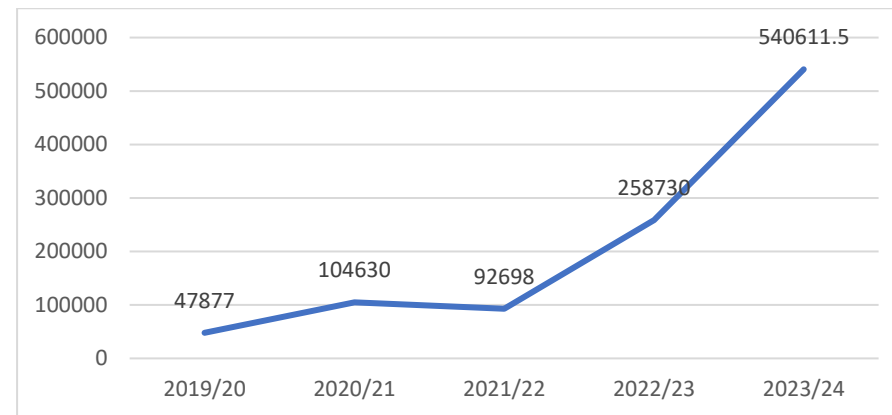


Figure 3: Performance against response target

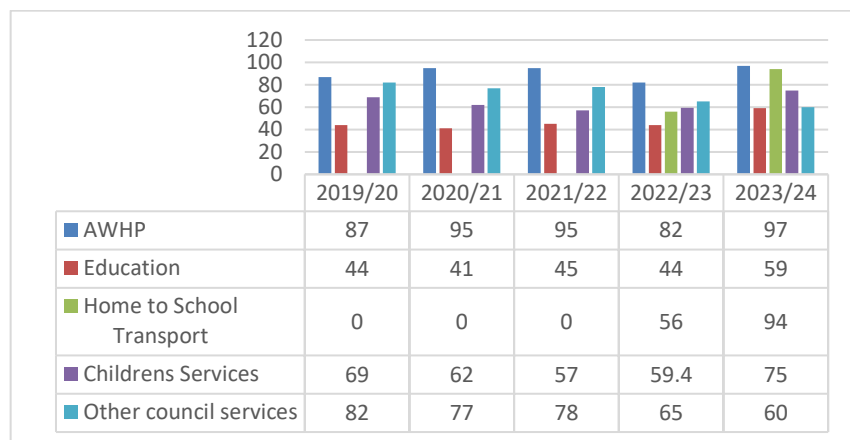
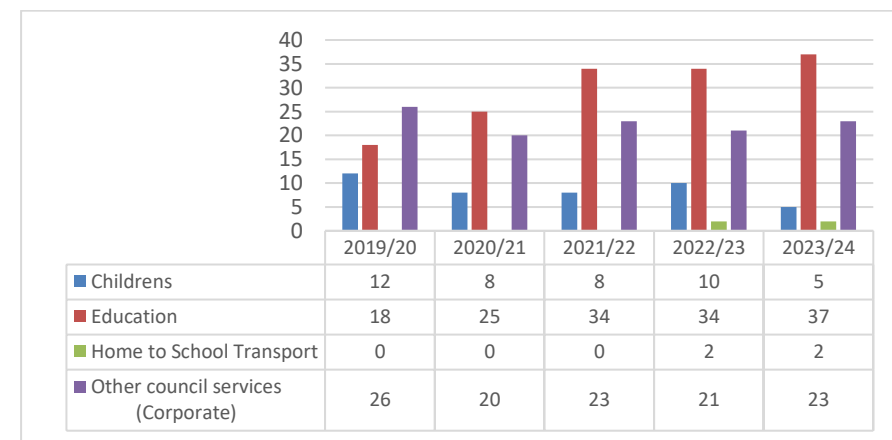
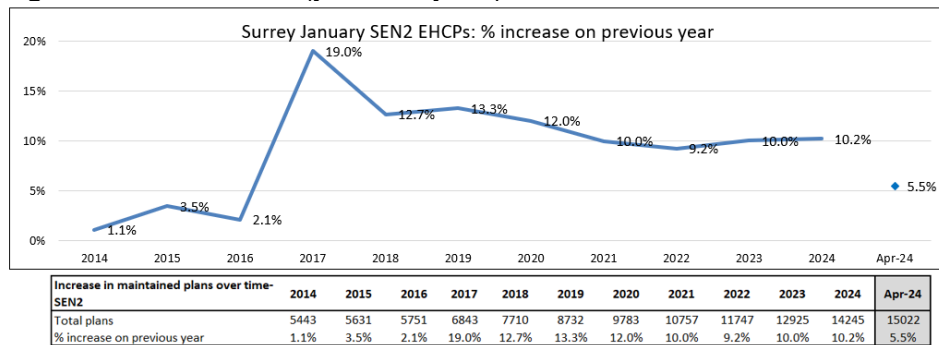


Figure 6: Complaint escalation year-on-year



Annex 4. Data showing EHCP request volumes and timeliness

Figure 7: % increase (year-on-year) in number of Education Health and Care Plans



Increase in maintained plans over time- SEN2	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Apr-24
Total plans	5443	5631	5751	6843	7710	8732	9783	10757	11747	12925	14245	15022
% increase on previous year	1.1%	3.5%	2.1%	19.0%	12.7%	13.3%	12.0%	10.0%	9.2%	10.0%	10.2%	5.5%

Figure 8: Number of EHC Plans issued each month and percentage issued within statutory timescales.

Month in which EHCP is issued	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Overdue EHCPs issued inc tribunal/ mediation	172	156	239	179	209	148	264	265
On time EHCPs issued inc tribunal/ mediation	29	17	25	19	32	31	61	103
EHCP timeliness % (does not include tribunal/ mediation)	16%	12%	10%	10%	13%	17%	18%	29%

Annex 5: Additional detail on financial remedies in CFLL

- a) The total amount paid in remedies (£540,611.59) equates to an increase of £281,880.76 (109%) when compared to the previous 12 months (£258,730.53).
- b) For CFLL services, redress payments totalled £525,211.59, a significant increase of £266,481.06 when compared to the previous 12 months. £329,759.70 of the remedy payments were directed by the LGSCO (an increase of 160% when compared to the previous 12 months) and £194,851.89 were local remedy payments agreed by the Council (an increase of 45% on the previous year).
- c) The balance of £107,102.50 was paid in symbolic financial remedies to recognise the impact of the fault identified, for example distress and anxiety and time and trouble taken in pursuing the complaint. This is an increase of £19,656.85 (11%) when compared to the previous 12 months.
- d) Of the LGSCO directed payments:
 - a. £255,318.58, related to Education Services, including a payment of £12,900.00 which included elements of missed education and delay.
 - b. £74,441.12 related to Children's Social Care. £43,245.70 was a single payment related to an acknowledged error in the management of financial support following a Special Guardianship Order.
- e) Of the £194,851.89 local remedy payments:
 - a. £168,683.73, related to Education Services. This includes two payments (of £12,486.00 and £12,400.00) which included loss of education provision and delay.
 - b. £26,168.16, related to Children's Services. This includes a single payment of £9,140.96. This included reimbursement of legal fees and related to poor communication with the family about accommodating a young person under Section 20 of the Children Act.



Audit & Governance Committee
5 June 2024

2023/24 Treasury Management Outturn Report

Purpose of the report:

This report summarises the Council's treasury management activities during 2023/24, as required, to ensure compliance with the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Authority to approve a treasury management annual report after the end of each financial year.

Recommendations:

It is recommended that the Committee:

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

Background:

1. The Authority has adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Authority to approve Treasury Management semi-annual and annual outturn reports. This is the annual outturn report for 2023/24, including the treasury management prudential indicators.
2. The Authority's Treasury Management Strategy Statement and Prudential Indicators for 2023/24 were approved at Audit & Governance Committee on 18 January 2023 and formed part of the Budget Setting Papers approved by the County Council on 7 February 2023. The investment and borrowing of cash exposes the Council to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's Treasury Management Strategy.
3. An economic commentary provided by our expert Treasury Management Advisors, Arlingclose, is included in Annex 1 (produced in April 2024).

4. Interest rate forecast, provided by our expert Treasury Management Advisors, Arlingclose is included in Annex 2 (produced in May 2024).

Treasury Management Annual Report 2023/24
--

Overview

5. On 31 March 2024, the Authority had net borrowing of £702m arising from its revenue and capital income and expenditure, an increase of £166m since 31 March 2023. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), which represents the amount of capital expenditure that is not funded from capital receipts, government grants, third party contributions or revenue.
6. The Treasury Management Strategy for 2023/24, approved by Audit & Governance Committee in January 2023, continued the policy of internal borrowing wherever possible. This maintains borrowing below its underlying level by using available reserves and working capital to reduce the need for external borrowing. This minimises interest rate risks and keeps interest costs and the cost of carry lower.
7. Net borrowing has increased over the period due to a reduction in working capital and an increase in the CFR due to new capital expenditure funded from borrowing being higher than the minimum revenue provision for the year. This is set out in table 1, below:

Table 1: Balance Sheet Summary

	31/03/23 Balance £m	2023/24 Movement £m	31/03/24 Balance £m
General Fund CFR	1,389	128	1,517
Less PFI Liabilities	(81)	(5)	(86)
Gross Borrowing Requirement	1,308	123	1,431
Less usable reserves and working capital	(772)	43	(729)
Net Borrowing Requirement	536	166	702

Note: Columns may not sum due to rounding

8. The Council also manages cash on behalf of Surrey Police and Crime Commissioner, the balance of which was £36m as at 31 March 2024. The Council accounts for this as short-term borrowing. The treasury management position as at 31 March 2024 and the year-on-year change is show in table 2 below.

Table 2: Treasury Management Summary

	31/03/23 Balance £m	2023/24 Movement £m	31/03/24 Balance £m
Long-term borrowing	466	(5)	461
Short-term borrowing	134	112	246
Surrey Police	33	3	36
Total borrowing	633	110	743
Money Market Funds	(97)	56	(41)
Net borrowing	536	166	702

Borrowing Strategy & Activity

9. As outlined in the treasury strategy, the Authority's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective. This position provides short term efficiencies with the flexibility to secure longer dated loans as and when the level of funds available for internal borrowing reduces, or financial forecasts indicate that external borrowing rates may increase. The Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio.
10. Interest rates have seen substantial rises over the last two years, although these rises have now begun to plateau. Gilt yields fell in late 2023, reaching April 2023 lows in December 2023 before rebounding to an extent in the first three months of 2024. Gilt yields have remained volatile, seeing upward pressure from perceived sticker inflation at times and downward pressure from falling inflation and a struggling economy at other times.
11. On 31 December, the PWLB certainty rates for maturity loans were 4.74% for 10-year loans, 5.18% for 20-year loans and 5.01% for 50-year loans. Their equivalents on 31 March 2023 were 4.33%, 4.70% and 4.41% respectively.
12. The cost of short term borrowing from other local authorities has generally risen with Base Rate over the year. Interest rates peaked at around 7% towards the later part of March 2024 as many authorities required cash at the same time. These rates have fallen back to more normal market levels in April 2024.
13. At 31 March 2024, the Authority held £743m of borrowing, a increase of £110m on the previous year. The sources of borrowing, interest rates and the year-on-year change is show in table 3 below.

Table 3: Borrowing Position

	31/03/23 Balance £m	2023/24 Net Movement £m	31/03/24 Balance £m	31/03/24 Rate %
Public Works Loan Board (PWLB)	456	(5)	451	3.67
Banks (fixed-term)	10	-	10	5.00
Local authorities (short-term)	134	112	246	6.22
Surrey Police & Crime Commissioner	33	3	36	5.28
Total borrowing	633	110	743	

14. The Authority's borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short- and long-term borrowing was maintained.
15. No new long term borrowing was undertaken during 2023/24, as internal borrowing was maximised and short-term borrowing was utilised to manage cash flow. Regular discussions take place with Arlingclose, immediately after the Bank of England's Monetary Policy Committee meetings, to review interest rate forecasts, assess the cost of carry and review the need to undertake further borrowing in advance for future years' planned expenditure.
16. The CIPFA Treasury Management Code now defines treasury management investments as those investments which arise from the Authority's cash flows to treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

Treasury Investment Activity

17. The Authority holds invested funds, representing income received in advance of expenditure, plus reserves and balances held which have not been utilised for internal borrowing.
18. Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
19. The Council's average daily level of cash investments was £89.4m during 2023/24, compared to an average of £113.7m during 2022/23. This reflects the Council's strategic policy to maintain sufficient liquidity during this time and continue to borrow over shorter periods when appropriate. The Council invests temporary cash surplus exclusively through the use of money market funds (MMF). Other investment facilities are available including brokers, direct dealing with counterparties through the use of call accounts or direct deal facilities, or with the government's debt management office. No new fixed term deposits

have been agreed during 2023/24, due to cash balances being held to maintain sufficient liquidity.

20. The year-end investment position and the year-on-year change is shown in table 4 below:

Table 4: Investment Position (Treasury Investments)

	31/03/23 Balance £m	2023/24 Net Movement £m	31/03/24 Balance £m	31/03/24 Rate* %
Money Market Funds	97	56	41	4.99
Total Investments	97	56	41	4.99

*weighted average rate earned in the year

21. The weighted average return on all investments the Council received in the year to 31 March 2024 was 4.99%. Money Market Fund rates have been increasing over the year, reflecting increases to the Bank of England Base Rate. There is a short time lag of between 2 to 4 weeks of Money Market Fund catching up with the official rate, as fund managers roll maturing instruments into new instruments at higher investment rates.

Financial Implications

22. The outturn for interest paid, interest received and the minimum revenue provision are outlined in table 5 below.

Table 5: Revenue Implications of Treasury Management Activity

	Budget £m	Outturn £m	Variance £m
Interest Paid	25.1	28.7	3.6
Interest Received	(1.5)	(6.1)	(4.6)
MRP	29.4	26.9	(2.5)

23. The amount of the Authority's revenue budget required to be set aside for the future repayment of external borrowing is known as the Minimum Revenue Provision (MRP). This amount is calculated by reference to the Council's balance sheet as at the end of the previous financial year. The underspend on MRP relates to the capital underspend in the 2022/23 financial year, and less borrowing required to fund the capital spend.
24. The over recovery on interest receivable reflects the higher than forecast cash balances held throughout the year and the higher interest environment. This is partially offset by the overspend on interest payable, also due to higher interest rates.

Compliance Report

25. All treasury management activities undertaken during 2023/24 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits, the authorised limit and operational boundary for external debt, is demonstrated in tables 6 & 7 below.

Table 6: Debt Limits

	2023/24 Maximum actual position £m	31/03/24 Actual £m	2023/24 Operational Boundary £m	2023/24 Authorise d Limit £m	Complie d
Underlying Borrowing	760	743	1,150	1,320	✓

26. Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not considered a compliance failure. Total debt did not exceed the operational boundary at any point in 2023/24.

Table 7: Investment Limits

	2023/24 Maximum actual position £m	31/03/24 Actual £m	2023/24 Limit £m	Complied
UK Central Government	0	0	Unlimited	✓
Money Market Funds	213	41	Unlimited	✓
Any group of pooled funds under the same management	0	0	25	✓
Any group of organisations under the same ownership	0	0	20	✓
Any single organisation, except the UK Central Government	0	0	20	✓
Unsecured investments with Building Societies	0	0	10	✓

Treasury Management Prudential Indicators

27. As required by the 2021 CIPFA Treasury Management Code, the Authority measures and manages its exposure to treasury management risks using the following indicators.

Security: The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard is therefore given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis. No investments will be made with an organisation if there are substantive doubts about its credit quality. In addition, if insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills or with other Local Authorities.

Liquidity: The Council manages its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments. The Council maintains a bank overdraft of £100,000, utilises overnight access Money Market Funds

and accesses short term borrowing to meet cash flow requirements. The Local Authority market provides readily available funds.

Interest Rate Exposures: The Council had £246m of short-term borrowing at 31 March 2024, with an additional £223m expected to be required to finance the 2024/25 capital programme. Short term borrowing is subject to variable interest rates linked to the Bank of England (BoE) base rate, meaning it is subject to interest rate risk if the base rate increases. Having begun the financial year at 4.25%, the Bank of England’s Monetary Policy Committee (MPC) increased Bank Rate to 5.25% in August 2023. Bank Rate was maintained at 5.25% through to March 2024. The MPC’s focus remained on assessing how long interest rates would need to be restrictive in order to control inflation over the medium term. Arlingclose, the authority’s treasury adviser, maintained its central view that 5.25% remains the peak in Bank Rate and that interest rates will most likely start to be cut later in the second half of 2024.

The Council has set aside £1.6m in reserves to mitigate variable interest rate exposure. In addition, the Council continually monitors the capital programme throughout the year and will borrow to address requirements driven by the cash flow forecast, including updates on the level of capital expenditure being incurred against the programme budget.

Maturity Structure of Borrowing: This indicator is set to control the Authority’s exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

Table 8: Maturity Structure of Borrowing

	31/03/24 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	39%	60%	0%	✓
12 months and within 24 months	1%	50%	0%	✓
24 months and within 5 years	2%	50%	0%	✓
5 years and within 10 years	4%	75%	0%	✓
10 years and above	54%	100%	25%	✓

Principal Sums Invested for Periods Longer than a year: The purpose of this indicator is to control the Authority’s exposure to the risk of interest rate changes.

Table 9: Sums invested for more than one year

	2023/24 Maximum actual position £m	31/03/24 Actual £m	2023/24 Limit £m	Complied
Sums invested for longer than one year	0	0	20	✓

Other Non-Treasury Holdings and Activity

28. The definition of investments in the Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are required to be reported on and are categorised as either for service purposes (made explicitly to further service objectives and/or regeneration) or for commercial purposes (made primarily for financial return).
29. The Authority holds the following non-treasury investments as at the 31 March 2024:
- £75m of directly owned investment property
 - £234m of loans to Halsey Garton Property Ltd
 - £93m of equity investments in Halsey Garton Property Ltd
 - £7m of loans to Halsey Garton Residential Ltd
 - £4m of equity investments in Halsey Garton Residential Ltd
 - £2m of loans to other subsidiaries
30. Such loans and investments have been approved in accordance with the Council's agreed processes. A register of such investments is maintained and performance information is reported to the Strategic Investment Board or the Shareholder and Investment Panel, in accordance with their Terms of Reference.
31. These non-treasury investments generated £5m of investment income for the Authority after taking account of direct costs, minimum revenue provision and interest payable.

Future Changes

32. Following three rounds of consultation, the Department for Levelling Up, Housing and Communities (DLUHC) published its final consultation response, amendment regulations and revised statutory guidance on Minimum Revenue Provision (MRP) in April 2024.
33. The Council have participated in the consultations and reviewed the final guidance and concludes that the changes will have minimal impact, as the Minimum Revenue Provision Policy for 2024/25 considered by this Committee in January 2024 and full Council in February 2024 is compliant with the changes.

Implications:

Financial

34. The financial implications of this report are discussed in paragraphs 22-24 and have been included in the outturn report to Cabinet.

Equalities and Diversity Implications

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

Risk Management Implications

36. The risk management arrangements in relation to treasury management are discussed in paragraph 27.

Legal Implications – Monitoring Officer

37. There are no direct legal implications of this report.

Next steps:

- i. The treasury team will continue to monitor the UK and overseas banking sector and will continue to update this Committee as appropriate.
- ii. In line with the requirements the CIPFA Code, this Committee will receive a half yearly report on the Council's treasury management activities in November 2024 and a full year report for 2024/25 after the financial year end.

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

Contact details: nicola.oconnor@surreycc.gov.uk

Sources/background papers:

- Capital Budget, Prudential Indicators & Treasury Management Strategy 2023/24
- CIPFA Code of Practice for Treasury Management (2021 Edition)
- CIPFA Prudential Code for Capital Finance in Local Authorities (2021 Edition)

Annexes/Appendices:

- Annex 1 - Arlingclose commentary on the External Context for Treasury Management activity – April 2024
 - Annex 2 - Arlingclose interest rate forecast
-

This page is intentionally left blank

Annex 1

Arlingclose commentary on the External Context for Treasury Management activity – April 2024

Economic background: UK inflation continued to decline from the 8.7% rate seen at the start of 2023/24. By the last quarter of the financial year headline consumer price inflation (CPI) had fallen to 3.4% in February, but was still above the Bank of England's 2% target at the end of the period. The core measure of CPI, i.e. excluding food and energy, also slowed in February to 4.5% from 5.1% in January, a rate that had stubbornly persisted for three consecutive months.

The UK economy entered a technical recession in the second half of 2023, as growth rates of -0.1% and -0.3% respectively were recorded for Q3 and Q4. Over the 2023 calendar year GDP growth only expanded by 0.1% compared to 2022. Of the recent monthly data, the Office for National Statistics reported a rebound in activity with economy expanding 0.2% in January 2024. While the economy may somewhat recover in Q1 2024, the data suggests that prior increases in interest rates and higher price levels are depressing growth, which will continue to bear down on inflation throughout 2024.

Labour market data provided a mixed message for policymakers. Employment and vacancies declined, and unemployment rose to 4.3% (3mth/year) in July 2023. The same month saw the highest annual growth rate of 8.5% for total pay (i.e. including bonuses) and 7.8% for regular pay growth (i.e. excluding bonuses). Thereafter, unemployment began to decline, falling to 3.9% (3mth/year) in January and pay growth also edged lower to 5.6% for total pay and 6.1% for regular pay, but remained above the Bank of England's forecast.

Having begun the financial year at 4.25%, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate to 5.25% in August 2023 with a 3-way split in the Committee's voting as the UK economy appeared resilient in the face of the dual headwinds of higher inflation and interest rates. Bank Rate was maintained at 5.25% through to March 2024. The vote at the March meeting was 8-1 in favour of maintaining rates at this level, with the single dissenter preferring to cut rates immediately by 0.25%. Although financial markets shifted their interest rate expectations downwards with expectations of a cut in June, the MPC's focus remained on assessing how long interest rates would need to be restrictive in order to control inflation over the medium term.

In the Bank's quarterly Monetary Policy Report (MPR) released in August 2023 the near-term projection for services price inflation was revised upwards, goods price inflation widespread across products, indicating stronger domestic inflationary pressure with second-round effects in domestic prices and wages likely taking longer to unwind than they did to emerge. In the February 2024 MPR the Bank's expectations for the UK economy were positive for the first half of 2024, with a recovery from the mild recession in calendar H2 2023 being gradual. Headline CPI was forecast to dip below the 2% target quicker than previously thought due to

declining energy prices, these effects would hold inflation slightly above target for much of the forecast horizon.

Following this MPC meeting, Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% remains the peak in Bank Rate and that interest rates will most likely start to be cut later in H2 2024. The risks in the short-term are deemed to be to the downside as a rate cut may come sooner than expected, but then more broadly balanced over the medium term.

The US Federal Reserve also pushed up rates over the period, reaching a peak range of between 5.25-5.50% in August 2023, where it has stayed since. US policymakers have maintained the relatively dovish stance from the December FOMC meeting and at the meeting in March, economic projections pointed to interest rates being cut by a total of 0.75% in 2024.

Following a similarly sharp upward trajectory, the European Central Bank hiked rates to historically high levels over the period, pushing its main refinancing rate to 4.5% in September 2023, where it has remained. Economic growth in the region remains weak, with a potential recession on the cards, but inflation remains sticky and above the ECB's target, putting pressure on policymakers on how to balance these factors.

Financial markets: Sentiment in financial markets remained uncertain and bond yields continued to be volatile over the year. During the first half of the year, yields rose as interest rates continued to be pushed up in response to rising inflation. From October they started declining again before falling sharply in December as falling inflation and dovish central bank attitudes caused financial markets to expect cuts in interest rates in 2024. When it emerged in January that inflation was stickier than expected and the BoE and the Federal Reserve were data dependent and not inclined to cut rates soon, yields rose once again, ending the period some 50+ bps higher than when it started.

Over the financial year, the 10-year UK benchmark gilt yield rose from 3.44% to peak at 4.75% in August, before then dropping to 3.44% in late December 2023 and rising again to 3.92% (28 March 2024). The Sterling Overnight Rate (SONIA) averaged 4.96% over the period to 31 March.

Credit review: In response to an improving outlook for credit markets, in January 2024 Arlingclose moved away from its previous temporary stance of a 35-day maximum duration and increased its advised recommended maximum unsecured duration limit on all banks on its counterparty list to 100 days.

Earlier in the period, S&P revised the UK sovereign outlook to stable and upgraded Barclays Bank to A+. Moody's also revised the UK outlook to stable, Handelsbanken's outlook to negative, downgraded five local authorities, and affirmed HSBC's outlook at stable while upgrading its Baseline Credit Assessment. Fitch revised UOB's and BMO's outlooks to stable.

In the final quarter of the financial year, Fitch revised the outlook on the UK sovereign rating to stable from negative based on their assessment that the risks to

the UK's public finances had decreased since its previous review in October 2022, the time of the mini-budget.

Moody's, meanwhile, upgraded the long-term ratings of German lenders Helaba, Bayern LB and LBBW on better solvency and capital positions, despite challenges from a slowing German economy and exposure to the commercial real estate sector. Moody's also upgraded or placed on review for an upgrade, Australian banks including ANZ, CBA NAB and Westpac on the back of the introduction of a new bank resolution regime.

Credit default swap prices began the financial year at elevated levels following the fallout from Silicon Valley Bank and collapse/takeover of other lenders. From then the general trend was one of falling prices and UK lenders' CDS ended the period at similar levels to those seen in early 2023. Earlier in the year some Canadian lenders saw their CDS prices rise due to concerns over a slowing domestic economy and housing market, while some German lenders were impacted by similar economic concerns and exposure to commercial real estate towards the end of the period, with LBBW remaining the most elevated.

Heightened market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

This page is intentionally left blank

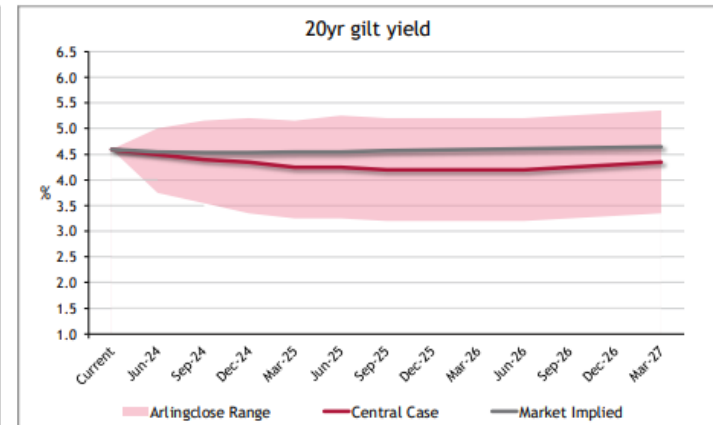
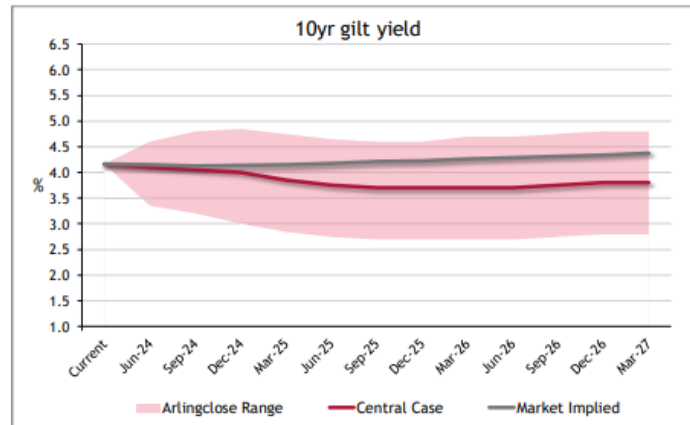
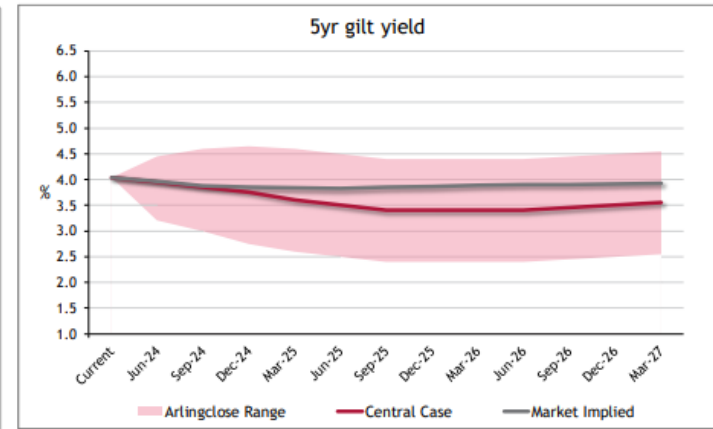
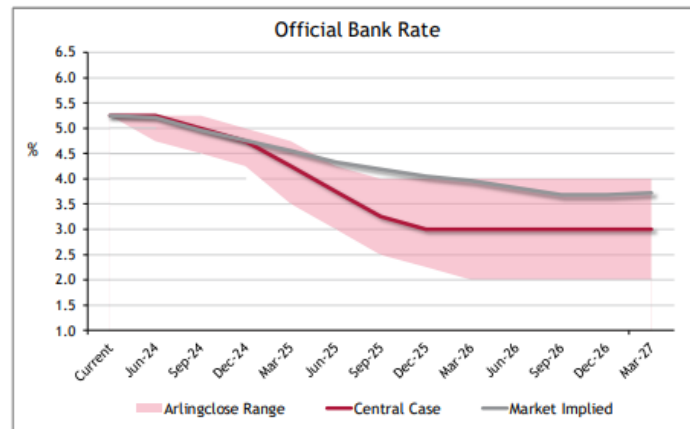
Arlingclose and Market Projections 13th May 2024

Charts show the Arlingclose central case along with upside and downside risks: Arlingclose judges that the risks around its Bank Rate forecast are to the downside in the near-term, shifting to the upside over the medium term. The risks around the gilt yield forecast are balanced over the medium term.

PWLB Standard Rate (Maturity Loans) = Gilt yield + 1.00%
 PWLB Certainty Rate (Maturity Loans) = Gilt yield + 0.80%
 PWLB HRA Rate (Maturity Loans) = Gilt yield + 0.40%
 UKIB Rate (Maturity Loans) = Gilt yield + 0.40%

Arlingclose forecast:
13th May 2024

Market forward curves:
13th May 2024



This page is intentionally left blank

Audit & Governance Committee
5 June 2024

External Audit Plan 2023/24

Purpose of the report:

To provide the Audit & Governance Committee with oversight of the plan for the external audit of the 2023/24 Statement of Accounts.

Recommendations:

It is recommended that:

The Committee approve the 2023/24 Audit Plan (attached as Annex 1).

Introduction:

1. The Council's External Auditors, EY (Ernst & Young LLP), are required to agree a plan for auditing each year's Statement of Accounts prior to commencement of the audit. The Audit and Governance Committee is responsible for approving that plan.

External Audit Plan 2023/24

2. The External Audit Plan proposed by EY for the audit of the 2023/24 Statement of Accounts is attached in Annex 1. It provides the Audit & Governance Committee with an opportunity to review the proposed audit approach and scope for the 2023/24 audit, in accordance with the requirements of the Local Audit & Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.
3. The Annex shares the audit approach, the focus of the external audit work and the preparation work requirements. The Audit Plan enables EY to:
 - Provide an overview of the 2023/24 audit strategy.
 - Set out the scope, key responsibilities and approach.
 - Describe significant audit risks and the risk assessment process.
 - Highlight any changes to the requirements of the auditor.
 - Outline the approach to materiality.
 - Set out the scope of the audit and the proposed audit timeline.

- Advise on the Audit Team allocated to the audit of the Council's accounts.
- Advise of the fee for the 2023/24 audit and the independence of the auditor.
- Outline the process for reporting back to the Council on their work.

Value For Money

4. In addition to auditing the Statement of Accounts, the external auditors are required to assess the arrangements in place to ensure value for money. The National Audit Office (NAO) requires auditors to structure their commentary on value for money arrangements under the following three specified reporting criteria:
 - Financial sustainability – risks that the council cannot effectively plan and manage its resources to meet financial pressures.
 - Governance – a risk that the council has not made informed decisions and is not effectively managing its risks, and
 - Improving economy, efficiency and effectiveness – there is a risk that the council is not using its cost and performance data to improve the way it manages and delivers services.
5. The Audit Plan sets out the plans to assess the arrangements in place to ensure value for money.

Conclusions:

6. EY's 2023/24 external audit plan is presented to this Committee for approval.

Financial and value for money implications:

7. The External audit plan details the fees associated with the audit of the financial statements, these are in line with the Public Sector Auditor Appointments scale fees and included in the Council's revenue budget.

Equalities and Diversity Implications:

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

Risk Management Implications:

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

Legal Implications – Monitoring Officer:

10. There are no legal implications of this report, other than those set out in Annex 1.

Next steps:

11. The external audit is due to commence in July 2023 with the audited statement of accounts and audit findings report scheduled to be presented to this committee in November 2024.

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

Contact details: nicola.oconnor@surreycc.gov.uk

Sources/background papers:

None

Annexes/Appendices:

- Annex 1 - External Audit Plan 2023/24
-

This page is intentionally left blank

Surrey County Council
Provisional Audit planning report

Year ended 31 March 2024

May 2024

Page 81



Building a Better
working world

Audit and Governance Committee
Woodhatch Place,
11 Cockshot Hill,
Woodhatch,
Reigate,
RH2 8EF

08 May 2024

Dear Audit and Governance Committee members

Provisional Audit planning report

Attached is our provisional audit planning report for the forthcoming meeting of the Audit and Governance Committee. The purpose of this report is provide the Audit and Governance Committee of Surrey County Council (the Council) with a basis to review our proposed audit approach and scope for the 2023/24 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key issues which drive the development of an effective audit for the Council. We have aligned our audit approach and scope with these. The report also considers the likely impact of Government proposals to clear the backlog in local audit and put the local audit system on a sustainable footing. The Financial Reporting Council (FRC) and Department of Levelling Up, Housing and Communities (DLUHC) Joint Statement on the update to proposals to clear the backlog and embed timely audit recognises that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

(continued)

The Audit and Governance Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done it will impact the level of resource needed to discharge our responsibilities. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the Audit and Governance committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

We draw Audit and Governance Committee members and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix A).

This report is intended solely for the information and use of the Audit and Governance Committee, and management, and is not intended to be and should not be used by anyone other than these specified parties. We welcome the opportunity to discuss this report with you on 5 June 2024 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

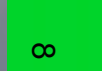
Janet Dawson

Partner

For and on behalf of Ernst & Young LLP

Enc

Contents



Page 84

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Governance Committee and management of Surrey County Council. Our work has been undertaken so that we might state to the Audit and Governance Committee and management of Surrey County Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee and management of Surrey County Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

Confidential - All Rights Reserved



BOARDROOM



01

Overview of our 2023/24 audit strategy



Overview of our 2023/24 audit strategy

Context for the 2023/24 audit - Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector will need to work together to address this. DLUHC has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to clear the backlog. The proposals, which have been developed to maintain auditor independence and enable compliance with International Standards on Auditing (UK) (ISAs (UK)), consist of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.
- ▶ Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
- ▶ Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

To support the further development and testing of the measures, consultations are taking place to receive further feedback and inform the decision on how to proceed. Specifically:

- ▶ DLUHC has launched a consultation on changes to the Accounts and Audit Regulations 2015 to insert statutory backstop dates for historic financial statements and for the financial years 2023/24 to 2027/28.
- ▶ The National Audit Office (NAO) has launched a consultation on amending the Code of Audit Practice to :
 - ▶ Require auditors to issue audit opinions according to statutory backstop data for historic audits, and place specific duties on auditors to co-operate during the handover period for the new PSAA contract for the appointment of local authority auditors covering the years 2023/24 to 2027/28.
 - ▶ Allow auditors to produce a single value for money commentary for the period to 2022/23 and use statutory reporting powers to draw significant matters to the attention of councils and residents.
- ▶ The Chartered Institute of Public Finance and Accountancy (CIPFA) has launched a consultation on temporary changes to the accounting code for preparation of the financial statements. The proposed temporary changes to the financial reporting framework have an impact on both how the financial statements are prepared and our audit procedures necessary to gain assurance.

The Council's prior year 2022/23 accounts were signed by the predecessor auditor Grant Thornton on 24 March 2024 and therefore the statutory backstop will not be applicable and will have no impact on our 2023/24 audit. The outcome of consultation on proposed temporary changes to CIPFA's Code of Practice on Local Authority Accounting may impact the reporting requirements for the Council and our assessment of associated audit risks and our response to them. We will continue to keep the Audit and Governance Committee updated on our assessment of any changes to financial reporting and audit risk as this becomes clearer.

Overview of our 2023/24 audit strategy

Responsibilities of Council/Authority management and those charged with governance

To ensure that the financial reporting responsibilities of the Council are met and that the audit proceeds smoothly, it is important that all stakeholders properly discharge their responsibilities. The Council's Section 151 Officer is responsible for preparing the statement of accounts in accordance with proper practices and confirming they give a true and fair view of the financial position at the reporting date and of its expenditure and income for the year ended 31 March 2024. To allow the audit to be completed on a timely and efficient basis it is essential that the financial statements are supported by high quality working papers and audit evidence and that Council resources are readily available to support the audit process, within agreed deadlines. The Audit and Governance Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. Where this is not done, we will:

- ▶ Consider and report on the adequacy of the Council's external financial reporting arrangements as part of our assessment of Value for Money arrangements.
- ▶ Consider the use of other statutory reporting powers to draw attention to weaknesses in Council financial reporting arrangements where we consider it necessary to do so.
- ▶ Seek a fee variation for the cost of additional resources needed to discharge our responsibilities. We have set out this and other factors that will lead to a fee variation at Appendix B of this report together with, at Appendix A, paragraphs 26-28 of PSAA's Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements.
- ▶ Impact the availability of audit resource available to complete the audit work in advance of any applicable backstop dates.

Overview of our 2023/24 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Details
Misstatement due to fraud or error	Fraud risk	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	Fraud Risk	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.
Completeness of year end payables accruals below £25k <i>de minimus</i>	Significant risk	The Council has changed its accounting policy and increased its payable accrual <i>de minimus</i> threshold from £1k to £25k in 2023/24. There is a risk that transactions below the <i>de minimus</i> threshold not accrued for will lead to a material understatement of expenditure and payable accruals. As such we have considered this to be a significant audit risk.
Valuation of land and buildings in Plant, Property and Equipment, and Investment Properties	Significant risk	The fair value of land and buildings in Property, Plant and Equipment (PPE) and investment properties (IP) represents a significant balance in the Council's accounts and is subject to valuation changes. PPE are also subject to impairment reviews and depreciation charges. The valuation of these assets is reliant upon expert valuations based on information provided by the Council. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements. The predecessor auditor has identified several misstatements in the prior year audit that has resulted in material amendments to the valuation of PPE and IP within the financial statements of the Council. Several control recommendations were also raised by the predecessor auditor on the PPE and IP revaluations process. As such we have considered this to be a significant audit risk.

Overview of our 2023/24 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk/area of focus	Risk identified	Details
Pension Liability Valuation	Inherent risk	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme (LGPS) and the Fire Fighters Pension Scheme (FFPS). Net pension liabilities recognised as at 31 March 2023 include £241m LGPS and £696m FFPS.</p> <p>Accounting for these schemes involve significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> <p>The predecessor auditor has identified several misstatements in the prior year audit that has resulted in material amendments to the valuation of pensions liabilities for both LGPS and FFPS. A control recommendation was also raised by the predecessor auditor for management to review actuary assumptions around duration of liabilities in more detail. As such we have considered pension liability valuation to have a higher inherent audit risk.</p>
Private Finance Initiative	Inherent risk	<p>There are three schemes to be accounted for as Private Finance Initiative (PFI) arrangements. These include a waste scheme, a care home scheme, and a street lighting scheme. The total liabilities relating to these schemes was £79m as at 31 March 2023.</p> <p>As these PFI transactions are significant, complex, and involve a degree of subjectivity in the measurement of financial information, we have categorised them to have a higher inherent audit risk.</p>
Existence of Plant, Property and Equipment	Inherent risk	<p>The predecessor auditor identified material misstatements where fully depreciated assets that were no longer in use have not been removed from the fixed asset register, leading to an overstatement of the gross balance and accumulated depreciation of PPE. A control recommendation was raised to identify and dispose of assets that were no longer in use. Therefore, we have considered existence of PPE as a higher inherent risk.</p>
Data migration onto new Enterprise Resource Planning system	Area of audit focus	<p>The Council has migrated to a new Enterprise Resource Planning (ERP) system, from SAP to Unit 4, in P2 of 2023/24, impacting all areas of the financial statements. We have therefore considered the data migration process an area of audit focus.</p>

The outcome of consultation on the planned measures to address local audit delays and related proposed temporary changes to CIPFA's Code of Practice on Local Authority Accounting are likely to impact our assessment of audit risks and our response to them. We will continue to keep the Audit and Governance Committee updated on our assessment of any changes to audit risk as this becomes clearer.

Overview of our 2023/24 audit strategy

Group Materiality

Planning materiality

£43m

Materiality has been set at £43m, which represents 1.8% of the prior year 2022/23 gross expenditure on provision of services.

Performance materiality

£21m

Performance materiality has been set at £21m, which represents 50% of materiality.

Audit differences

£2.1m

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement and firefighters' pension fund financial statements) greater than £2.1m. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit and Governance Committee.

Overview of our 2023/24 audit strategy

Audit scope

This Audit planning report covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2024 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 3.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this Audit planning report, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to those risks. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". Therefore, to the extent any of these or any other risks are relevant in the context of the Council's audit, we set those within this Audit planning report, and we will continue to discuss these with management as to the impact on the scale fee.

Overview of our 2023/24 audit strategy

Audit scope (Cont.)

Effects of climate-related matters on financial statements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to the Council. It is, nevertheless, important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

Audit scope and approach

We intend to take a substantive audit approach.

The Government proposals to re-establish the local authority framework on a more sustainable basis and the outcome of the related consultations are likely to have an impact on the scope of the audit. We draw your attention to the audit scope section 5 of this audit plan where we set out our current understanding of some of the likely impact of the proposals on our scope and approach for your 2023/24 audit. We will continue to provide updates on the impact of these changes to the Audit and Governance Committee where necessary to do so.

Overview of our 2023/24 audit strategy

Value for Money

We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to prepare a commentary under three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council's arrangements against three reporting criteria:

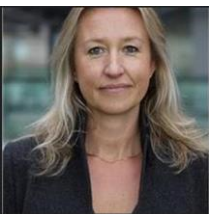
- ▶ Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- ▶ Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
- ▶ Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

The commentary on the Council's value for money arrangements will be included in the Auditor's Annual Report.

Timeline

A timetable has been agreed with management to complete the audit by 30 November 2024. In Section 07 we include a provisional timeline for the audit. All parties need to work together to ensure this timeline is adhered to.

Key Audit Partner and senior audit team



Engagement Partner (Janet Dawson)

The Engagement Partner has overall responsibility for:

- ▶ The audit and its performance
- ▶ The auditor's report that is issued on behalf of EY
- ▶ The overall quality of the audit



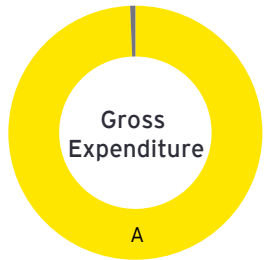
Engagement Senior Manager (Larisa Midoni)

The Engagement Senior Manager has responsibility for management of the audit ensuring that it is adequately resourced to meet both its time and budget constraints.

Overview of our 2023/24 audit strategy

Group Audit scope

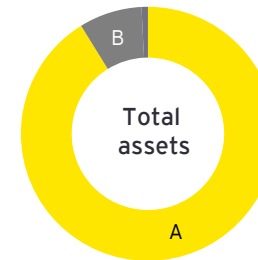
Through our on-site work we will cover the following percentages, by full scope (A) audits, and specific scope (B) audits of Gross Expenditure, Loss Before Tax, and Total Assets.



99%*



98%*



99%*

- ▶ We have specifically considered the scope of our audit in response to the identified risks above, which has impacted the components to which we performed our work and the extent of procedures performed in these areas
- ▶ For those components that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those components.
- ▶ * % above represent % coverage by full scope (A) and specific scope (B) components on Gross Expenditure, loss before tax, and total assets of the Group only, before intergroup elimination amounts. The remainder 1-2% represents components that we will perform other procedures for.
- ▶ Section 5 provides an overview of the nature of our planned involvement in the work to be performed by the component auditors.



02 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error*

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What will we do?

- ▶ Identifying fraud risks during the planning stages.
- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud
- ▶ Discussing with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions)
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud
- ▶ Determining an appropriate strategy to address those identified risks of fraud
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements
- ▶ Undertake procedures to identify significant unusual transactions
- ▶ Consider whether management bias was present in the key accounting estimates and judgments in the financial statements

Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' are required.

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Inappropriate capitalisation of revenue expenditure*

Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- ▶ Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- ▶ Expenditure being classified as revenue expenditure financed as capital under statute (REFCUS) when it is inappropriate to do so.
- ▶ Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating Property, Plant and Equipment (PPE) / Investment Property (IP) additions and/or REFCUS in the financial statements.

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

What will we do?

- ▶ Test Property, Plant and Equipment (PPE) / Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- ▶ Assess whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- ▶ Consider whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- ▶ Test REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources. Based on our work at the planning stage of the audit we do not expect there to be material REFCUS in the year.
- ▶ Seek to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Completeness of year end payables accruals below £25k *de minimus*

Financial statement impact

The aggregate impact of the increased payable accruals threshold may lead to material misstatements understating expenditure and payable accruals in year.

What is the risk?

The Council has changed its accounting policy and increased its payable accrual *de minimus* threshold from £1k to £25k in 2023/24.

There is a risk that transactions below the *de minimus* threshold not accrued for will lead to a material understatement of expenditure and payable accruals.

What will we do?

- ▶ Review management's assessment on the suitability of the £25k *de minimus* threshold, including the robustness of their assessment of likely magnitude of unaccrued expenditure in relation to total expenditure in year;
- ▶ Test for expenditure items below £25k to a lower testing threshold to determine impact of the *de minimus* threshold on payables completeness.
- ▶ Perform analytical review on expenditure to ensure there are no unusual year on year fluctuations that may indicate misstatements.

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Land and building valuation - PPE and IP

What is the risk?

The fair value of land and buildings in Property, Plant and Equipment (PPE) and investment properties (IP) represents a significant balance in the Council's accounts and is subject to valuation changes. PPE are also subject to impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

What will we do?

- ▶ Consider the competence, capability and objectivity of the Council's valuers.
- ▶ Consider the scope of valuers' work.
- ▶ Ensure property has been revalued with sufficient frequency not to be materially misstated, as required by the Code.
- ▶ Consider if there are any specific changes to assets that should have been communicated to the valuer(s).
- ▶ Sample test key inputs used by the valuer(s) when producing valuations.
- ▶ Consider the results of the valuers' work.
- ▶ Instruct our own Property valuation team (EY Real Estates) to review a sample of DRC, EUV and FV valuations performed by the Council's Valuer.
- ▶ Test a sample of assets revalued in year to:
 - ▶ Challenge the assumptions used by the Council's valuers by reference to external evidence and our EY valuation specialists (where necessary);
 - ▶ Test journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements; and
 - ▶ Review assets that are not subject to valuation in 2023/24 to confirm the remaining asset base is not materially misstated.

Financial statement impact

If land and buildings or investment property are incorrectly valued this could have the impact of misstating the Council's balance sheet.

We note that not all of the Council's PPE is subject to revaluation with vehicles, plant, furniture & equipment, infrastructure assets and assets under construction all valued at cost under the CIPFA Code of Practice on Local Authority Accounting. The Council's IP is subject to annual revaluation, while its operational PPE and surplus assets are valued on a rolling programme over 5 years. The valuation basis is different depending on the type of property being revalued, with assets carried at Depreciated Replacement Cost, Existing Use Value or Fair Value. Each valuation basis is reliant on different inputs, estimation processes and assumptions.

Higher inherent risk

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be matters that we report to those charged with governance.

What is the risk/area of focus, and the key judgements and estimates?

Pension Liability Valuation (inherent risk)

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme (LGPS) and Firefighter Pension Scheme (FFPS) administered by the Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2023 this totalled £701 m (£247 LGPS and £454m FFPS).

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our response: Key areas of challenge and professional judgement

We will:

- ▶ Liaise with the auditors of Surrey Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council for LGPS.
- ▶ Assess the work of the pension fund actuary, which is Hymans Robertson for both LGPS and FFPS, including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team
- ▶ Evaluate the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19 for both the LGPS and FFPS.

What else will we do?

We will consider outturn information available at the time we undertake our work after production of the Council's draft financial statements, for example the year-end actual valuation of pension fund assets. We will use this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.

Higher inherent risk

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

Our response: Key areas of challenge and professional judgement

Private Finance Initiative (inherent risk)

There are three schemes to be accounted for as Private Finance Initiative (PFI) arrangements. These include a waste scheme, a care home scheme, and a street lighting scheme. The total liabilities relating to these schemes was £79m as at 31 March 2023.

As these PFI transactions are significant, complex, and involve a degree of subjectivity in the measurement of financial information, we have categorised them to have a higher inherent audit risk.

We will:

- ▶ Review the PFI models and assumptions considered within. We will involve our specialists to review the PFI models and reasonableness of the assumptions of these models.
- ▶ Compare the PFI models to previous years to identify any change(s);
- ▶ Review and test the outputs produced by the PFI models;
- ▶ Review the PFI models to assess whether they are consistent with International Accountancy Standard IFRIC12.

Higher inherent risk

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

Our response: Key areas of challenge and professional judgement

Existence of plant, property and equipment (inherent risk)

The predecessor auditor identified material misstatements where fully depreciated assets that were no longer in use have not been removed from the fixed asset register, leading to an overstatement of the gross balance and accumulated depreciation of PPE. A control recommendation was raised to identify and dispose of assets that were no longer in use. Therefore, we have considered existence of PPE as a higher inherent risk.

We will:

- ▶ Assess management's processes to identify and dispose of assets that are no longer in use through discussion with management and individual budget holders;
- ▶ Test for PPE Existence using a lower testing threshold;
- ▶ Physical inspection of PPE to ascertain that PPE remains in use.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus, and the key judgements and estimates?

Our response: Key areas of challenge and professional judgement

Data migration onto new Enterprise Resource Planning system (other area of audit focus)

The Council has migrated to a new Enterprise Resource Planning (ERP) system, from SAP to Unit 4, in Period 2 of 23/24, impacting all areas of the financial statements. We have therefore considered the data migration process an area of audit focus.

We will:

- ▶ Inquire management of the controls to ensure the data migration process is complete and accurate. We will engage our IT specialists to review the data migration process;
- ▶ Review and reperform reconciliations between the old and new systems for all areas impacted by the data migration.



03 Value for Money risks

Value for Money

Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

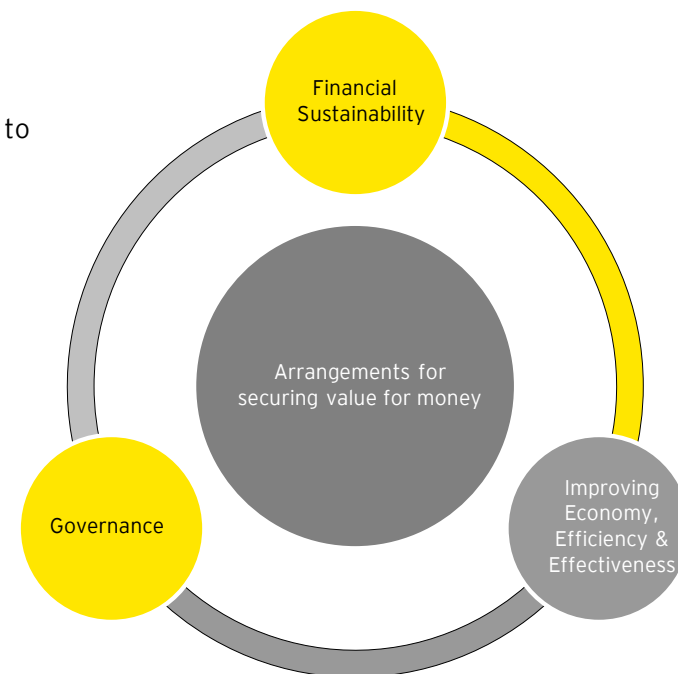
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor Responsibilities

Under the NAO Code of Audit Practice, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- ▶ Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- ▶ Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- ▶ Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the Council's arrangements, we are required to consider:

- ▶ The Council's governance statement;
- ▶ Evidence that the Council's arrangements were in place during the reporting period;
- ▶ Evidence obtained from our work on the accounts;
- ▶ The work of inspectorates and other bodies; and
- ▶ Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- ▶ Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
- ▶ Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
- ▶ Leads to - or could reasonably be expected to lead to - unlawful actions; or

Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- ▶ The magnitude of the issue in relation to the size of the Council;
- ▶ Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- ▶ The impact of the weakness on the Council's reported performance;
- ▶ Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- ▶ Whether any legal judgements have been made including judicial review;
- ▶ Whether there has been any intervention by a regulator or Secretary of State;
- ▶ Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- ▶ The impact on delivery of services to local taxpayers; and
- ▶ The length of time the Council has had to respond to the issue.

Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit Committee.

Reporting on VFM

Where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include a commentary on your value for money arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This may include matters that we do not consider to be significant weaknesses in your arrangements but should be brought to your attention. This will include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2023/24 VFM planning

We have yet to complete our detailed VFM planning. However, one area of focus will be on the arrangements that the Council has in place in relation to financial sustainability.

We will update the next Audit and Governance Committee meeting on the outcome of our VFM planning and our planned response to any additional identified risks of significant weaknesses in arrangements.



04 Audit materiality

Materiality

Group materiality

For planning purposes, Group materiality for 2023/24 has been set at £43m. This represents 1.8% of the Group's 2023/24 gross expenditure on provision of services. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix F.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

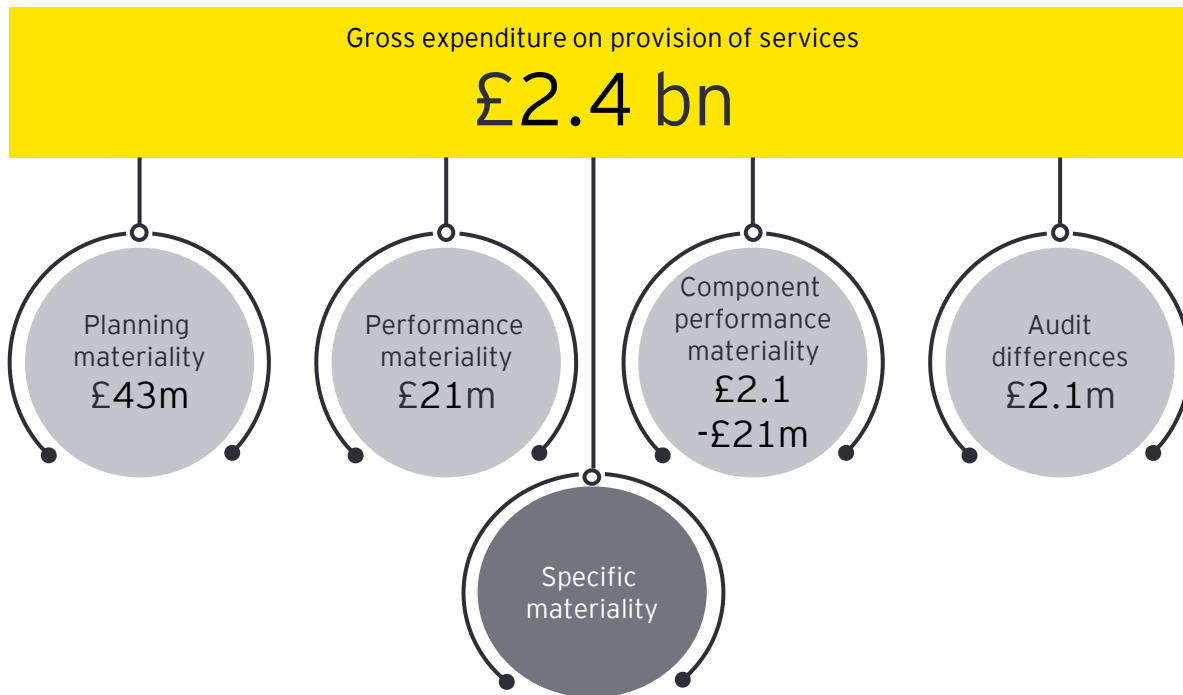
Specific materiality – we will consider, in undertaking our audit, whether or not there are areas of the statements may be sensitive and therefore may set lower materiality in those areas.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £21m which represents 50% of group materiality. We have selected this threshold due to the higher likelihood of misstatements arising from a changes in key finance staff and the finance system, this being the first year of audit by EY, and the high level of misstatements and control findings identified by the predecessor auditor in the prior year.

Component performance materiality range – we determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the income statement and balance sheet that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the audit and governance committee or are important from a qualitative perspective.



The outcome of consultation on the planned measures to address local audit delays may impact our assessment of materiality for the 2023/24 audit. We will keep the Audit and Governance Committee updated on any changes to materiality levels as the audit progresses.

We request that the Audit and Governance Committee confirm its understanding of, and agreement to, these materiality and reporting levels.



05

Scope of our audit

Audit process and strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

- ▶ whether the financial statements give a true and fair view of the financial position of the Group and its expenditure and income for the period in question; and
- ▶ whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- ▶ whether other information published together with the audited financial statements is consistent with the financial statements; and
- ▶ where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- ▶ Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the National Audit Office.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

CIPFA consultation

Changes to the Code of Audit Practice on Local Authority Accounting that may be proposed as a result of the recent consultation will potentially impact on our assessment of audit risk generally, risks associated with significant accounting estimates, such as the valuation of operational property, plant and equipment and the related need to rely on management's and auditor's specialists. We will update the Audit and Governance Committee of any such changes.

Audit process and strategy

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls;
- ▶ Substantive tests of detail of transactions and amounts;
- ▶ Reliance on the work of other auditors where appropriate;
- ▶ Reliance on the work of experts in relation to areas, such as pensions, property, and PFI valuations.

Our initial assessment of the key processes across the Council has not identified any processes where we will seek to test key controls, either manual or IT. Our audit strategy will follow a fully substantive approach. This will involve testing the figures within the financial statements rather than looking to place reliance on the controls within the financial systems. We assess this as the most efficient way of carrying out our work and obtaining the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit and Governance Committee.

Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from those reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

Scope of our audit

Group scoping

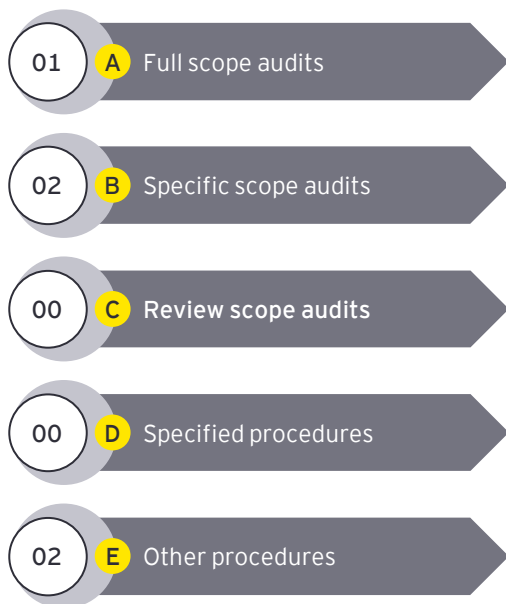
Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

- 1. Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
- 2. Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below. We provide scope details for each component within Appendix C.



Scope definitions

Full scope: locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. The full scope audit is the parent entity Surrey County Council.

Specific scope: locations where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts. Specific scope audits include Halsey Garton Property Ltd (turnover, interest payable and similar charges, investment properties, and borrowings), and Halsey Garton Residential Ltd (investment properties).

Review scope: locations where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally. There are no components in review scope.

Specified Procedures: locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified. There are no components with specified procedures.

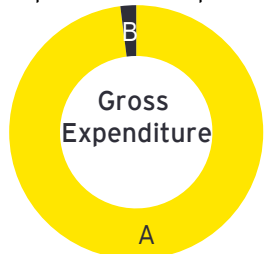
Other procedures: For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations. Individually, these components do not exceed more than 1% of the Group's loss before tax (median of -0.07%), 1% of the Group's gross expenditure (median of 0.29%) and 1% of total assets (median of 0.06%). In aggregate, the total contribution of these components is less than 1% of Group profit before tax, 1% of the Group's gross expenditure, and 1% of total assets. Other procedures will be performed for Hendeca Group Ltd and Surrey Choices Ltd.

Scoping the group audit

Coverage of Gross Expenditure/ Total assets

Based on the group's prior year results, our scoping is expected to achieve the following coverage of the group's gross expenditure, loss before tax, and total assets.

*% above represent % coverage by full scope (A) and specific scope (B) components on Gross Expenditure, loss before tax, and total assets of the Group only, before intergroup elimination amounts. The remainder 1-2% represents components that we will perform other procedures for.



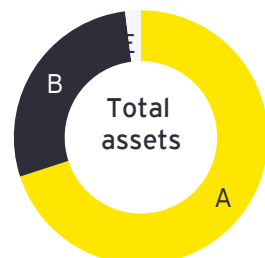
99%*

of the group's forecast gross expenditure will be covered by full and specific scope audits, with the remainder covered by analytical review.



98%*

of the group's forecast loss before tax will be covered by full and specific scope audits, with the remainder covered by analytical review.



99%*

of the group's forecast total assets will be covered by full and specific scope audits, with the remainder covered by analytical review.

Our audit approach is risk based and therefore the data above on coverage is provided for your information only. Further details on the scoping of the Group audit can be found at Appendix C.

Confidential – All Rights Reserved

Group audit team involvement in component audits

Auditing standards require us to be involved in the work of each component team. Our visits incorporate a combination of site visits, review of the component team's audit work and meeting with business unit management.

There is one full scope audit, which is the parent entity Surrey County Council. During 2024, the group audit team plans to visit Surrey County Council offices at Woodhatch Place for the audit of the parent entity.

There are two specific scope components, Halsey Garton Property Ltd, and Halsey Garton Residential Ltd. Specific scope areas include turnover, Net (deficit)/gain on revaluation of investment properties, interest payable and similar charges, investment properties, and borrowings for Halsey Garton Property Ltd, and investment properties for Halsey Garton Residential Ltd.

Given the judgemental nature of investment property valuations, and that the component auditor UHY Hacker Young does not have an in-house valuation specialist, EY will perform the audit work for investment property valuations, and net (deficit)/gain on revaluation of investment properties, for both components. This is additional work to EY as group auditors, of which we will determine a fee impact as noted in Appendix B.

EY will communicate audit risk areas and component materiality to UHY Hacker Young through our group instructions for the audit work to be performed for other assertions around investment properties, and for the other specific scope areas mentioned above. We will also meet with the component team and review their audit work.

For the components that are not material to the Group Financial Statements, we will perform analytical review for these entities.

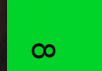


Page 15

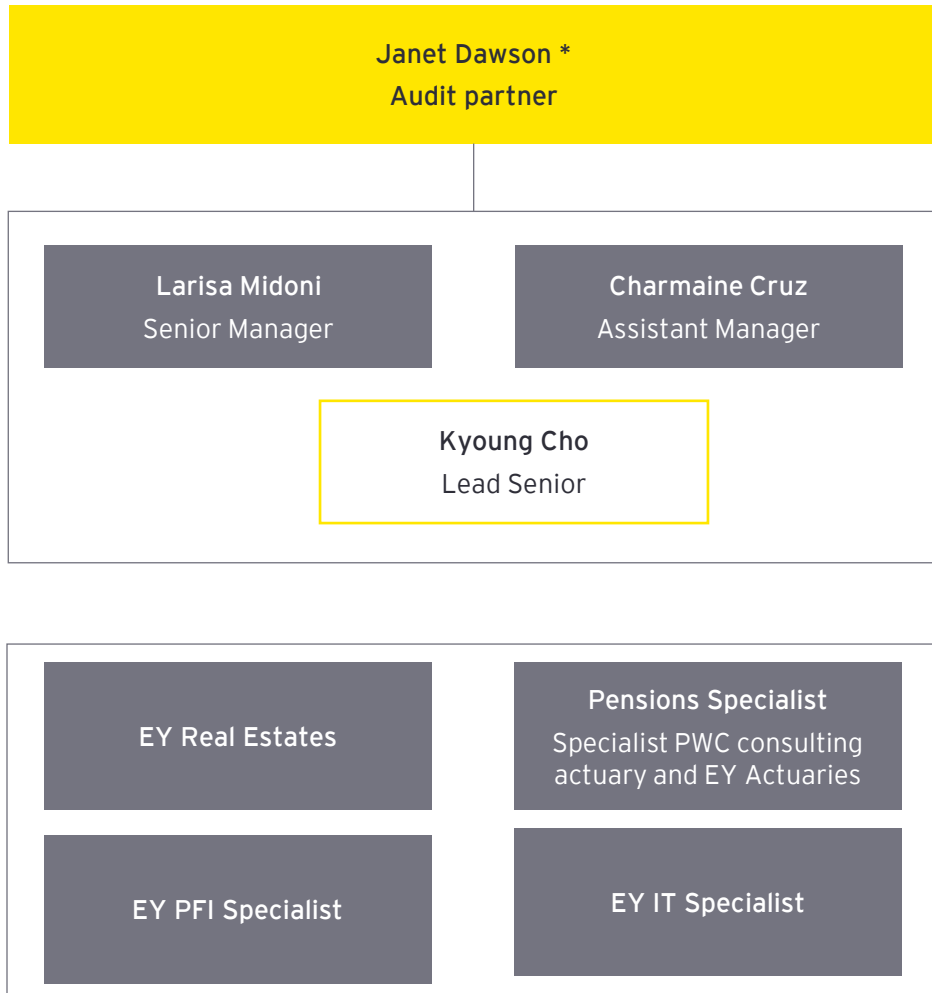
06 Audit team



Audit team



Page 116



* Key Audit Partner

Use of specialists

Our approach to the involvement of specialists, and the use of their work

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where EY specialists are expected to provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	EY Valuations team
Pensions disclosure	EY Actuaries
PFI	EY Internal PFI Specialist
Data migration assessment	EY IT Specialist

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Group's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable
- ▶ Assess the reasonableness of the assumptions and methods used
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements



07

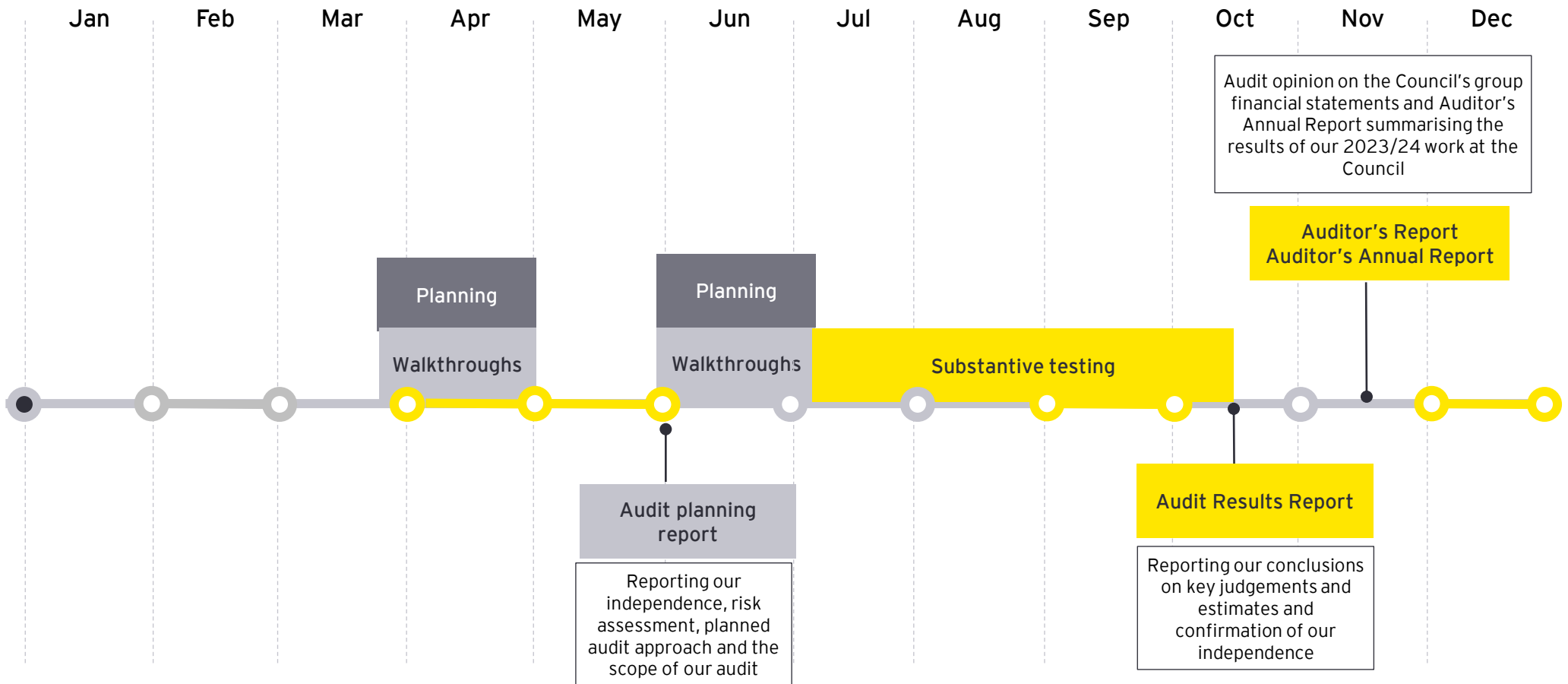
Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2023/24, subject to satisfactory and timely provision of audit evidence to support our approach and audit timelines.

From time to time matters may arise that require immediate communication with the Audit and Governance Committee and we will discuss them with the Audit and Governance Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





08 Independence

Introduction

The FRC Ethical Standard 2019 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us;
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- ▶ The overall assessment of threats and safeguards;
- ▶ Information about the general policies and process within EY to maintain objectivity and independence
- ▶ The IESBA Code requires EY to provide an independence assessment of any proposed non-audit service (NAS) to the PIE audit client and will need to obtain and document pre-concurrence from the audit and governance committee/those charged with governance for the provision of all NAS prior to the commencement of the service (i.e., similar to obtaining a "pre-approval" to provide the service).
- ▶ All proposed NAS for PIE audit clients will be subject to a determination of whether the service might create a self-review threat (SRT), with no allowance for services related to amounts that are immaterial to the audited financial statements.

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto;
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and
- ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However, we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Janet Dawson, your audit engagement partner and the audit engagement team have not been compromised.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary, agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you. For accounting period ended 31 March 2024 non-audit fees subject to the fee cap cannot exceed 70% of the average audit fees for the past three years.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 15.6% which is below the 70% threshold. The non-audit service was provided by the EY Business Consulting team between February 2024 to May 2024, to assess the financial implications and provide implementation recommendations for an Environmentally Sustainable Procurement Policy for the Orbis Partnership, of which the Council is a partner. In addition, the Orbis Partnership have utilised the EY Tax Services Helpline until 31 March 2023. We have confirmed with the engagement partners for both non-audit services that these non-audit services have now ceased and there are no further work planned for both. There are no outstanding fees for both non-audit services. We therefore consider the non-audit services do not pose a threat to our independence and that no additional safeguards are required.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self-interest threats at the date of this report.

Other communications

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2023 and can be found here: [EY UK 2023 Transparency Report](#).



09 Appendices

Appendix A – PSAA Statement of Responsibilities

As set out, our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- ▶ prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;
- ▶ ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.
- ▶ assign responsibilities clearly to staff with the appropriate expertise and experience;
- ▶ provide necessary resources to enable delivery of the plan;
- ▶ maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;
- ▶ ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;
- ▶ ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and
- ▶ during the course of the audit provide responses to auditor queries on a timely basis.

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

Appendix B – Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment
- ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Appendix B – Fees (Cont'd)

	Current Year	Note reference
	£	
Scale Fee	384,130	
Additional work not considered by the scale fee to comply with the requirements of ISA (UK) 315 (Revised).	TBC	(1)
Additional work not considered by the scale fee to assess the Council's preparedness for the adoption of IFRS 16 and to consider related disclosures in the financial statements	TBC	(2)
Other factors leading to additional work that is not covered by the scale fee.	TBC	(3)
Additional work on data migration	TBC	(4)
Additional work on investment property valuations for the components Halsey Garton Property Ltd and Halsey Garton Residential Ltd.	TBC	(5)
Total audit	TBC	
Total fees	TBC	

All fees exclude VAT

The current scale fee from the PSAA contract do not take into certain elements of work. We have included such areas that represent additional work and will lead to additional fees.

(1) The revision to ISA (UK) 315 will impact on our scope and approach and require us to enhance the audit risk assessment process, better focus responses to identified risks and evaluate the impact of IT on key processes supporting the production of the financial statements. We expect to charge additional fee for this.

(2) Additional work is required to assess the Council's preparedness for the adoption of IFRS 16 and to consider related disclosures in the financial statements. This is not covered by the scale fee and therefore we expect to charge additional fee for this.

(3) The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:

- Consideration of correspondence from the public and formal objections.
- New accounting standards.
- Non-compliance with law and regulation with an impact on the financial statements.
- VFM risks of, or actual, significant weaknesses in arrangements and related reporting impacts.
- The need to exercise auditor statutory powers.
- Prior period adjustments.
- Modified financial statement opinions

(4) The Council has migrated to a new enterprise resourcing planning system in P2 of 2023/24. We have raised the data migration process as an area of audit focus in our audit plan. Additional work is required to walkthrough the processes and controls for both systems, and to confirm the completeness and accuracy of the data migration process between the two systems that will involve our IT specialists.

(5) There are two specific scope components, Halsey Garton Property Ltd, and Halsey Garton Residential Ltd, where investment property valuations is in scope.

Given the judgemental nature of investment property valuations, EY will perform the audit work for investment property valuations, and net (deficit)/gain on revaluation of investment properties, for both components. This is additional work to EY as group auditors and therefore will have an additional fee impact.

Appendix C – Scoping the group audit

The below table sets out the scoping details of all locations. We set audit scopes for each reporting unit which, when taken together, enable us to form an opinion on the group accounts. We take into account the size, risk profile, changes in the business environment, and other factors when assessing the level of work to be performed at each reporting unit.

Detailed scoping								
In scope locations	Scope	Statutory audit performed by EY	Coverage			Current year rationale for scoping		
			Gross Expenditure	Loss before tax	Total assets	Size	Risk	
Surrey County Council	Full	✓	98.71%	70.33%	91.18%	Yes	Yes	
Halsey Garton Property Limited	Specific	x	0.66%	28.14%	8.01%	Yes	Yes	
Halsey Garton Residential Limited	Specific	x	0.04%	1.68%	0.69%	No	Yes	
Hendeca Group Limited	Other Procedures	x	0.04%	-0.13%	0.04%	No	No	
Surrey Choices Limited	Other Procedures	x	0.55%	-0.02%	0.09%	No	No	
Total full & specific scope			99.37%	98.47%	99.19%			

*Gross Expenditure, loss before tax, and total assets for components are before intergroup elimination amounts.

Appendix D – Accounting and regulatory update

Future accounting developments

The following table provides a high-level summary of the accounting development that has the most significant impact on the Council:

Name	Summary of key measures	Impact on 2023/24
IFRS 16 Leases	<ul style="list-style-type: none">▶ CIPFA have confirmed there will be no further delay of the introduction of the leases standard IFRS 16.▶ Assets being used by the Council under operating leases are likely to be capitalised along with an associated lease liability.▶ Lease liabilities and right of use assets will be subject to more frequent remeasurement.▶ The standard must be adopted by 1 April 2024 at the latest.	<ul style="list-style-type: none">▶ The 2023/24 Statement of Accounts must disclose the impact the initial application of IFRS 16 is expected to have on the Council's financial statements.▶ The Council should make key IFRS 16 policy decisions in accordance with the Code before 1 April 2024.▶ Officers must implement robust systems to ensure all relevant data points, which could prompt a remeasurement or modification of the accounting entries, are captured in a timely manner.

Appendix D – Accounting and regulatory update

Regulatory update

The following table provides a high-level summary of the regularity update that has the most significant impact on the Council:

Name	Summary of key measures	Impact on 2023/24
ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement	<p>ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:</p> <ul style="list-style-type: none"> ▶ Risk Assessment ▶ Understanding the entity's internal control ▶ Significant risk ▶ Approach to addressing significant risk (in combination with ISA 330) <p>The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:</p> <ul style="list-style-type: none"> ▶ Drive consistent and effective identification and assessment of risks of material misstatement ▶ Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability') ▶ Modernise ISA 315 to meet evolving business needs, including: <ul style="list-style-type: none"> ▶ how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and ▶ how auditors understand the entity's use of information technology relevant to financial reporting. ▶ Focus auditors on exercising professional scepticism throughout the risk identification and assessment process. 	<p>We will need to obtain an understanding of the IT processes related to the IT applications of the Council.</p> <p>We will perform procedures to determine if there are typical controls missing or control deficiencies identified and evaluated the consequences for our audit strategy.</p> <p>When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures.</p> <p>We also review the following processes for all relevant IT applications:</p> <ul style="list-style-type: none"> ▶ Manage vendor supplied changes ▶ Manage security settings ▶ Manage user access ▶ Manage entity-programmed changes ▶ Job scheduling and managing IT process

Appendix E – The Spring Report

A combined perspective on enhancing audit quality

The Spring Report ('The Report') was released by the Audit and Governance Committee Chairs' Independent Forum (ACCIF) on 2 June 2023 and is the first of its kind. The Report is the outcome from a series of discussions held with a group of experienced audit and governance committee chairs, auditors from the top 6 firms, and executives from the Financial Reporting Council. The Report details the 9 key learnings that the group agreed on, proposing evolution not revolution, and is focused on getting the basics right first time leading to enhanced audit quality. The report considers key learnings covering the planning, execution, completion and reporting phases of the audit. The full list of key learnings can be found in the [report](https://accif.co.uk/report) (accif.co.uk).



Appendix F – Required communications with the Audit and Governance Committee

We have detailed the communications that we must provide to the audit and governance committee.

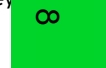
Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit and governance committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> ▶ The planned scope and timing of the audit ▶ Any limitations on the planned work to be undertaken ▶ The planned use of internal audit ▶ The significant risks identified <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	Audit planning report - 05 June 2024 meeting of the Audit and Governance Committee
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit) 	Audit planning report - 05 June 2024 meeting of the Audit and Governance Committee

Appendix F – Required communications with the Audit and Governance Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit results report - expected Nov 2024
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report - expected Nov 2024
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Governance committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▶ Any other matters related to fraud, relevant to Audit and Governance Committee responsibility 	Audit results report - expected Nov 2024



Appendix F – Required communications with the Audit and Governance Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report - expected Nov 2024
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <ul style="list-style-type: none"> ▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report - 05 June 2024 meeting of the Audit and Governance Committee</p> <p>Audit results report - expected Nov 2024</p>
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report - expected Nov 2024
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Audit and Governance committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit and governance committee may be aware of 	Audit results report - expected Nov 2024

Appendix F – Required communications with the Audit and Governance Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Management letter - expected November 2024 Audit results report - expected November 2024
Group audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Audit planning report - 05 June 2024 meeting of the Audit and Governance Committee Audit results report - expected Nov 2024
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report - expected November 2024
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit results report - expected November 2024
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report - expected November 2024
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report - expected November 2024
Value for Money	<ul style="list-style-type: none"> ▶ Our risk assessment and any areas where we have identified risk of material weaknesses in arrangements in areas covered by the three VFM criteria; ▶ The outcome of our work, any identified material weaknesses in arrangements against the three VFM criteria and our VFM commentary 	Audit results report - expected November 2024 Auditor's Annual Report - expected November 2024



Appendix G – Additional audit information

Regulatory update

Our objective is to form an opinion on Group's consolidated financial statements under International Standards on Auditing (UK) as prepared by you in accordance with International Financial Reporting Standards as adopted by the UK, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 39-42). We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit and Governance Committee. The audit does not relieve management or the Audit and Governance Committee of their responsibilities.

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards, company law and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council's to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the audit and governance committee reporting appropriately addresses matters communicated by us to the audit and governance committee and reporting whether it is materially inconsistent with our understanding and the financial statements
- ▶ Maintaining auditor independence

Appendix G – Additional audit information (cont'd)

Other required procedures during the course of the audit

Procedures required by the Audit Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
- ▶ Examining and reporting on the consistency of consolidation schedules or returns with the Group's audited financial statements for the relevant reporting period

We have included in **Appendix E** a list of matters that we are required to communicate to you under professional standards.

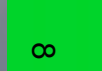
Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the Group financial statements
- ▶ The level of work performed on individual account balances and financial statement disclosures

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit, we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.



Appendix H - Non-Compliance with Laws and Regulations (NOCLAR)

Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ..."

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

Auditor Responsibilities

[The International Ethics Standard Board of Accountants' International Code of Ethics \(IESBA Code\)](#) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

Examples of Non-Compliance with Laws and Regulations (NOCLAR)

Matter

- ▶ Suspected or known fraud or bribery
- ▶ Health and Safety incident
- ▶ Payment of an unlawful dividend
- ▶ Loss of personal data
- ▶ Allegation of discrimination in dismissal
- ▶ HMRC or other regulatory investigation
- ▶ Deliberate journal mis-posting or allegations of financial impropriety
- ▶ Transacting business with sanctioned individuals

Implication

- ▶ Potential fraud/breach of anti-bribery legislation
- ▶ Potential breach of section 2 of the Health and Safety at Work Act 1974
- ▶ Potential breach of Companies Act 2006
- ▶ Potential GDPR breach
- ▶ Potential non-compliance with employment laws
- ▶ Suspicion of non-compliance with laws/regulations
- ▶ Potential fraud / breach of Companies Act 2006
- ▶ Potential breach of sanctions regulations

Appendix H - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years



Management response:

Timely communication of the matter to auditors (within a couple of days)

Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both

Scope the investigation, in discussion with the auditors

Evaluate findings and agree next steps

Determine effect on financial statements including disclosures

Prepare a paper, summarising the outcome of the investigation and management's conclusions

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

Key Reminders:

- ▶ Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- ▶ Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- ▶ Engage external specialists where needed
- ▶ Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- ▶ Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

Audit response:

Initial assessment of the NOCLAR matter and its potential impact

Initial consultation with risk team to determine responsive procedures and the involvement of specialists

Understand and agree scope of management's investigation with support from specialists as needed

Evaluate findings and undertake appropriate audit procedures

Determine audit related impact including accounting and disclosure and audit opinion implications

Document and consult on the outcome of our procedures

Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© 2024 Ernst & Young LLP. Published in the UK.
All Rights Reserved.

UKC-023026 (UK) 04/22. Creative UK.

ED None

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young LLP accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

ey.com



Audit & Governance Committee
5 June 2024

Internal Audit Annual Report and Opinion 2023-24

Purpose of the report:

The purpose of this report is to give an opinion on the adequacy of Surrey County Council's control environment as a contribution to the proper, economic, efficient and effective use of resources. The report covers the audit work completed in the year from 1 April 2023 to 31 March 2024 in accordance with the Internal Audit Strategy for 2023/24. A separate report on Counter Fraud work undertaken in 2023/24 forms part of this Committee agenda.

Recommendations:

The Committee is asked to:

1. Note the work undertaken and the performance of Internal Audit in 2023/24 and the resultant annual opinion of the Chief Internal Auditor;
2. Determine whether there are any matters that the Committee wishes to consider for inclusion in the Council's Annual Governance Statement; and
3. Consider whether the Council's arrangements for internal audit have proved effective during 2023/24.

Introduction:

1. During 2023/24 the Orbis Internal Audit team has delivered the Annual Plan through the Orbis Partnership arrangement with East Sussex County Council and Brighton & Hove City Council. Collaborative working has led to changes in various aspects of Internal Audit practice and process, and has achieved economies in the delivery of audits through the development of specialisms and more effective joint working.

Details:

Background:

2. All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities '*must undertake an effective internal audit to*

evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. Annually, 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.

3. It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.
4. No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide **Reasonable Assurance** that Surrey County Council had in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2023 to 31 March 2024.
5. This opinion, and the evidence that underpins it, is further explained in the full Internal Audit Service's Annual Report and Opinion which forms Annexe A of this report. The report highlights:
 - Key issues for the year, including a summary of all audit opinions provided;
 - Progress on implementation of high-risk recommendations;
 - Key financial systems;
 - Other internal audit activity; and
 - Anti-fraud and corruption coverage.
6. A summary of the major findings from audit reviews completed during quarter 4 of 2023/24 is included in Annexe B (major findings from previous quarters have already been reported to the Committee).
7. Finally, Section 6 of the annual report sets out details of internal audit performance for the year, including details of compliance against the relevant professional standards.

Implications:

**Financial and value for money implications;
Equalities and Diversity Implications;
Risk Management Implications;
Legal Implications - Monitoring Officer.**

8. There are no direct implications regarding the above arising from this report. Any such matters highlighted as part of the audit work referred to in this report would be progressed through the agreed Reporting and Escalation Policy.

Next steps:

9. The Chief Internal Auditor and Audit Manager will continue to update management and members through our progress reporting on the finalisation of outstanding work from the 2023/24 plan, and how information within our Annual Report informs the Council's Annual Governance Statement.

Report authors: Russell Banks, Chief Internal Auditor
David John, Audit Manager

Contact details: telephone: 07824 362739
email: russell.banks@eastsussex.gov.uk

telephone: 07768 235586
email: david.john@surreycc.gov.uk

Sources/background papers:

- None.

Annexes/Appendices:

- Annexe A - Internal Audit Service's Annual Report and Opinion
- Annexe B - A summary of the major findings from audit reviews completed during quarter 4 of 2023/24

This page is intentionally left blank

**INTERNAL AUDIT
ANNUAL REPORT &
OPINION
2023/2024**



1. Internal Control and the Role of Internal Audit

1.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The full role and scope of the Council's Internal Audit Service is set out within our Internal Audit Charter.

1.2 It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

1.3 Annually 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.

2. Delivery of the Internal Audit Plan

2.1 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 our own risk assessment of the Council's major systems and other auditable areas. The process of producing the plan involves extensive consultation with a range of stakeholders to ensure that their views on risks and current issues, within individual departments and corporately, are identified and considered.

2.2 In accordance with the audit plan for 2023/24, a programme of audits was carried out covering all Council directorates and, in accordance with best practice, this programme was reviewed during the year and revised to reflect changes in risk and priority. All adjustments to the audit plan were agreed with relevant services and reported through the year to Corporate Leadership Team (CLT) and to the Audit and Governance Committee as part of our periodic internal audit progress reports. Full details of the adjustments to the plan can be found from paragraph 5.17.

2.3 It should be noted that whilst there were some audit reports in progress or at draft report stage at the year-end, outcomes from this work have been taken into account in forming our annual opinion. Full details of these audits will be reported to CLT and to the Audit and Governance Committee once each of the reports has been finalised with management.

2.4 The implementation of MySurrey (the Council's ERP replacement solution for SAP) has had a major influence on our planned work for 2023/24. This is discussed in detail in the section from paragraph 5.9 for Key Financial Systems.

2.5 As in the previous year, we have received a significant amount of new referrals for assurance activity from senior management throughout 2023/24. This reflects well on our service indicating that we are seen as a key part of both promoting and maintaining good governance and adding value through our work. It is also a healthy sign in terms of the Council having the maturity to request independent assurance in critical areas, knowing that such work may result in lower assurance opinions. It has, at times, led to challenges in our being able to reprioritise and reschedule our work, although our plan is purposefully flexible to allow for emerging risks and issues.

2.6 Allowing for these additional demands on our time we have still been able to deliver sufficient audit and assurance activity within the year to enable us to form an overall annual audit opinion for the Council in the normal way. This includes delivery of the revised programme of audits together with the investigation of any allegations of fraud and other irregularities.

3. Audit Opinion

3.1 No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide **Reasonable Assurance**⁽¹⁾ that Surrey County Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2023 to 31 March 2024.

3.2 Further information on the basis of this opinion is provided below. Overall, whilst the majority of audit opinions issued in the year were generally positive, it is important to note that internal audit activity has identified a number of significant areas where the operation of internal controls has not been fully effective, as reflected by the eight partial assurance opinions issued in the year (excluding school audits). Further details on these are provided below.

3.3. In addition, a further four audits of partial assurance were in draft report stage at the year-end, and two audits with fieldwork largely completed also likely to be of partial assurance. Again, some of these reviews fell into areas of significance in terms of financial materiality to the Council, or in areas of significant service delivery. No minimal assurance audits were issued in the past year and all audits of partial assurance will be subject to follow-up audits in 2024/25 to ensure the expected improvements have occurred.

3.4 Where improvements in controls are required as a result of any of our work, we have agreed appropriate remedial actions with management.

3.5 In addition to specific audit reviews, we undertake regular liaison activity with all directorates to understand emerging pressures and risk areas, and amend our plan of work accordingly. This process provides additional assurance that the audit programme remains current and focused on the highest risks facing the organisation.

4. Basis of Opinion

4.1 Our opinion and the level of assurance given takes into account:

- All audit work completed during 2023/24, both planned and unplanned;
- Follow-up of actions from previously reported low assurance audits;
- Management's response to all findings and recommendations;

¹ This opinion is based on the activities set out in the paragraphs below. It is therefore important to emphasise that it is not possible or practicable to audit all activities of the Council within a single year.

- Ongoing advice and liaison with management, including regular attendance by the Chief Internal Auditor and Audit Manager at key organisational meetings relating to risk, governance and internal control matters;
- Effects of significant changes in the Council's systems;
- The extent of resources available to deliver the audit plan;
- Quality of the Internal Audit service's performance.

4.2 Whilst no direct limitations were placed on the scope of Internal Audit during 2023/24, several planned piece of work were deferred at the request of service management, or because the audit could not be undertaken effectively due to the implementation issues around MySurrey. Where this has occurred, all of the affected reviews are included in our 2024/25 plan and their non-completion does not have a material bearing on the final overall opinion we have given.

4.3 It should be noted that for the first time in a number of years we have undertaken two follow-up audits in 2023/24 where we have been unable to increase the level of assurance from that originally given. Both audits were in draft at the year-end, with one (Tree Management) having been issued early in quarter one of 2024/25 and the second (Social Value in Procurement) currently being finalised for issue in that same period. Delays in implementation of actions are attributed to resource and capacity issues, rather than any issues around a lack of management engagement.

4.4 An analysis of the distribution of lower assurance audits identified that five of the eight finalised reports fell within the Children, Families and Lifelong Learning (CFLL) directorate. There is also one audit of partial assurance in draft at the year-end that falls within this directorate. The scope of areas covered by these reports is broad, covering Education (contract management; unofficial school funds) as well as service delivery and core finance systems in Children's services. We have discussed this trend with the Executive Director and will continue to both follow-up these audits in the new year plan and liaise closely to ensure sufficient assurance work continues to be delivered in these areas.

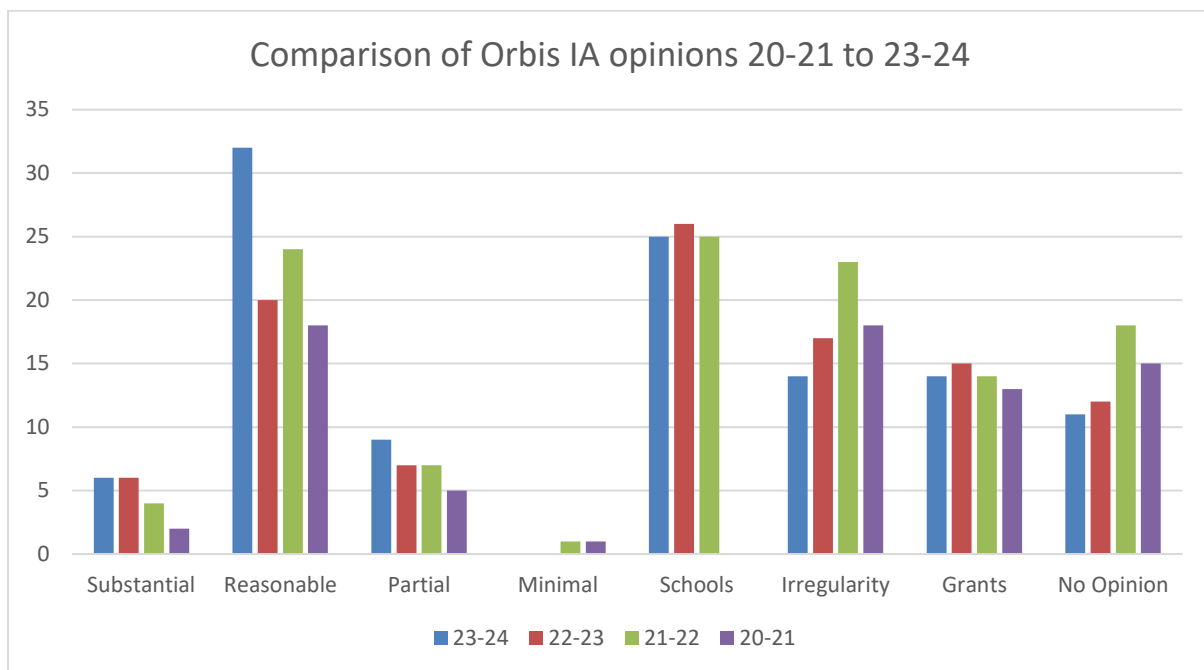
5. Key Internal Audit Issues for 2023/24

5.1 The overall audit opinion should be read in conjunction with the key issues set out in the following paragraphs. These issues, and the overall opinion, will be taken into account when preparing and approving the Council's Annual Governance Statement.

5.2 The Internal Audit plan is delivered each year through a combination of formal reviews with standard audit opinions, direct support for projects and new system initiatives, investigations, grant certification audits, schools audits and ad hoc advice. The graph below provides a summary of the outcomes from all audits finalised during 2023/24, compared to the previous three years.

5.3 A full list of completed audits and opinions for the year is included at Appendix B, along with an explanation of each of the assurance levels.

Audit Opinions:



*No Opinion: Includes audit reports or activity where we did not give a specific audit opinion. Typically this tends to be proactive advice and support activity where, due to the advisory nature of the audit work, provision of formal assurance-based opinions is not appropriate, such as the support work to the corporate projects and programmes.

5.4 Although the graph above shows a marked increase in the number of reasonable assurance opinions compared to just a modest increase in those of partial assurance, it is the significance of the areas into which these lower assurance opinions fall, rather than the absolute numbers of opinions given overall, that drives our overall opinion for the year.

5.5 A total of eight service-based audits received partial assurance opinions within the year, a slight increase on 2022/23. They were as follows:

- Single View of a Child Programme
- Health & Safety Governance Arrangements
- Schools Alliance For Excellence (SAfE) Contract
- Unofficial School Funds
- Surrey Fire & Rescue Business Safety
- S106 Payments
- LiquidLogic Integrated Finance Technology (LIFT)
- Education, Health & Care Needs Assessment Communications Protocol

5.6 There six more audit reports in draft at the year-end with provisional opinions of partial assurance:

- Accounts Payable
- General Ledger (Integrations)
- Transition of Children to Adult Social Care
- Tree Management Follow-Up
- Social Value in Procurement Follow-Up
- Fuel Cards

Whilst fieldwork is still ongoing, it is highly likely that our current audit of Payroll will also receive a lower assurance rating based on testing in the control environment so far completed.

5.7 The graph above also identifies that the distribution of schools audit opinions from the 25 completed schools audits is predominantly of reasonable assurance (21 schools, including two schools previously assessed as partial assurance earlier in the year), with 4 schools of partial assurance and no schools given minimal assurance in the last year. Whilst the internal control environments of individual schools cannot be directly compared to that of the Council overall, the outcome of our programme of schools audits for 2023/24 supports our overall opinion of Reasonable Assurance for the Council as a whole.

5.8 Whilst actions arising from all of these reviews will be followed-up by Internal Audit through either specific follow-up reviews or via established action tracking arrangements, it is important that management take prompt action and ownership to secure the necessary improvements in internal control. We have experienced no issues in securing management ownership and engagement following any audit issued last year.

5.9 Additionally, an exercise to seek verbal management assurance that all medium and low priority actions due for implementation from 2023/24 completed audits has identified no areas for concern where agreed actions have been left unaddressed.

Key Financial Systems

5.10 Given the substantial values involved, each year a significant proportion of our time is usually spent reviewing the Council's key financial systems, both corporate and departmental. In scheduling our work around the timing requirements of the new ERP solution, the first quarter of 2023/24 saw us carrying-forward and completing key financial systems audits from the 2022/23 plan in the following areas under the legacy SAP processes:

Substantial Assurance:

- Accounts Payable
- Accounts Receivable

Reasonable Assurance:

- Pension Fund Investments

5.11 With regard to MySurrey, our original plan had been to audit all of the financially material systems in 2023/24 based on the planned implementation timetable. However, with the go-live of the new ERP being delayed until June 2023, and remedial work necessary to address issues across the new system, delivery of this plan was not possible. We had anticipated initial challenges for a newly implemented ERP solution of this scale, and as such had allowed sufficient flexibility to amend our plan, whilst still covering sufficient work to be able to give an Annual Opinion at year-end.

5.12 We agreed with the Council's interim S151 Officer a revised programme of audits to review Accounts Payable; Accounts Receivable; Payroll; and General Ledger (Integrations). Remaining key financial systems work has been rescheduled for the 2024/25 plan, starting with the audit of Revenue Budgetary Control, and also the audit of Financial Assessments and Income Collection in Adult Social Care.

5.13 Audit work around this revised plan commenced in quarters three and four. Our assurance activity was focused on reviewing key controls within core processes, and in documenting the new system processes (or reviewing the available system documentation where this existed). Findings from this work identified areas of generic weakness, including:

- A lack of signed-off system process maps, flowcharts, or procedure notes;
- Insufficient training for the staff operating the new MySurrey systems;
- Temporary or workaround processes in place (frequently undocumented) where processes in place did not operate as expected, or were not part of system design;
- A significant number of concerns about system design and operation raised by staff via issues logs with the system developer, Unit 4; and
- Longer than expected delays for issues to be resolved by the developer.

5.14 As at the 31 March 2024, one these audits had been completed, with two reports in draft, as follows:

Reasonable Assurance:

- Accounts Receivable (final report)

Partial Assurance:

- Accounts Payable (draft report)
- General Ledger (Integrations) (draft report)

Work-in-progress:

- Payroll

5.15 In recent years we have dedicated a significant resource from our annual plan to the audit of LGPS Pension Administration. The programme of work within the service to address historic control weaknesses continues in a positive direction, and we continue to work closely with management to provide assurance in agreed areas of risk.

5.16 We will continue to update both the Audit and Governance Committee and the Surrey Pension Board through our quarterly reporting as future audit work in this area is completed. Audit work completed in 2023/24 shows that the direction of travel for assurance is still positive, though we note that one follow-up audit around banking controls could not be completed in the year as planned due to issues within MySurrey. This audit has been rescheduled to 2024/25.

Substantial Assurance:

- LGPS Performance Follow-Up (*previously partial assurance*)

Reasonable Assurance:

- Surrey Pension Fund Investments (2023/23 SAP based audit carried forward into 2023/24)
- Surrey Pension Fund Governance Arrangements
- Surrey Pension Fund Cyber Security Arrangements
- Surrey Pension Fund Administration (Transfers-In)

Other Internal Audit Activity

5.17 During the year we have continued to provide advice, support and independent challenge to the organisation on risk, governance and internal control matters across a range of areas. Our coverage included regular and ad hoc attendance at:

- Corporate Leadership Team;
- Directorate Leadership Team and Senior Leadership Team meetings;
- Governance Panel;
- Risk Governance Group;
- Directorate Business Partnering meetings;
- Transformation Board and Transformation Network meetings;
- Corporate Risk and Resilience Forum;
- DB&I Programme Board; and
- Transition to Business-As-Usual Board (MySurrey).

5.18 As well as actively contributing to, and advising these groups, we utilise the intelligence gained from the discussions with business partners and service management to inform our own current and future work programmes to help ensure our work continues to focus on the most important risk areas.

5.19 Our assurance work around Corporate Governance has identified a theme where officers across directorates are not as familiar with the existence and purpose of key governance policies as we would have expected. This may be a result of a number of factors, including potential inadequate induction arrangements. As such, we will seek to conduct a review of corporate and directorate induction arrangements within 2024/25.

5.20 Ahead of the MySurrey go-live, we continued to provide advice to the Digital Business and Insights (DB&I) Programme Board. However, we were unable to complete all of our planned assurance activities due to a number of factors, including non-availability of documentation around the final 'to-be' processes and resourcing pressures within the programme itself. Consequently, our work at that time focused upon reporting such concerns that we had about the control environment to the Board as well as flagging areas of potential concern and risk to ensure the Board were as fully sighted as possible for decision-making to inform MySurrey go-live.

Anti-Fraud and Corruption

5.21 During 2023/24, the Internal Audit Counter Fraud Team continued to deliver both reactive and proactive fraud services across the organisation. Details of all counter fraud and investigatory activity for the year, both proactive and reactive, and in respect of the National Fraud Initiative, have been summarised within a separate Counter Fraud Annual Report due to be presented alongside this Internal Audit

annual report. Where relevant, the outcomes from this work have also been used to inform our annual internal audit opinion and future audit plans.

Amendments to the Audit Plan

5.22 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 and activities were added to the original audit plan during the year:

- Advice to A3 Electric Vehicle (EV) Grant Funding Programme governance;
- S106 Funding
- Serious Incident Reporting and Escalation Protocols
- Pendell Camp Paperwork
- Selecta Catering Contract Lessons-Learned
- External Grant Income (EIG)
- Housing Upgrade Grant
- Surrey Fire And Rescue Business Safety
- LiquidLogic Integrated Finance Technology (LIFT)
- IT Asset Records Management
- Disposal of Council Land and Property
- Education, Health and Care Needs Assessments (EHCNAs) Communication Protocol
- Ukraine Funding
- Community Services Equipment Contract
- Pro-active Fuel Card Data Analysis
- Pro-active Purchasing Card Data Analysis
- Local Government Pension Scheme Pension Auto-Enrolment

5.23 In order to allow these additional activities to take place, the following audits were removed or deferred from the 2023/24 audit plan. Where appropriate they will be reconsidered for inclusion in future audit plans as part of the overall risk assessment completed during the audit planning process. These changes have been made on the basis of risk prioritisation and/or as a result of developments within the service areas concerned requiring a rescheduling of audits:

- School Basic Needs Grant Allocation
- Digital Data Preservation
- Procurement Regulatory Changes
- Integrated Care Systems Governance Arrangements
- Capital Budgetary Control
- PLANON support
- Revenue Budget Monitoring
- Project Indigo (Follow-Up)
- Planning (Follow-Up)
- Children's Homes
- MySurrey User Access & Security Review

6. Internal Audit Performance

6.1 The Public Sector Internal Audit Standards (PSIAS) requires the Internal Audit service to be reviewed annually against the Standards, supplemented with a full and independent external assessment at least every five years. The following paragraphs provide a summary of our performance during 2023/24, including the results of our most recent independent PSIAS assessment (2022) and our year-end performance results against agreed targets.

PSIAS

6.2 The Standards cover the following aspects of internal audit, all of which were externally assessed during 2022 by the Chartered Institute of Internal Auditors:

- Purpose, authority and responsibility;
- Independence and objectivity;
- Proficiency and due professional care;
- Quality assurance and improvement programme;
- Managing the internal audit activity;
- Nature of work;
- Engagement planning;
- Performing the engagement;
- Communicating results;
- Monitoring progress; and
- Communicating the acceptance of risks.

6.3 As reported to the Audit and Governance Committee in January 2023, Orbis Internal Audit was assessed as achieving the highest level of conformance available against professional standards, with no areas of non-compliance identified. Our most recent self-assessment against the standards in 2023 found that this continued, with only minor areas for improvement identified.

Key Service Targets

6.6 Performance against our agreed service targets is set out in Appendix A. Overall, client satisfaction levels remain high, demonstrated through the results of our post-audit questionnaires, discussions with key stakeholders throughout the year through service liaison, and annual consultation meetings with Executive and Assistant Directors.

6.7 Over the course of the year we have received positive feedback on a range of completed audit assignments from management within services. The following 'word cloud' identifies some of the key, positive phrases used to describe our service and that contributed to a 100% satisfaction rate being recorded in year:

Internal Audit Performance Indicators 2022/23

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee (for 2022/23)	By end April*	G	Approved by Audit and Governance Committee on 8 March 2023.
	Annual Audit Report and Opinion (for 2022/23)	By end July	G	Approved by Audit and Governance Committee on 12 July 2023.
	Customer Satisfaction Levels	90% satisfied	G	100%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	G	We achieved delivery of 90.9% of the 2023/24 plan by 31 March 2023
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	<p>Dec 2022 - External Quality Assurance completed by the Institute of Internal Auditors (IIA). Orbis Internal Audit assessed as achieving the highest level of conformance available against professional standards with no areas of non-compliance identified, and therefore no formal recommendations for improvement arising. In summary the service was assessed as:</p> <ul style="list-style-type: none"> • Excellent in: Reflection of the Standards Focus on performance, risk and adding value • Good in: Operating with efficiency Quality Assurance and Improvement Programme

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
				<ul style="list-style-type: none"> • Satisfactory in: Coordinating and maximising assurance <p>November 2023 - Updated self-assessment against the Public Sector Internal Audit Standards completed, the service was found to be fully complying with 319 of the standards and partially complying with 2 of the standards, in both cases proportionate arrangements remain in place.</p> <p>November 2023 - Quality Review exercised completed, no major areas of non-conformance identified. The need to ensure consistency in the quality of the evidence contained within a small number of audit working papers was identified; this will be addressed at auditor development days during 2024/25.</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

Summary of Opinions for Internal Audit Reports Issued During 2023/24

Substantial Assurance:

(Explanation of assurance levels, and key to directorates, are detailed at the bottom of this document)

Audit Title	Directorate
Accounts Receivable (22/23 audit under SAP)	RES
Accounts Payable (22/23 audit under SAP)	RES
Connect2Surrey Joint Venture	RES
PLANON Application Audit	RES
LGPS Pension Performance Follow-Up	RES
Highway Contract	EIG
Members' Highway Allocations	EIG

Reasonable Assurance:

Audit Title	Directorate
River Thames Scheme (Governance Arrangements)	EIG
Pension Fund Investments (22/23 under SAP)	RES
Surrey Pension Fund Governance Arrangements	RES
Corporate Governance	RES
Adult Social Care Mental Health Service	AWHP
Cyber Security	RES
Procurement Compliance	RES
Procurement Of IT Systems	RES
Children's Data Handling	CFL
Home To School Travel Assistance (Follow-Up)	CFL
Subject Access Requests & FOI Reporting Arrangements	RES
Surrey County Council Company Governance Arrangements	RES
Surrey Fire & Rescue Contract Management Arrangements Follow-Up	SFRS
Surrey Pension Fund Cyber Security Arrangements	RES
Adult Social Care Data Handling	AWHP
Accounts Receivable (23/24 under MySurrey)	RES
Robotics (Governance Arrangements)	RES
Children's Service Complaints Process Follow-Up	CFL
Local Government Pension Scheme: Transfers-In	RES
Land And Property – Disposal Of Assets	RES
Business Continuity Arrangements	SFRS
Land And Property – Capital Programme Management	RES

Partial Assurance:

Audit Title	Directorate
Single View of a Child Programme	CFLL
Health & Safety Governance Arrangements	RES
Schools Alliance For Excellence (SAfE) Contract	CFLL
Unofficial School Funds	CFLL
Surrey Fire & Rescue Business Safety	SFRS
S106 Payments	EIG
LiquidLogic Integrated Finance Technology (LIFT)	CFLL
Education, Health & Care Needs Assessment Communications Protocol	CFLL

Minimal Assurance:

None

Grant Claim Certification

Audit Title	Directorate
Supporting Families Grant (x 4 across year)	CFLL
IMAGINE (EU) Grant	EIG
Digitourism (EU) Grant	EIG
Multiply Grant	CFLL
Contain Outbreak Management Fund Grant	AWHP
Housing Upgrade Grant (x 2 across year)	EIG
Local Transport Capital Block Funding	EIG
Bus Subsidy Operators Grant	EIG
Local Authority Delivery (LAD3) Close-Out Grant	EIG

Other Audit Activity Undertaken (non-opinion, or position statement)

Audit Title	Directorate
HMRC Statutory Maternity Pay	RES
Pendell Camp Paperwork	RES
Surrey Pension Fund Banking Controls (Interim Follow-Up)	RES
Selecta Catering Contract – Lessons Learned	RES
Serious Incident & Reporting Protocols	CLT
Adult Social Care/NHS Jointly Commissioned Expenditure	AWHP

School Audits

School	Opinion
Ongar Place School (Addlestone)	Reasonable
Busbridge Church Of England (Aided) Primary School (Godalming)	Reasonable
Kingswood Primary School (Lower Kingswood)	Reasonable
Burstow Primary School (Horley)	Reasonable
Manorfield Primary & Nursery School (Horley)	Reasonable
St Joseph's Primary Catholic School (Epsom)	Reasonable

School	Opinion
Horsell Church Of England (Aided) Junior School (Woking)	Reasonable
Dormansland Primary School (Lingfield)	Reasonable
Trinity Oaks Church Of England Primary School (Horley)	Reasonable
Chertsey Nursery School (Chertsey)	Reasonable
Reigate Parish Church Primary School (Reigate)	Reasonable
Clifton Hill Church School (Caterham)	Reasonable
Ash Manor Secondary School (Ash)	Reasonable
Bell Farm Primary School (Walton On Thames)	Reasonable
Ash Grange Nursery & Primary School Follow-Up (Ash)	Reasonable
St Nicholas School Follow-Up (Shepperton)	Reasonable
Shottermill Infant School (Haslemere)	Reasonable
Wallace Fields School (Ewell)	Reasonable
Oatlands School (Weybridge)	Reasonable
The Grange Community Infant School	Reasonable
Banstead Junior School Follow-Up	Reasonable
Ash Grange Nursery & Primary School (Ash)	Partial
St Nicolas School (Shepperton)	Partial
Thames Ditton Infant School (Thames Ditton)	Partial
St Marys Church of England School (Oxted)	Partial

Directorate glossary

CDT	Customers, Digital and Transformation
CFL	Children, Families and Life-long Learning
CLT	Corporate Leadership Team
EIG	Environment, Infrastructure and Growth
HWASC	Health, Wellbeing and Adult Social Care
RES	Resources
SFRS	Surrey Fire and Rescue Service

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.

1. Audits Completed in Quarter 4 (January to March 2024)

Section 106 Payments

1.1 Section 106 of the Town and Country Planning Act 1990 outlines planning obligations to ensure developers provide funding under 'S106' agreements to mitigate the impact of developments through community and social infrastructure.

1.2 This audit was an addition to our agreed Internal Audit Plan for 2023/24 at the request of management in the Environment, Infrastructure, and Growth (EIG) directorate. It followed an audit of Planning in 2022/23 that had an opinion of Partial Assurance and identified that mechanisms to monitor and manage S106 funding were not robust.

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

- The roles and responsibilities of key officers were clearly defined and understood;
- Robust arrangements were in place to monitor and report on the status of S106 funding, enabling management to make informed decisions;
- There were mechanisms in place to utilise S106 funds in a timely manner; and
- There were processes in place to support the effective use of S106 funding.

1.4 Following our review, we concluded that our final opinion was of **Partial Assurance** over the controls operating within the area under review because:

- Insufficient action had been taken to ensure S106 contributions were spent in a timely manner;
- There was a lack of ownership for ensuring S106 contributions were spent;
- The MIDAS system (used to manage S106 agreements and funding) was ineffective;
- c.£9m spent on capital projects in Education potentially could have been funded in part by S106 monies;
- We were unable to provide assurance that the proposals to replace MIDAS incorporated the needs of all stakeholders.

1.5 Whilst we were only able to provide limited assurance over most of the areas audited, we gave an audit opinion of Partial Assurance in recognition of the work already initiated by new management to address the long-standing/historic issues. Our audit identified and agreed seven actions with management, five of which were high priority and two of medium priority. We will undertake a follow-up of this audit as part of our 2024/25 annual plan to ensure these actions are implemented.

LiquidLogic Integrated Finance Technology (LIFT)

1.6 The Single View of a Child programme in Children's Services included the implementation of the Liquidlogic product LIFT, to replace the existing finance system. The LIFT system was designed as a pilot scheme by Liquidlogic in partnership with the Council.

1.7 This audit was an addition to our agreed plan for 2023/24 when it became clear that LIFT would not be a long-term solution as support for it by LiquidLogic was being withdrawn.

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

- There were appropriate governance, risk, and control arrangements in place;
- System use by staff complied with expected new procedures, and outputs were as expected; and
- Arrangements were in place to ensure continuity of an effective finance solution when the provider ceases to support LIFT.

1.9 Following our review, we concluded that our final opinion was of **Partial Assurance** over the controls operating within the area under review because:

- Duplicate payments had been processed despite the system control environment;
- There were system issues that affected the processing of payments leading to delays in the payment of providers;
- The accuracy and quality of system data had not been fully verified post go-live;
- Reducing spreadsheet use had been compromised due to poor system functionality;
- Changes to personnel could undermine effective governance arrangements; and
- The Service Level Agreement in place was not specific to LIFT, and may not address specific system issues.

1.10 Management recognised the seriousness of the risks arising from our review affecting the integrity of system data, the ability to pay providers accurately and on time, and the control environment being weakened through workarounds and manual spreadsheet processes.

1.11 Our audit identified and agreed eight actions with management, five of which were high priority and three of medium priority. All of the high priority actions had implementation dates by the end of quarter one of 2024/25. We will undertake a follow-up of this audit as part of our 2024/25 annual plan to ensure agreed actions have been implemented.

Education, Health and Care Needs Assessments Communication Protocol

1.12 Education, Health, and Care Plans (EHCPs) are legal documents outlining the Special Educational Needs and support required by a child or young person aged between 0-25, as well as outcomes and resources provision required to achieve them. EHCPs are issued where required following an Education, Health, and Care Needs Assessment (EHCNA).

1.13 This review was an addition to our plan following a request from the Children, Families, Lifelong Learning and Culture Select Committee. The purpose of the audit was to determine whether the Council had responded to EHCNA-related communications with parents according to the guidelines set within its Communications Protocol.

1.14 Our audit set out to provide assurance that controls were in place to meet the following key objectives:

- Guidance ensured staff are aware of their responsibilities and associated timeframes for activities;
- The quality of communications ensured the relevant parties were kept informed;
- Relevant parties were responded to within specified timeframes; and
- Communications were appropriately recorded and stored.

1.15 Following our review, we concluded that our final opinion was **Partial Assurance** over the controls operating within the area under review because:

- A significant number of the communications between staff and services users were incorrectly recorded on local drives rather than in the 'Wisdom' system;
- We found evidence of records being stored against the wrong service user;
- There was little evidence of telephone or Teams calls being correctly logged;
- Inconsistencies in the recording of communications hampered effective reporting for both performance metrics and quality review purposes; and
- We identified several areas in which the Protocol could be improved for clarity.

1.16 Our audit identified and agreed six actions with management, one of which was high priority, four of medium priority, and one of low priority. We will undertake a follow-up of this audit as part of our 2024/25 annual plan to ensure agreed actions have been implemented.

Surrey Fire and Rescue Service (SFRS) Business Safety

1.17 SFRS works with businesses to ensure that they have effective fire safety management to protect people and property. There are approximately 42,000 business premises in Surrey covered by the Regulatory Reform (Fire Safety) Order 2005 (FSO), the primary legislation governing fire safety in buildings in England and Wales.

1.18 Service management requested this review following the 2023 inspection by His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS). Our audit set out to provide assurance that controls were in place to meet the following key objectives:

- Risk ratings were consistently applied to buildings to support the effective delivery of the service's Risk Based Inspection Programme (RBIP);
- Inspection-related policies were complied with to ensure consistent decision-making;
- Outcomes from inspections are appropriately followed-up and monitored; and
- There were clear processes to allocate appropriate resource to tasks.

1.19 Following our review, we concluded that our final opinion was of **Partial Assurance** over the controls operating within the area under review because:

- Weekly inspections were lower in number than the target required and consequently the service was unable to achieve their statutory duty in this regard;

- Allocation of resource was inefficient, being made on a geographical basis rather than using the building risk ratings to allocate it to the higher-risk premises first;
- Not all outstanding cases following inspection were followed-up as expected; and
- Standard Operating Procedures and policies had not been regularly updated.

1.20 Our audit identified and agreed five actions with management, two of which were high priority and three of medium priority. We will undertake a follow-up of this audit as part of our 2024/25 annual plan to ensure agreed actions have been implemented

Accounts Receivable

1.21 Accounts Receivable (AR) is a key financial system responsible for the management and control of income due to the Council. The AR module sits within the Council's new ERP solution, MySurrey.

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

- Customer account maintenance and sales order processes were in place;
- Fees and charges were accurately applied to income generating activities;
- Payments received were recorded promptly against the correct customer account;
- Amendment of invoices/issuing of credit notes was restricted to authorised officers;
- Reconciliation between Sales Ledger and General Ledger was regularly undertaken;
- Write-off of irrecoverable debts was subject of appropriate challenge and approval;
- Debt position and recovery performance was monitored and reported; and
- Any interim process workarounds were clearly documented, with transition to business-as-usual processes being planned appropriately.

1.23 Our testing confirmed that key controls were in place as expected. We identified that:

- Schedules of fees and charges existed and were being correctly applied in invoices;
- Invoices had a unique reference number, helping to track and account for income;
- Invoices were raised in a timely manner to facilitate prompt payment;
- The ability to raise customer refunds or credit notes was appropriately restricted;
- There was independent daily reconciliation of the income received per the bank statement to the general ledger; and
- There was appropriate reporting and monitoring of the debt position, and appropriate approvals were sought before any debt was written-off.

1.24 We also identified a number of areas for potential improvement to the control environment:

- Certain system roles were not suitably configured to enforce separation of duties;
- At the time of our audit there was over £50m of unallocated income in a suspense account that required review and reallocation;

- We identified a number of duplicate customer accounts on the system; and
- A number of interim process workarounds had not been documented, which could lead to variations and/or mistakes in the way they were undertaken.

1.25 Overall we were able to give this system an overall opinion of **Reasonable Assurance**, with two medium and two low priority actions being agreed with management to address weaknesses identified.

Robotic Process Automation (Governance Arrangements)

1.26 Robotic Process Automation (RPA) is a form of business process wherein a robot is defined by a set of instructions to perform tasks automatically. The main benefit of this is to remove repetitive, rule based and time-consuming tasks from staff. However, if automation is not well governed and managed it can present significant data security and integrity risks.

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

- All RPA activity is documented to enable clear accountability and consistency;
- Roles and responsibilities for RPA are clearly documented and understood;
- RPA is controlled and monitored to ensure accountability should problems occur; and
- RPA is only in place for suitable tasks which improve productivity and are financially beneficial.

1.28 We were able to give an overall opinion of **Reasonable Assurance** following this review as we found key controls to be in place as expected. In particular:

- Each RPA was clearly documented through a Process Definition Document, which also identified relevant officers, roles and responsibilities;
- Each RPA was built with an integrated activity log to keep track of all successful and unsuccessful activity;
- Controls within the design process ensured benefits were reviewed and assessed at each stage, and effective monitoring ensured they were realised wherever possible.

1.29 We identified two areas for improvement:

- Whilst we found that the governance controls over the RPA's designed, built and managed by the Robotic Development Team (RDT) were robust, we identified that there is no guidance or control over any robots or system automation built using software that is corporately available; and
- RPA's or other automated processes created outside of the proper channels are not recorded, and therefore we were unable to provide assurance over any governance arrangements for these. Additionally, there was no signposting to RDT for anyone considering creating their own process.

1.30 Two actions were agreed with management to address these weaknesses.

Children, Families, and Life-long Learning (CFLL) Customer Complaints (Follow-Up)

1.31 An audit of the CFLL complaints process was completed in 2022/23, with an audit opinion of Partial Assurance. As part of our planned work for this year we agreed with management to undertake this follow-up audit to review progress in implementing agreed actions.

1.32 We had raised two high and six medium priority actions during our original review relating to:

- The need for additional resources within the Customer Relations Team;
- The inclusion of a new risk in the service risk register relating to the directorate's ability to effectively handle, and learn from, complaints received;
- Streamlining the communications channels utilised to process complaints;
- Using the CaseTracker system to issue all responses to complaints;
- The implementation of a dashboard to provide effective management information;
- The re-branding of the complaints process; and
- Formalising relationships between the Council's three complaints teams.

1.33 Following our review we were able to improve the level of assurance given to that of **Reasonable Assurance**. We identified that whilst some agreed actions had not been fully implemented, the direction of travel was both significant and positive, including:

- The creation of a dashboard for improved reporting of metrics was ongoing, with an interface under development to allow Tableau to draw data from CaseTracker. We are the first local authority department to request this from the provider so technical challenges still exist. An interim solution is currently in place for reporting;
- Plans to formalise relations between the three complaints teams continues and recruitment to the role of practice-lead has started but remains ongoing.

1.34 We have re-agreed two actions with the service to keep these matters in hand.

Local Government Pension Scheme – Transfers-In

1.35 The Council is the statutory administering authority for the Surrey Pension Fund. The Fund annually collects c.£190m in contributions from members and their employers, which includes the processing of 'transfers-in', wherein pension benefits are transferred into the Fund upon an individual commencing employment with the Council (or other Fund member).

1.36 This was a planned audit in our 2023/24 plan, the purpose of which was to provide assurance that controls were in place to meet the following objectives:

- There were clear and up-to date-policies in place that govern the administration of transfers into the scheme, compliant with the requirements of scheme legislation;
- Clear guidelines were in place for external pension funds to provide all necessary information to the Council so that transfers-in are administered in a timely manner;

- Transfers-in are subject to checks to ensure that correct amounts are input; and
- Transfers-in are actioned in line within published timeframes and statutory guidelines.

1.37 Our audit identified that the expected controls were in place and operating as expected, including:

- The guidance in place was assessed as adequate for the administration of pension transfers-in from both other LGPS and non-LGPS funds;
- A documented process existed to request all necessary information from other funds;
- Testing identified that all documentation for a sample of transfers was retained on the member file, balances transferred had been subject to appropriate checks for accuracy, and that received benefits had been reflected on the members' record and within the agreed dates for finalisation.

1.38 Overall, we were able to give this area an overall opinion of **Reasonable Assurance**, agreeing a medium priority action with management to address a weakness identified where system documentation and process maps needed updating.

Land and Property – Disposal Of Assets

1.39 In quarter four a complaint was received relating to the sale of a Council-owned residential property, in which it was alleged that there were conflicts of interest in respect of key participants in the sale. Following an investigation, the allegation was found to be wholly without foundation.

1.40 However, with the agreement of management we added this audit to our plan, the purpose of which was to provide additional assurance that controls were in place within the disposals process to meet the following key objectives:

- Governance arrangements relating to Council property sales (for both investment properties and operational land and property) addressed potential risks, including arrangements for the declaration and management of potential conflicts of interest;
- Completed and in-progress property disposals were fully compliant with the relevant governance framework; and
- The selection of buyers and estate agents was demonstrably and robustly transparent and subject to appropriate due diligence.

1.41 Following our review of the governance arrangements in place across both the Council and Halsey Garton Property Investment Ltd (HGPI), we concluded that our final overall opinion was one of **Reasonable Assurance**.

1.42 In reaching this opinion we identified that:

- A process flowchart delineated the process of progressing a disposal;
- Testing of a sample of six disposals demonstrated these procedures were followed;

- An Acquisition and Disposal module had been implemented in Planon, and the migration of all available records into it was underway;
- Financial Regulations outlined the approval and thresholds for the asset disposal;
- Recent improvements in internal governance, particularly through the Property Panel and Asset Strategy Board, have strengthened arrangements;
- The appointment process for of selling agents was robust and compliant with Procurement and Contract Standing Orders;
- Disposal arrangements for HGPI managed properties are set out in the approved Company Strategy with governance managed through the Shareholder Investment Panel, the Strategic Investment Board, and Cabinet; and
- Arrangements across teams to remind relevant staff of their responsibilities to declare any interests under the Council's Code of Conduct were in place.

1.43 We agreed five medium priority actions with management around the maintenance and storage of records (particularly older records), and around further enhancing procedures and the use of Planon.

Business Continuity Arrangements

1.44 The Civil Contingencies Act 2004 places a statutory duty on local authorities, as a 'Category 1' responder, to develop, maintain and test business continuity plans to provide a controlled resumption of prioritised services within expected timescales in response to a disruption to business-as-usual.

1.45 This audit was part of our agreed 2023/24 plan, and its purpose was to provide assurance that controls were in place to meet the following objectives:

- Adequate arrangements were in place in relation to Business Continuity Planning;
- Effective channels of communication exist between the Corporate Resilience Group, Corporate Risk and Resilience Forum, and directorates;
- A Business Impact Assessment had been completed to identify the Council's critical services, key partner organisations, work streams, and other dependencies;
- Effective plans had been developed, maintained, and communicated;
- Effective contingency plans are in place if core IT systems become unavailable; and
- Business continuity plans are tested and validated at regular intervals.

1.46 We were able to provide assurance that the expected arrangements were in place and operating effectively, in particular:

- There was a well-defined and robust framework for managing business continuity;
- Business continuity information/documentation was accessible and securely stored;
- Responsibility for business continuity invocation and escalation was defined;
- Business Impact Analyses conducted at service level had successfully identified key activities, associated risks, recovery time objectives, and dependencies;
- Governance arrangements for reporting/oversight of business continuity were robust;
- Adequate contingency considerations were built into contracts with key suppliers including a 'Supplier Failure Delivery Plan'; and

- Effective annual testing of corporate and departmental plans is currently in place, coordinated by the Emergency Management Team.

1.47 We identified where improvement could be made within existing processes, most notably to formally track the learning outcomes from annual test exercises and to share them more widely across services. Two actions were agreed with management in this respect, and our overall opinion in this area was of **Reasonable Assurance**.

Land and Property – Capital Programme Management

1.48 The Council is currently transitioning to a framework arrangement to identify external providers to deliver project management for the capital programme, and has commissioned an in-house Project Management Office (PMO) to oversee compliance with governance arrangements within this framework.

1.49 Given the changes to systems and procedures, management requested we review the governance arrangements associated with project management and budgetary control via the newly established internal PMO. In addition, we considered any impact of the recently introduced MySurrey ERP solution within current arrangements.

1.50 The specific scope of this audit was to provide assurance that key controls were in place to meet the following key objectives:

- Governance arrangements associated with the newly established internal PMO were appropriate and robust, and aligned to MySurrey processes;
- Individual capital projects were being delivered on time and within budget; and
- Delivery of significant capital projects demonstrably delivered VfM.

1.51 We concluded that the current arrangements were both effective and appropriately controlled. In particular we identified that:

- The internal PMO had been successful in improving the capital programme management process;
- Monthly reporting to the Capital Programme Board included the expected metrics, risk and issues logs, gateway tracking and summary of benefits;
- Documentation was in place to demonstrate compliance with procedures, though it was difficult to locate documentation for stages completed before the establishment of the internal PMO in May 2023;
- Financial control was overseen by the PMO and by Land & Property Business Delivery through an effective financial tracker covering all portfolios; and
- The introduction of MySurrey had little impact on capital programme management to date, as there was no significant functionality that was available on the previous SAP system that is not currently available.

1.52 Based on our review we provided an opinion of **Reasonable Assurance** in this area, agreeing three actions with management to improve arrangements around risk identification in respect of planning delays, document management, and process mapping.

Highway Contract

1.53 As Highway Authority, the Council is responsible for maintaining approximately 3,000 miles of roads across the county of Surrey. The current highways contract is delivered by Ringway Infrastructure Services through a Term Partnering Contract, wherein Surrey Highways and Ringway work together as an integrated team.

1.54 A commercial review of the contract was undertaken by Procurement in June 2023 and focused on governance arrangements and financial performance. It concluded that the contract was being managed reasonably well by the service and that it appeared to represent value for money.

1.55 Rather than replicating this governance-based review, the primary objective of our audit was to look at outputs from the contract related to planned highway maintenance on roads to ensure it was operating as expected, with a focus on the following key controls:

- The quality of work carried out was monitored effectively;
- There was a process in place for the Council to challenge substandard or failed work;
- Estimates provided by the contractor were accurate and enabled effective decision-making; and
- Works were planned and programmed in the most effective manner.

1.56 Our review concluded that these expected controls were in place and operating effectively. In particular:

- Seven Performance Boards meet monthly and are accountable for various aspects of the contract;
- The Boards report into a Monthly Contract Review which in turn feeds into the quarterly Core Group, with all being governed by clear terms of reference;
- A robust set of performance metrics have been agreed and are reported to Boards;
- Performance monitoring from senior management is adequate and effective;
- There are effective mechanisms to manage any substandard works; and
- Officers demonstrate a high level of engagement with the contractor, which in turn promotes clear communication channels, minimising disruption to residents from road closures.

1.57 We identified that 66% of schemes that we tested had exceeded the initial financial estimate, with 46% of these having a final cost of 10% or more than the original estimate. However, a newly agreed performance indicator is set to identify where an estimate has a final value of +/-10% from its original value. At the time of our review this was not fully established, but will enable greater visibility and monitoring of future estimates and final scheme costs.

1.58 Following our review, we concluded that the strength of controls in place warranted an overall opinion of **Substantial Assurance**.

Member Highways Allocations

1.59 In February 2022, the Cabinet agreed to increase the budget allocation directly available to Members for highways improvements, supporting the commitment to Empowering Communities. This enables Members to have a more constructive way of prioritising highways works to benefit residents within their divisions from their Member Allowances.

1.60 We undertook a review of the processes around Member highways allocations in order to provide assurance that controls are in place to meet the following key objectives:

- Road and pavement renewal and repair work commissioned by Members are delivered in accordance with approved procedures; and
- Such work demonstrates value for money.

1.61 We concluded that:

- Governance in respect of these capital schemes was strong, with detailed procedures appropriately documented and communicated to Members;
- There was approval of schemes via the relevant Cabinet Member and Select Committee;
- Schemes submitted by Members were appropriately scored by officers in accordance with agreed criteria;
- Communication to Members regarding the success of otherwise of their selected schemes was both timely and clear;
- Budgetary control on works was appropriate and effective;
- Assessment of value for money happens initially as part of prioritisation process and work is costed and delivered based on a tendered contract.

1.62 Following our review we concluded an overall opinion of **Substantial Assurance** in this area, with one action being agreed with management to further improve the arrangements in place for gathering Member feedback around this process.

Other Work

Care Quality Commission (CQC) Assurance Framework

1.63 The Health and Care Act 2022 introduced a duty for the CQC to carry out and report on reviews of local authorities' performance of their responsibilities under the Care Act 2014. The new assessments generate an overall rating and score across four themes: Working with People; Providing Support; Ensuring Safety Within The System; and Leadership.

1.64 Throughout the past year we provided support and advice to the service, including:

- Attending focus group meetings to learn about the new assurance framework;

- Inputting into the self-assessment, in particular regard to the quality statement relating to ‘Governance, Management, and Sustainability;’
- Being interviewed as part of the Local Government Association’s ‘Test of Assurance’ in preparation for the new arrangements; and
- Providing advice in regard to safeguarding and Learning Disability case audits.

Treasury Management (Interim Follow-Up)

1.65 Our last review of Treasury Management provided an opinion of Reasonable Assurance. One medium priority action was agreed with the service regarding the need for reconciliation between the Treasury Management record, the bank account, and the general ledger.

1.66 Ahead of a full audit of this area in 2024/25, we sought confirmation from the service that this action had been implemented as expected, and obtained evidence to confirm this. We have also received verbal assurance that there have been no changes related to day-to-day treasury management processes following the implementation of MySurrey, other than those relating to how the transactions are coded from the bank statement.

Risk Management

1.67 Following successive years of high assurance audits in this area, our focus in 2023/24 was to provide assurance to the Head of Strategic Risk over the Council’s Corporate Risk Register through the comparison of our top five strategic risks to those of other similar local authorities.

1.68 The comparison was twofold:

- Firstly, for the top five risks on risk registers, we identified those that were absent from the Council’s corporate risk register to determine whether they merited inclusion or a different risk rating; and
- Secondly, reversing the process, for the top five risks on the Council’s corporate risk register we identified whether these risks were absent from comparable risk registers to again determine whether certain risks merited exclusion or a different risk rating in our corporate risk register.

1.69 We are reassured to identify that fundamentally there were no strategic risks elsewhere that did not appear in the Council’s corporate risk register, albeit that some risks were scored differently.

Electric Towns and Cities Initiative (ETCI) Guildford: A3 Air Quality Project

1.70 Over the course of the year we have provided ongoing advice and support around matters of governance, risk management, and process efficiency relating to a new scheme launched by the Council called ‘Electric Towns and Cities Initiative (ETCI) Guildford: A3 Air Quality Project’. The scheme, funded from Central Government as a pilot scheme nationally, requires the Council to disburse grant funds to companies/organisations to encourage the move to electric vehicles for their commercial fleet. This is done through a grant application process, which is subject to appropriate governance and control mechanisms.

MySurrey Support & Advice

1.71 We continue to be a part of the Transition to Business-As-Usual Steering Group, a forum of key business owners, programme members, and Transformation team members. The remit of this group includes triangulating service issues and requirements against MySurrey programme plans, and monitoring the progress of service transition to successfully achieve business-as-usual status.

2. School Audits

2.1 We continue to provide assurance over individual school control environments and improve our level of engagement with key stakeholders through liaison meetings.

2.2 We have a standard audit programme for all school audits, designed to provide assurance over key aspects within the control environment, including:

- Good governance ensures oversight and challenge by the Governing Board;
- Decision-making is transparent, well documented and free from bias;
- The school operates within its budget through effective financial planning;
- Unauthorised people do not have access to pupils, systems or the site;
- Staff are paid in accordance with the schools pay policy;
- All unofficial funds are held securely and used in appropriately;
- All income due to the school is collected, recorded, and banked promptly.
- Expenditure is controlled and funds used for an educational purpose; and
- Security arrangements keep data and assets secure.

2.3 School audits continue to be carried out through a combination of remote working and physical visits, with an increasing emphasis on the latter.

2.4 A total of eight school audits were delivered in quarter four. The table below shows a summary of the final level of assurance reported to these schools:

Name of School	Audit Opinion
St Mary's Church of England Primary School (Oxted)	Partial Assurance
Shottermill Infant School (Haslemere)	Reasonable Assurance
Oatlands School (Weybridge)	Reasonable Assurance
Wallace Fields Junior School (Ewell)	Reasonable Assurance
The Grange Community Infants School (Addlestone)	Reasonable Assurance

Name of School	Audit Opinion
Banstead Community Junior School: follow-up (Banstead)	Reasonable Assurance
Ash Grange Nursery & Primary School: follow-up (Ash)	Reasonable Assurance
St Nicholas Church of England Primary School: follow-up (Shepperton)	Reasonable Assurance

2.5 We aim to undertake follow-up audits at all schools with Minimal and most schools with Partial Assurance opinions. Three such follow-ups were delivered in this final quarter.

2.6 Where we identify common themes arising from school audits, and to help build awareness of those potential areas for improvement, such findings are flagged for inclusion in Internal Audit School Bulletins. Communications such as these, alongside the reports themselves, provide schools with insight and recommendations that can enable them to proactively strengthen their control environments.

2.7 Common themes identified this quarter include:

- School staff should be encouraged to declare any relevant interests;
- Purchase orders should be raised in advance, to agree costs and commit the expenditure to the budget;
- Financial reports sent to Governing Boards should include Cumulative Expense Analysis to strengthen financial oversight; and
- Contracts registers should be maintained for effective contract management.

3. Grant Certification

3.1 During quarter four we successfully certified two grant claims in accordance with Government requirements:

- Bus Service Support Grant - £3,986,590
- Supporting Families (the fourth, and final, grant of this type in 2023/24) - £145,600

4. Counter Fraud and Investigation Activities

Counter Fraud Activities

4.1 We have continued to liaise with the relevant services to provide advice and support in processing the matches received as part of the National Fraud Initiative.

4.2 The team have carried on monitoring intelligence alerts and shared information with relevant services when appropriate.

4.3 Advice and support was provided to services in several cases that did not ultimately require investigation by Orbis Internal Audit.

Summary of Completed Investigations

Abuse of Position

4.4 Following concerns raised by an employee, we undertook an investigation reviewing the appointment of agency staff members to cover vacancies. The allegation was that a senior manager was appointing friends and former colleagues to interim positions when vacancies could have been filled through recruitment of permanent staff. The investigation found no evidence of nepotism or wrong-doing but did identify areas of improvement in regard to record keeping and compliance with the recruitment process. A control report was agreed with the service.

Mandate Fraud

4.5 Following an attempted mandate fraud we reviewed compliance by officers against expected procedures. The attempted fraud was identified and stopped before being actioned. The review found that procedures had been followed but some further actions were agreed to improve awareness in service finance teams to the risk of mandate fraud.

Corruption

4.6 We received an allegation that a Member was planning to unduly influence a planning decision. No evidence was found to support the allegation. The Member was not on the planning committee and the decision was being considered at District level where the individual was also not a Member. No further action was taken.

5. Action Tracking

5.1 All high priority actions agreed with management as part of individual audit reviews are subject to action tracking. For the purpose of this exercise we seek written assurance only from management that actions have been completed. Evidence of implementation is sought during formal follow-up audits following lower assurance audits.

5.2 All high-priority actions due to be implemented by management by the end of quarter four had been implemented.

6. Amendments to the Annual Audit Plan

6.1 In accordance with 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.

6.2 Audits added to the agreed audit plan during this final quarter are shown in the table below.

Additional Audits	Rationale for Addition
-------------------	------------------------

Ukraine Funding	This audit had been on our long list of potential audits for 2023/24 and was brought forward into the plan due to control weaknesses being identified from similar audits undertaken across the Orbis partners.
Community Equipment Services Contract	This audit was added to our plan following concerns raised by management about aspects of the contract performance. Work on this assignment is in progress.
Pro-Active Fuel Cards Data Analysis	This data-driven analytical review was added to the plan following the temporary placement of two CIPFA trainees with Orbis Internal Audit, allowing for additional capacity in our plan.
Pro-Active Purchasing Cards Data Analysis	This data-driven analytical review was added to the plan following the temporary placement of two CIPFA trainees with Orbis Internal Audit, allowing for additional capacity in our plan.
Payroll (Local Government Pension Scheme Auto-Enrolment)	This subset of our Payroll key financial systems audit was separately scoped for work in quarter four due to specific issues arising in this area. It will be reported in 2024/25.

6.3 Audits removed or deferred from the agreed plan in the fourth quarter were:

Removed Audit	Rationale for removal
Revenue Budget Monitoring	Due to the pressure around year-end in the new MySurrey ERP system it was agreed to defer this audit into Q1 of the 2024/25 plan.
Project Indigo (follow-up)	Actions had not been fully implemented from the previous audit due to the delays in go-live of the MySurrey ERP solution. This audit has been deferred until Q1 of the 2024/25 annual audit plan.
Planning (follow-up)	The timing of this follow-up audit was put back at the request of management until Q1 of 2024/25.
Children's Homes	We agreed with management that with the opening of three new Children's homes across the county in 2023, the timing of this audit would be more beneficial later in the 2024/25 annual plan.
MySurrey User Access & Security Review	Due to the delay in the implementation of MySurrey and capacity issues around how many audits in the area the Council could reasonably

	bear in the last two quarters of the year, this audit was deferred to begin in Q1 of 2024/25.
--	---

6.4 Changes to the plan have been made on the basis of risk prioritisation and/or as a result of developments within the service areas concerned requiring a rescheduling of audits. Where audits are removed from the plan, they are often postponed rather than cancelled outright, being kept on a list of potential work for future periods based upon their risk profile.

This page is intentionally left blank



Audit & Governance Committee
5 June 2024

Counter Fraud Annual Report 2023/24

Purpose of the report:

The report covers the counter fraud work completed in the year from 1 April 2023 to 31 March 2024 in accordance with the Counter Fraud Strategy and Framework.

Recommendations:

It is recommended that the Committee:

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

Introduction:

1. The Council's Internal Audit team investigates allegations of fraud and irregularity against the Council and is committed to upholding the Council's Counter Fraud Strategy and Framework 2021-24. The Council's strategy is aligned to the Fighting Fraud and Corruption Locally Strategy which is the governments 'blueprint' for tackling fraud in Local Government.
2. Within Internal Audit, the Counter Fraud Partnership Team comprises four auditors with counter fraud expertise who work across all departments. Together they provide a dedicated proactive counter fraud and responsive investigation function. It also works on behalf of the Council to ensure that its counter-fraud arrangements are robust by raising awareness of fraud risk, reviewing and improving fraud risk management arrangements, using data to actively identify fraudulent activity, and monitoring the extent to which the Council is impacted by fraud. Where fraud is suspected or identified, the team provides a professional investigation service and advises on control measures that will prevent recurrence.

3. The Counter Fraud Annual Report outlines:
- Details of the work undertaken during the period 1 April 2023 to 31 March 2024;
 - Outcomes from investigation activities; and
 - Other counter fraud activity.

Conclusions:

4. The committee is asked to note the report.

Financial and value for money implications

5. Counter Fraud activities were delivered within existing budgetary resources.

Equalities and Diversity Implications

6. There are no direct equalities implications.

Risk Management Implications

7. Fraud risk will continue to be monitored and assessed throughout the year.

Legal Implications – Monitoring Officer

8. There are no direct legal implications of this report.

Next steps:

9. The Chief Internal Auditor and Audit Manager (Counter Fraud) will continue to update management and members on the completion of counter fraud activities throughout the year.

Report authors: Simon White, Audit Manager (Counter Fraud), Orbis IA

Contact details: 07779 455501, simon.white@surreycc.gov.uk

Sources/background papers:

- Counter Fraud Strategy and Framework

Annexes/Appendices:

- Annex A - Internal Audit Counter Fraud Report 2023/24
-

**INTERNAL AUDIT
COUNTER FRAUD
REPORT
2023/24**

10



1. Introduction

1.1 The Council's Financial Regulations require all officers and Members of the Council to notify the Chief Internal Auditor of any matter that involves, or is thought to involve, corruption or financial irregularity in the exercise of the functions of the Council. Internal Audit will in turn pursue such investigations in line with the Counter Fraud Strategy and Framework.

1.2 Within the Orbis Internal Audit Service, the Counter Fraud partnership team provides resource and experience to support the Council with both proactive and responsive support relating to any instances of financial irregularities and fraud related risks.

1.3 The annual Internal Audit Plan for 2023/24 carried within it a contingency budget for 'Irregularity and Special Investigations' of 150 days. This contingency covered time to investigate 'irregularities' (actual or alleged financial impropriety, corruption, and other similar matters) as well as time for proactive counter fraud work and to support the National Fraud Initiative (NFI), detailed in the latter part of this report.

1.4 Internal Audit reports following irregularity investigations typically help to provide independent evidence to support (or not) a management case against an employee under formal disciplinary procedures, to support potential criminal prosecutions and to help strengthen controls in areas where weaknesses are identified. Irregularity audit reports are not subject to the same distribution as general audit reports due to their confidential and sensitive nature.

2. Summary of Investigations between 1 April 2023 and 31 March 2024

Resources

2.1 During the 2023/24 financial year, a total of five Internal Audit officers charged time to work on irregularity investigations amounting to 162 days. This includes preliminary assessments, liaison with departments, fieldwork, reporting and subsequent support for disciplinary and criminal activities.

Number and Types of Investigations

2.2 A total of 38 allegations were received in the financial year (22 in the first half of the year and 16 in the second half). For comparison, 33 allegations were received in the previous financial year.

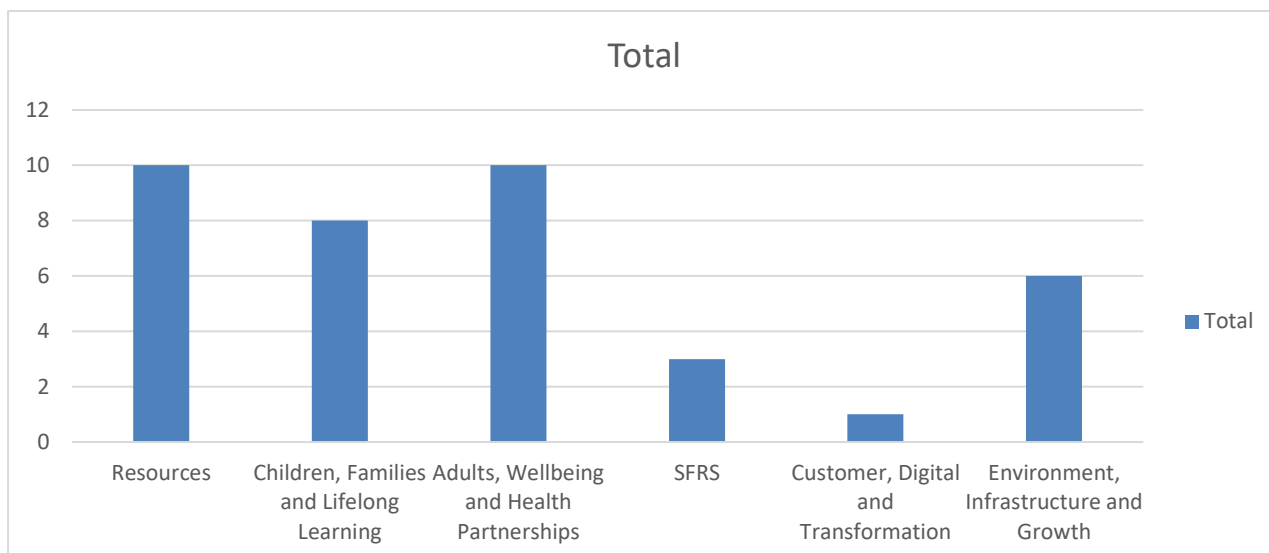
2.3 New allegations were brought to the attention of Internal Audit by the following methods:

- 22 were raised by Council management;
- 9 originated from an external source to the Council;
- 7 were raised through confidential reporting (whistleblowing).

2.4 Full details of the categories by which fraud and irregularity investigations are reported are attached at Appendix A. All proven fraudulent or irregular behaviour by officers may be considered misconduct; similarly, poor controls increase the likelihood of fraud occurring. The categories therefore reflect alleged specific types of fraud or irregularity.

2.5 The number of all recorded allegations across the Council's directorates is shown in Figure 1, while Figure 2 shows the categories of allegations received.

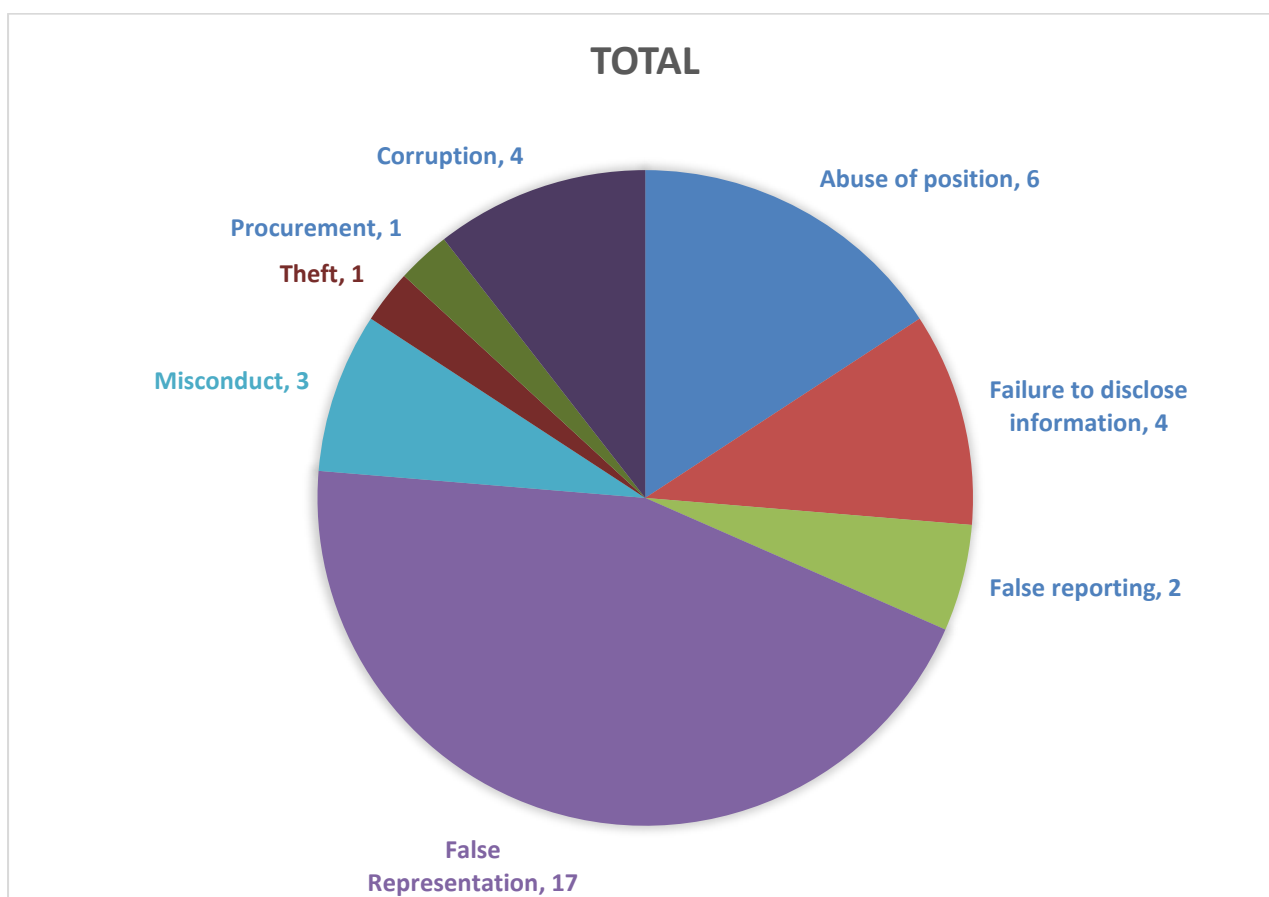
Figure 1. Allegations by directorate from 1 April 2023 to 31 March 2024



SFRS – Surrey Fire & Rescue

Figure 2. Summary of allegations by type from 1 April 2023 to 31 March 2024

10



2.6 Of the allegations received, 6 were closed with no action taken, 4 were passed to an external body, 6 were dealt with through advice to management, 8 were taken forward for investigation by Internal Audit or support was provided to a management investigation. 5 were conduct or capability issues dealt by management with support from HR where appropriate. 9 referrals were still active at the time of writing the report.

2.7 The value of fraud prevented or detected is not always readily quantifiable, however, in cases where this can be estimated the cumulative value of fraud prevented or detected for the year is approximately £49,360.

2.8 The following paragraphs provide a summary of the investigation and advisory activity completed by the Internal Audit Counter Fraud Team within the last 12 months.

2.8.1 **Employee Overpayment** - We carried out a joint investigation with management following the identification of an overpayment of a payroll allowance to an employee. The allowance related to additional work responsibilities, which the employee had continued to receive after their entitlement had ended but not flagged that they continued to receive the payment. An investigation report was issued to support a disciplinary process, following which a control report was issued agreeing actions to prevent future recurrence.

2.8.2 **Alleged Conflict of Interest** - A complaint was received alleging improper financial relationships between a staff member and certain care providers. We undertook an investigation and provided management with advice. No evidence was found to justify the complaint.

2.8.3 **Conflict of Interest in School** - Findings during a routine school audit prompted a more detailed investigation into circumstances surrounding the procurement of a high-value fencing contract due to an apparent conflict of interest involving one of the school staff. A briefing note was issued and actions were agreed with the school following the issuing of the school audit report, though no disciplinary action was warranted.

2.8.4 **Expense Claim** - Following proactive work analysing expense claims across the Council we identified a number of anomalies for further investigation. One such case identified that receipts could not be provided to support out of pocket expenses claimed as part of routine working practices. An investigation report summarising our findings was issued to management although the employee left the Council ahead of any further action.

2.8.5 **Whistleblowing** - We carried out a review of concerns raised by a member of the public regarding streetlighting works, reported through the Council's whistleblowing process. Following our review, we concluded there was no basis to the concerns raised and the case was closed with no further action necessary.

2.8.6 **Expense Claim** - Following an allegation that an employee had made excessive expense claims, we assisted management in a joint investigation. Our analysis identified several claims that could not be validated. An investigation report was issued to management summarising our findings and following the conclusion of a disciplinary process, a control report has been issued agreeing actions to strengthen the wider control environment.

2.8.7 **Expense Claim** - A review was undertaken of an individual's expense claims following management concerns. From the work undertaken neither the pattern of claims nor the level of expenses was anomalous when compared to colleagues. A report outlining our findings was issued to management.

2.8.8 **Working Whilst Sick** - Following concerns raised by management we carried out an investigation to confirm whether an employee had undertaken paid employment while signed off sick from work. The investigation identified that the employee had recently set up a football coaching business. A report summarising our findings was issued to management for them to consider whether the actions breached the guidance around expected conduct. Management determined that the coaching was not in conflict with the officer's role, and no further action was taken.

2.8.9 **Abuse of Position** - Following concerns from an employee, Internal Audit undertook an investigation reviewing the appointment of agency staff covering vacancies. The reporter alleged that a senior manager was appointing friends and former colleagues to interim positions when vacancies could be filled through recruitment of permanent staff. The investigation found no evidence of nepotism or wrongdoing but did identify areas of improvement in regard to record keeping and compliance with the recruitment process. A control report was agreed with the Service.

2.8.10 **Mandate Fraud** - Following an attempted mandate fraud Internal Audit reviewed compliance against procedures. The attempted fraud was identified and stopped before being actioned. The review found that procedures had been followed but actions were agreed to improve awareness in Service Finance Teams to the risk of mandate fraud.

2.8.11 **Corruption** - Internal Audit received an allegation that a Councillor was planning to unduly influence a planning decision. No evidence was found to support the allegation, the Councillor was not on the planning committee and the decision was being considered at District level where the Councillor is not a Member. No further action taken.

3. Proactive fraud prevention and awareness work

3.1 As well as the investigation work referred to above, we continue to be proactive in the identification and prevention of potential fraud and corruption activity across the Authority and in raising awareness amongst staff. The following paragraphs outline some of the proactive work undertaken in the past year.

3.2 The Council has in place a Counter Fraud Strategy 2021-2024 that sets out their commitment to preventing, detecting, and deterring fraud. Internal Audit continues to review this strategy to ensure it is aligned with best practice and to ensure a robust and consistent approach to tackling fraud.

3.3 Fraud risk assessments are regularly reviewed to ensure that the current fraud threat for the Council has been considered and appropriate mitigating actions identified. We have updated the risk assessment to include new and emerging threats. This includes potential threats to payroll, multiple employment and the ever-increasing cyber threat.

3.4 One of the key controls in fighting fraud is having a strong culture in place with staff vigilant to the threat of fraud. In the past year, Fraud Awareness sessions have been delivered to Business Operations focussing on the risks to the Council of Bank Mandate Fraud and Cyber Fraud. The team continue to monitor intel alerts and work closely with neighbouring councils to share intelligence and best practice.

National Fraud Initiative (NFI)

3.5 NFI matches electronic data within and between public and private sector bodies to prevent and detect fraud. These bodies include local councils, police authorities, local probation boards, fire and rescue authorities and a number of private sector bodies.

3.6 In the latest National NFI Report, quantified fraud prevented accounted to almost £23 million over a 12-month period. The next submission date is September 2024 when we must submit the following core mandatory datasets:

- Payroll
- Pensions
- Trade Creditors' payment history and trade creditors' standing data
- Transport Passes and Permits (including residents' parking, blue badges and concessionary travel)

- Adult Social Care

3.7 The results from the latest biennial NFI exercise were received in January 2023. The results from the data matching released to the Council flagged over 35,000 matches. As well as directly undertaking reviews of the matches for evidence of fraud and error, we have been liaising with the relevant departments to ensure that flagged matches are investigated and actioned appropriately.

3.8 The results from the review of data matches include:

- No issues from matches relating to Pensions, Payroll to Creditors, Procurement to Payroll, or Payroll to Companies House (Director);
- Payroll to payroll matches identified several concerns which were investigated with service management. Whilst no fraud was found in most cases, management actions were taken to ensure staff wellbeing, declarations of interest and mitigations were in place where appropriate. In one instance a live investigation is still ongoing;
- The cancellation of 2,719 concessionary travel passes where the pass holder had passed away, with the Cabinet Office estimated saving from this being £84,289;
- 2,984 matches were reported in relation to Blue Badges. 584 badges have been cancelled as a result of mortality matches, with a Cabinet Office saving estimated as £380,900. A further 952 matches with same contact details are under review by the Blue Badge Team; and
- Over 27,000 data matches were received relating to potential duplicate creditors. The highest quality matches were prioritised and a sample review of these is still under way. Upon completion, information will be shared with the Finance and Purchasing team to aid recovery (where appropriate) and to improve data quality. The results from this work will be reported to Audit and Governance Committee in a future progress report.

Partnership Working

3.9 We meet regularly with partners across the south-east to discuss emerging threats and share intelligence. More specifically for the Surrey area, the team continue to work with district and borough colleagues to explore opportunities for further developing countywide data matching capabilities for the prevention and detection of fraud. This included a countywide Single Person Discount (SPD) review that was available to district and borough colleagues. The results of the last campaign are summarised below:

D&B	Increased collection	SCC Share	% removal rate
Reigate	£436,705	£327,529	3.6%
Mole Valley	£225,022	£166,516	2.6%
Waverley	£311,626	£230,603	3.3%
Woking	£273,909	£202,692	4.3%
Elmbridge	£180,769	£135,577	2.3%
Tandridge	£250,490	£185,363	4.8%
Spelthorne	£296,425	£225,283	4.0%
Surrey Heath	£239,548	£177,266	4.5%
Waverley	£231,812	£171,541	3.0%
	£2,446,307	£1,822,370	3.5%

3.10 A contract for a new SPD Countywide review has just been set up by the team and will be available to district and borough partners from the 1st of May 2024, and will include Empty Homes Reviews funded by the Council.

Reporting categories for irregularities

Reporting category	Description	Examples (not an exhaustive list)	Legislation / Policies (examples)
False representation	Knowingly making an untrue or misleading representation to make gain, cause loss or expose the Council to the risk of loss	Submitting incorrect expense claims; falsely claiming to hold a qualification	Fraud Act 2006
Failure to disclose information	Intentionally withholding information to make gain, cause loss or expose the Council to the risk of loss	Failing to declare pecuniary interests, or assets as part of a means tested assessment	
Abuse of position	Use of position to act against, or fail to safeguard, the interests of the Council or residents	Nepotism; financial abuse of individuals receiving social care	
Theft	Misappropriation of assets (often cash) belonging to the Council or individuals under the Council's care	Removing cash from safes; removing individuals' personal items in care homes	Theft Act 1968
Corruption	Offering, giving, seeking or accepting any inducement or reward which may influence a person's actions, or to gain a commercial or contractual advantage	Accepting money to ensure a contract is awarded to a particular supplier	Bribery Act 2010
False reporting	Intentional manipulation of financial or non-financial information to distort or provide misleading reports	Falsifying statistics to ensure performance targets are met; delaying payments to distort financial position	Theft Act 1968; Financial Regulations; Procurement Standing Orders
Misuse of public funds	The use of public funds for ultra vires expenditure or expenditure for purposes other than those intended	Officers misusing grant funding; individuals misusing social care direct payments	
Procurement	Any matter relating to the dishonest procurement of goods and services by internal or external persons	Breach of the Procurement Standing Orders; collusive tendering; falsifying quotations	
Misconduct	Failure to act in accordance with the Code of Conduct, Council policies or management instructions	Undertaking additional work during contracted hours; inappropriate use of Council assets and equipment	Code of Conduct; IT Security Policy
Poor Control	Weak local or corporate arrangements that result in the loss of Council assets or a breach of Council policy	Storing a key to a safe in the immediate vicinity of the safe	

This page is intentionally left blank