


Notice of Meeting

Audit and Governance Committee



<u>Date and Time</u>	<u>Place</u>	<u>Contact</u>	<u>Web:</u>
Wednesday, 10 July 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:

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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 - 5 JUNE 2024

(Pages
1 - 14)

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 (*4 July 2024*).
2. The deadline for public questions is seven days before the meeting (*3 July 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
15 - 38)

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

6 EXTERNAL AUDIT PLAN 2023/24

(Pages
39 -
102)

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

- 7 SURREY PENSION FUND EXTERNAL AUDIT PLAN 2023/24** (Pages 103 - 148)
- To provide the Audit & Governance Committee with an update on the process for undertaking the external audit of the 2023/24 Surrey Pension Fund.
- 8 2023/24 DRAFT ANNUAL GOVERNANCE STATEMENT** (Pages 149 - 150)
- This report presents the draft Annual Governance Statement, which summarises the Council's governance arrangements for the financial year ending 31 March 2024.
- Note: annex to follow.*
- 9 DRAFT STATEMENT OF ACCOUNTS 2023/24**
- To provide Audit & Governance Committee with the Draft Statement of Accounts for 2023/24.
- Note: cover report and annex to follow.*
- 10 ANNUAL WHISTLEBLOWING REPORT 2023/24** (Pages 151 - 168)
- This report presents the annual whistleblowing report of the Council to the Audit and Governance Committee to provide transparency and accountability.
- The report summarises the whistleblowing activity over the last year and analyses the effectiveness of the Council's process and system.
- 11 OFFICERS AND EMPLOYEES ANNUAL GIFTS AND HOSPITALITY REPORT 2023/24** (Pages 169 - 190)
- The report applies to officers and employees of the Council only, it does not apply to Members (councillors).
- The report presents the annual gifts and hospitality report of the Council to the Audit and Governance Committee to provide transparency and accountability.
- The report summarises the gifts and hospitality activity over the last year and analyses the effectiveness of the Council's process and system.
- 12 DATE OF NEXT MEETING**
- The next meeting of the Audit and Governance Committee will be on 11 September 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.

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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 5 June 2024 at Surrey County Council, Council Chamber, Woodhatch Place, 11 Cockshot Hill, Reigate, Surrey, RH2 8EF.

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

Elected Members:

(Present = *)

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

Members in Attendance

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

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

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

Apologies were received from Stephen Cooksey.

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

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

25/24 DECLARATIONS OF INTEREST [ITEM 3]

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

26/24 QUESTIONS AND PETITIONS [Item 4]

There were none.

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

Witnesses:

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

Key points raised in the discussion:

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

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

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

RESOLVED:

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

Actions/further information to be provided:

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

28/24 ANNUAL COMPLAINTS PERFORMANCE REPORT [Item 6]

Witnesses:

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

Key points raised in the discussion:

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

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

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

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

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

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

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

RESOLVED:

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

Actions/further information to be provided:

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

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

Witnesses:

Nikki O'Connor, Strategic Finance Business Partner (Corporate)
Anna D'Alessandro, Interim Executive Director - Finance and Corporate Services

Key points raised in the discussion:

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

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

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

RESOLVED:

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

Actions/further information to be provided:

None.

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

Witnesses:

Janet Dawson, Partner, EY

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

Key points raised in the discussion:

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

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

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

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

RESOLVED:

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

Actions/further information to be provided:

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

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

Witnesses:

David John, Audit Manager

Key points raised in the discussion:

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

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

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

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

RESOLVED:

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

Actions/further information to be provided:

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

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

Witnesses:

Simon White, Audit Manager - Counter Fraud

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

Key points raised in the discussion:

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

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

RESOLVED:

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

Actions/further information to be provided:

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

33/24 DATE OF NEXT MEETING [Item 11]

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

Meeting ended at: 12.22 pm

Chairman

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Audit & Governance Committee
10 July 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.

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Sources/background papers:

- None.

Annexes/Appendices:

- Annex A - Recommendations Tracker
 - Annex B - Work Plan
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Audit & Governance Committee – Recommendations Tracker

10 July 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>Extract from draft minutes, 5 June 2024: <i>the Customer Relations Manager will provide definitive responses for the September Committee.</i></p> <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>	September 2024

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Page 18			<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>As of 14 February 2024, the Customer Relations Team Manager and the team provided the following update:</p> <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> <ul style="list-style-type: none"> a) Comparative complaints figures with other local authorities. <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> <ul style="list-style-type: none"> b) Whether a similar internal investigator appointment will be beneficial for ASC and having more internal investigator roles in Education Services. <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</p>
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					<p>their own investigation. Complaints are responded to by Managers / Senior Managers who have a background in Social 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</p>	
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Page 20					<p>Chair and Vice Chair are included in the circulation of the weekly reports going forward.</p> <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</p>	
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Page 21					<p>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 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</p>	
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Page 22					<p>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 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 style="padding-left: 40px;">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>	
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10 July 2024

Page 23	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 20 June 2024:</p> <p>The action is ongoing, it is hoped that work would be underway over summer once officers get access to Unit4.</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 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>	November 2024
	A10/23	12 July 2023	Update on the Surrey Forum and the Four Associated Strategic	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	Director – Corporate Strategy and Policy	<p>The Committee Manager shared the SharePoint site link with Committee members on 22 March 2024.</p> <p>(The link will be shared with all Members via email from the Leader in early July following the publication of the June Cabinet report that</p>	July 2024

Audit & Governance Committee – Recommendations Tracker

10 July 2024

		Partnership Boards	membership lists could be made available to all Members.		provided an update on the strategic partnerships landscape.)	
Page 24	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 18 June 2024, the Strategic Finance Business Partner (Corporate) has chased PSAA once again on the matter.</p> <p>Extract from draft minutes, 5 June 2024: <i>the Strategic Finance Business Partner (Corporate) would follow up an update for the July Committee.</i></p> <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 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</p>	July 2024

Audit & Governance Committee – Recommendations Tracker
10 July 2024

					signed by early next week; once signed off the fee variation would be formally approved.	
A17/23	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 20 June 2024: the training course and communications on the Code of Conduct will go live shortly. She noted that the schools figures are now shown in the <u>Annual Whistleblowing Report 2023/24</u> in the July 2024 Committee agenda.</p> <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

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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	<p>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.</p> <p>The briefing document (A33/23 - Appendix 1) in June's agenda provided 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.</p>	November 2024
2024						
Page 26 A36/24	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.	<p>Chair of the DB&I Task and Finish Group</p> <p>/</p> <p>Audit Manager</p>	<p>The Committee Manager will circulate the report to Committee members once published in July's Cabinet agenda.</p> <p>Extract from draft minutes, 5 June 2024: <i>[The Chairman] noting that the 10 June Resources and Performance Select Committee private online meeting to confirm the Digital Business & Insights (DB&I) report would be pushed back to late June or early July, as the final report was being delayed to July's Cabinet.</i></p> <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>July 2024 - DB&I Task and Finish Group report</p> <p>September 2024 - Quarter 1 - Internal Audit's report</p>

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Page 27					<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>	
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.	Interim Director - Law and Governance, and Monitoring Officer / Head of Insights, Systems and Governance	<p>The Committee Manager on 17 June 2024 has added an item to July's Committee agenda concerning officers' gifts and hospitality: Annual Report on Gifts and Hospitality Activity.</p> <p>The Head of Insights, Systems and Governance has noted that 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>	<p>July 2024 - officers' gifts and hospitality</p> <p>To be confirmed - officers' Declaration of Interests</p>
A12/24	5 June 2024	Annual Complaints Performance Report	The Assistant Director - Quality Relationships will provide the information benchmarked from other local authorities regarding the complaints in Children's	Assistant Director - Quality Relationships		TBC

Audit & Governance Committee – Recommendations Tracker

10 July 2024

			Services, as gathered from their annual complaints report.			
A13/24	5 June 2024	Annual Complaints Performance Report	The Customer Relations Manager will provide the information requested regarding the number of contacts received via non-electronic methods.	Customer Relations Manager		TBC
A14/24	5 June 2024	Annual Complaints Performance Report	The Assistant Director - Inclusion and Additional Needs will liaise with the relevant assistant director to provide the recommendations on the programme of work around children missing education.	Assistant Director - Inclusion and Additional Needs		TBC

COMPLETED RECOMMENDATIONS/REFERRALS/ACTIONS – TO BE DELETED

2023

Audit & Governance Committee – Recommendations Tracker
 10 July 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	<p>The Head of Insights, Systems and Governance noted that the action is covered within the <u>Annual Whistleblowing Report 2023/24</u> in the July 2024 Committee agenda.</p> <p>Update provided by the Head of Insights, Systems and Governance on 10 May 2024:</p> <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.
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2024

Audit & Governance Committee – Recommendations Tracker

10 July 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 18 June 2024: The Greener Futures Team take an annual progress carbon report to Cabinet. The Climate Change Strategic Lead (SCC) will schedule that report for the November Cabinet, prior to that the report to be received by the Communities, Environment and Highways Select Committee. 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 to ensure carbon impacts are captured for capital schemes.
A15/24	5 June 2024	External Audit Plan 2023/24	The Committee Manager will update the work plan adding in the deferred item and respective recommendation to July's Committee agenda for approval and that report will include the fee range to be provided by the Partner - EY.	Committee Manager and Partner - EY	The Committee Manager on 17 June 2024 had updated the work plan adding in the deferred item and respective recommendation to July's Committee agenda for approval.

Audit & Governance Committee – Recommendations Tracker

10 July 2024

A16/24	5 June 2024	Internal Audit Annual Report And Opinion 2023-24	<p>The Audit Manager will provide the summaries of agreed actions by management regarding the following audits as requested by the Committee:</p> <ul style="list-style-type: none"> a) Section 106 Payments b) Education, Health and Care Needs Assessments Communication Protocol c) LiquidLogic Integrated Finance Technology (LIFT) 	Audit Manager	Following receipt from the Audit Manager, the Committee Manager circulated the three summaries of agreed actions to the Committee on 6 June 2024.
A17/24	5 June 2024	Counter Fraud Annual Report 2023/24	The Audit Manager - Counter Fraud and Interim Executive Director - Finance and Corporate Services will follow up with the Committee member regarding the non-participation of Epsom and Ewell Borough Council on the Single Person Discount (SPD) review.	Audit Manager - Counter Fraud and Interim Executive Director - Finance and Corporate Services	The Strategic Finance Business Partner (Corporate) and Interim Executive Director - Finance and Corporate Services discussed the matter with the Committee member after the Committee meeting on 5 June 2024.

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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		
Deferred from June EXTERNAL AUDIT PLAN 2023/24	The Council's external auditors to present their Audit Plan in respect of Surrey County Council, to include the fee range.	EY / 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
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.	Interim Director of Law and Governance / Senior Finance Business Partner Interim Head of Paid Service / Leader
DRAFT STATEMENT OF ACCOUNTS 2023/24	To receive the draft Statement of Accounts 2023/24.	Strategic Finance Business Partner
ANNUAL WHISTLEBLOWING REPORT 2023/24	The Committee to receive the report for information.	Interim Director of Law and Governance / Head of Insights, Systems and Governance
New item OFFICERS AND EMPLOYEES ANNUAL GIFTS AND HOSPITALITY REPORT 2023/24	The Committee to receive the report on officers' gifts and hospitality.	Interim Director of Law and Governance / Head of Insights, Systems and Governance

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

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Audit & Governance Committee
10 July 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:

1. Note the changes made to the External Audit Plan as requested by the Committee on 5 June 2024.
2. Approve the revised 2023/24 External Audit Plan (attached as Annex 1).

Introduction:

1. The Council's External Auditors, EY, 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.
4. The External Audit Plan was first presented to this Committee on 5 June. The Committee did not approve the Plan and requested it to be brought back to a future meeting, including fee ranges for those areas of work that are in addition to the scope of the Public Sector Auditor Appointments Scale Fees. Page 47 of Annex 1 has been updated to reflect this request. The fees ranges are based on EY's experience of work required to address such issues and are in line with fee variations previously submitted to PSAA for such work at other audited bodies.

Value For Money

5. 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.
6. The Audit Plan sets out the plans to assess the arrangements in place to ensure value for money.

Conclusions:

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

Financial and value for money implications:

8. 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:

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

Risk Management Implications:

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

Legal Implications – Monitoring Officer:

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

Next steps:

12. The external audit is due to commence in July 2024 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
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Surrey County Council
Provisional Audit planning report

Year ended 31 March 2024

May 2024 (fee update - July 2024)

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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)

* See next page

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

*** July update - Page 47 additional expected fees update**

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Appendices



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.



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



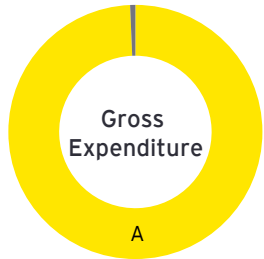
Engagement Senior Manager (Larisa Midoni)

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

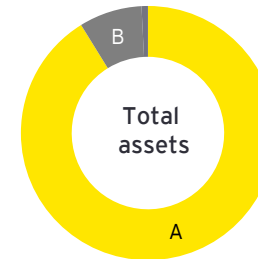
Through our on-site work we will cover the following percentages, by full scope (A) audits, and specific scope (B) audits of Gross Expenditure, Loss Before Tax, and Total Assets.



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.

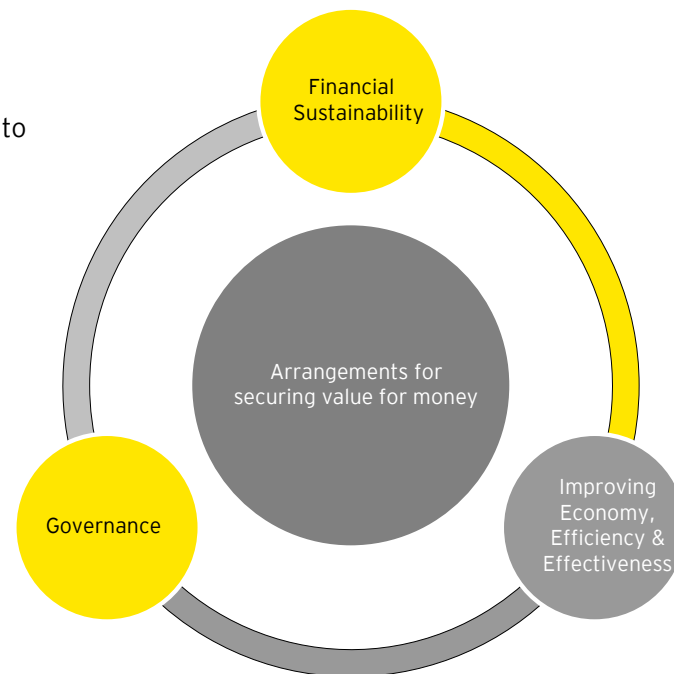
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its 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.



Value for Money

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.

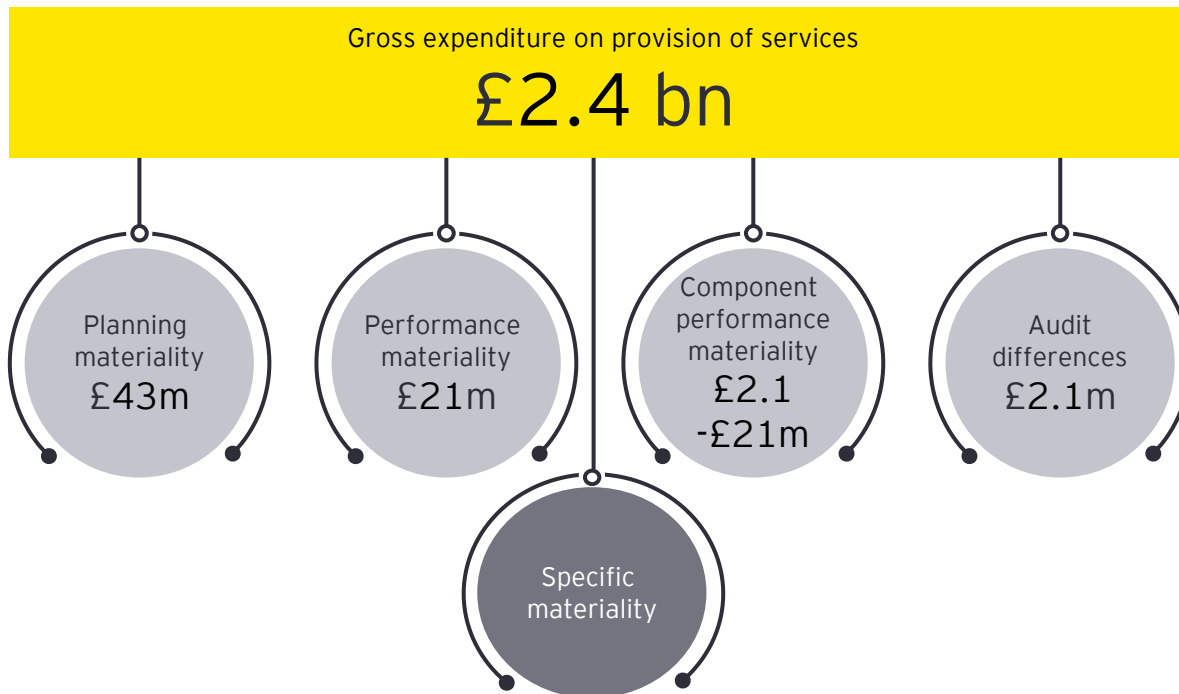
Specific materiality – we will consider, in undertaking our audit, whether or not there are areas of the statements may be sensitive and therefore may set lower materiality in those areas.

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.

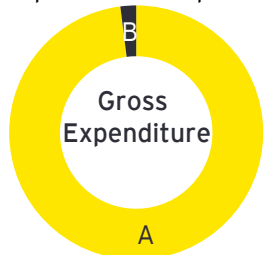
Scoping the group audit



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.



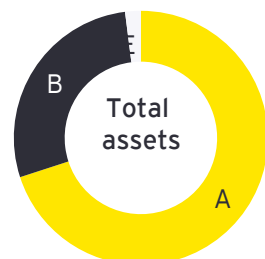
99%*

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.

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.

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.



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06 Audit team



Audit team



* 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



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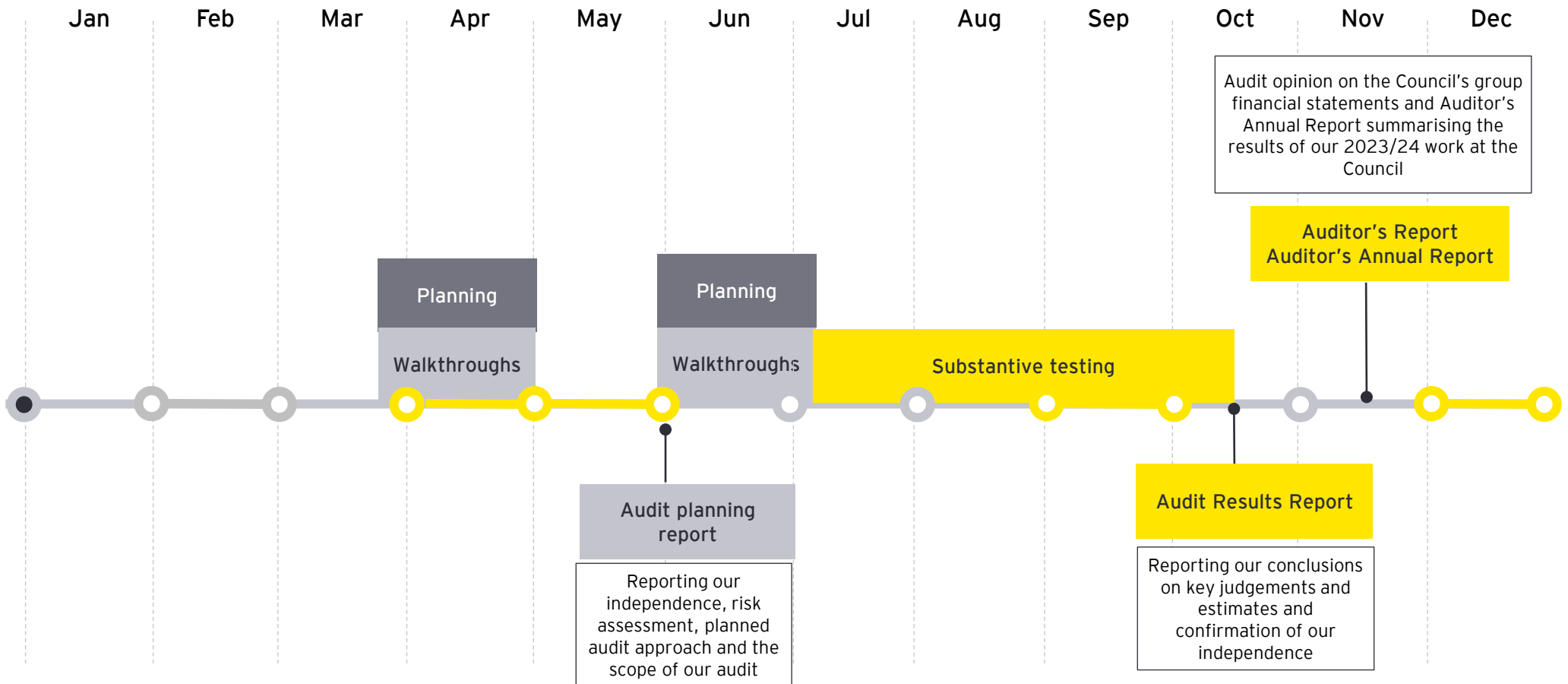
07 Audit timeline

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).	10,000 - 13,000	(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	4,000 - 6,000	(2)
Additional work on data migration	15,000 - 20,000	(3)
Additional work on investment property valuations for the components Halsey Garton Property Ltd and Halsey Garton Residential Ltd.	10,000 - 12,000	(4)
Total additional fee elements	£39,000 - £51,000	
Total fees	£423,052 - £435,052	

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. We have included estimated fee ranges based on our experience of the work required and in line with fee variations submitted to PSAA in respect of such work for other audited bodies.

(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 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.

(4) 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.

(5) The scale fee also may be impacted by a range of other factors which will result in additional work. If such factors arise, we will first discuss the scope of work and fees required with management. Such work may include but is not limited to:

- Consideration of correspondence from the public and formal objections.
- 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

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 	<p>Management letter - expected November 2024</p> <p>Audit results report - expected November 2024</p>
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 	<p>Audit planning report - 05 June 2024 meeting of the Audit and Governance Committee</p> <p>Audit results report - expected Nov 2024</p>
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 	<p>Audit results report - expected November 2024</p> <p>Auditor's Annual Report - expected November 2024</p>

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



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ED None

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Audit & Governance Committee
10 July 2024

Surrey Pension Fund External Audit Plan 2023/24

Purpose of the report:

To provide the Audit & Governance Committee with an update on the process for undertaking the external audit of the 2023/24 Surrey Pension Fund.

Recommendations:

It is recommended that the Committee:

Approve the 2023/24 Surrey Pension Fund Audit Plan.

Introduction:

1. External auditors are required to agree a plan for auditing each year's Statement of Accounts and Pension Fund. The Audit and Governance Committee is responsible for approving those plans.

External Audit Plan 2023/24

2. The External Audit Plan proposed by Ernst & Young (EY) for the audit of the 2023/24 Surrey Pension Fund is attached in Annex 1. The audit commenced in May 2024. This report provides an opportunity for the external auditor to communicate its plan for auditing the Council's 2023/24 Surrey Pension Fund to members.
3. The External Audit Plan proposed by Ernst & Young (EY) for the audit of the Council's 2023/24 Statement of Accounts and Group Accounts was presented to the Audit and Governance Committee in June 2024 and has been revised for the July 2024 Committee.
4. The Annex shares the audit approach regarding the Surrey Pension Fund, the focus of the external audit work and the preparation work requirements. The Audit Plan enables Ernst & Young (EY) to:
 - Explain the audit process and strategy.
 - Describe significant audit risks and the risk assessment process.
 - Outline the approach to materiality.

- Set out the scope, key responsibilities and approach.
- Advise of the fee for the 2023/24 audit and the independence of the auditor.
- Highlight any changes to the requirements of the auditor.

5. The plan sets out the significant audit risks to be addressed:

- Data migration issue from SAP to Unit 4 ERP system.
- Valuation of Level 3 Investments.

6. Planning materiality has been determined at £52.9m for the Pension Fund, which equates to 1% of net assets as of 31 March 2023. There is a separate Performance materiality of £26.5m which equates to 50% of the planning materiality as this is the first-year audit with EY. Therefore, Audit differences materiality is £2.6m. Errors and omissions above the materiality level will be reported in the audit findings report.

Conclusions:

7. Ernst & Young's 2023/24 external audit plan regarding the Surrey Pension Fund is presented to this Committee for approval.

Financial and value for money implications:

8. The External audit plan details the fees associated with the audit of the financial statements.

Equalities and Diversity Implications:

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

Risk Management Implications:

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

Legal Implications – Monitoring Officer

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

Next steps:

12. The external audit commenced in May 2024 with the audited pension fund accounts and the statement of accounts and audit findings report scheduled to be presented to this Committee in November.

Report authors: Keevah Dumont – Deputy Head of Accounting & Governance (Surrey Pension Fund)

Contact details: Keevah.Dumont@surreycc.gov.uk

Sources/background papers:

None

Annexes/Appendices:

Annex 1 - Surrey Pension Fund External Audit Plan 2023/24

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Surrey Pension Fund Audit planning report

Year ended 31 March 2024
July 2024



10 July 2024

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

Dear Audit and Governance Committee Members,

Attached is our audit planning report for the forthcoming meeting of the Audit and Governance Committee. The purpose of this report is to provide the Audit and Governance Committee of Surrey Pension Fund (the Fund) 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 Audit and Governance Committee's service expectations.

This report summarises our initial assessment of the key risks driving the development of an effective audit for the Fund. We have aligned our audit approach and scope with these.

The Audit and Governance Committee, as the Fund'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 Fund'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 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 before the Audit and Governance Committee date, as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Hassan Rohimun

Partner

For and on behalf of Ernst & Young LLP

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04 Scope of our audit



05 Audit team



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07 Independence



08 Appendices

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 Pension Fund. Our work has been undertaken so that we might state to the Audit and Governance Committee and management of Surrey Pension Fund 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 Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

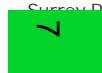
Overview of our 2023/24 audit strategy

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 and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year. We continue to assess risk throughout the audit. We will bring any changes in our risk assessment to the attention of the Audit and Governance Committee.

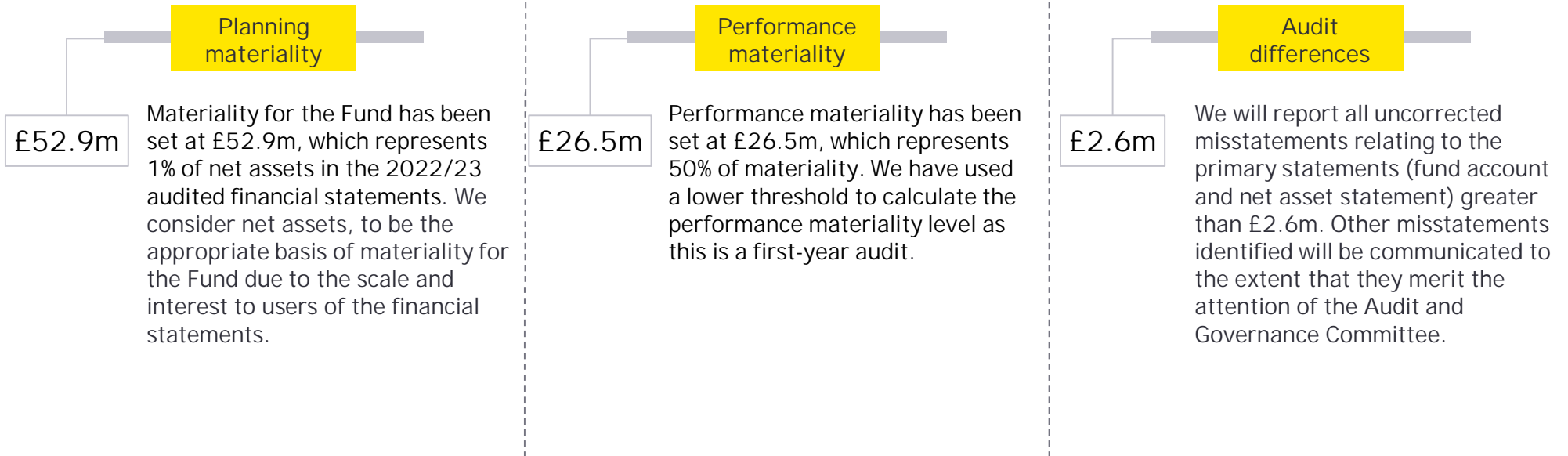
Audit risks and areas of focus

Risk / area of focus	Risk identified	Details
Misstatements due to fraud or error	Fraud risk	As identified in ISA 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 would otherwise appear to be operating effectively. We have not identified anything specific to Surrey Pension Fund on this risk.
Risk of inappropriate posting of investment journals	Fraud risk	Investment valuations are manually input at year end on the general ledger. Our judgement is that there is a risk of fraud in respect of the inappropriate journal posting of investments as reported by the custodian as this could affect the long-term investment portfolio value.
Valuation of Level 3 complex investments (private equity and pooled property investments)	Significant risk	<p>We consider the valuation of Level 3 investments to be a significant risk as a result of unobservable inputs making up the valuations. Significant judgements are made by the investment managers or administrators to value these investments for which prices and valuation data are not publicly available.</p> <p>The Fund's private debt and infrastructure investments are categorised as being at Level 3 in the fair value hierarchy. This is due to the uncertainty associated with the valuation of such investments where the valuations are not based on observable inputs.</p>
Data migration issue from SAP to Unit 4 ERP system	Significant risk	In June 2023, the Pension Fund changed financial reporting systems from SAP to Unit 4 ERP system. The change in system impacts all areas of accounts in for the 2023/24 financial year. As a result of this migration, certain issues have been identified that resulted to inconsistencies in the balances reported in the general ledger account. These matters are still being investigated by management.
Estimates involved in the disclosures of IAS26	Inherent risk	We consider there to be a higher degree of inherent associated with the IAS26 valuation of IAS 26 because of the level of estimation uncertainty relating to a number of underlying assumptions that are used in the calculation. The actuary is required to make assumptions on salary increases, discount rates, pension rates, scheme member longevity and other variables.
Valuation of investments under Level 2 complex investments (derivatives and not publicly traded securities)	Inherent risk	The valuation of investments under level 2 fair value hierarchy are based on observable inputs such as bid price in the market for similar instruments. There is a risk that the comparable inputs are not appropriate, and that the valuation could be misstated.



Overview of our 2023/24 audit strategy

Materiality



At the time of writing this report, the draft statement of account of the pension fund is not yet available, hence the materiality calculated above is based on the latest audited statement of account (i.e. 31 March 2023). The materiality calculation will be updated once the draft 2023/24 statement of accounts is available and published.

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 Fund give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2024 and the amount and disposition at that date of its assets and liabilities for 2023/24.
- Our opinion on the consistency of the Fund financial statements within the Fund annual report with the published financial statements of Surrey Council.

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 Fund. 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 Fund'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.

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 Fund. 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.

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.

Overview of our 2023/24 audit strategy

Audit team

The audit will be led by Hassan Rohimun as the Partner in charge for 2023/24. Hassan will be supported by Francis Llave, Manager, and Niña Rose Cutaran, Lead senior. See Section 05 for further details of the audit team and the areas where management and EY specialists are expected to provide input for the current year audit.

Timeline

Details of the planned timeline for delivery of the audit are set out in Section 06. We expect to have fully completed our risk assessment and work to walkthrough the Fund's key systems and processes, including work to comply with the enhanced requirements of ISA (UK) 315 (Revised), by the end of June 2024. Our detailed testing of balances and disclosure in the financial statements is expected to be complete by the end of September 2024, however our reporting and presentation to you of our final audit results report is yet to be confirmed as we need to take into account the Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays, and the associated impact on the Council and Pension Fund audits.



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.



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?

We will undertake our standard procedures to address fraud risk, which include:

- 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.
- Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including:
 - testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
 - assessing accounting estimates for evidence of management bias.
 - evaluating the business rationale for significant unusual transactions.

We will utilise our data analytics capabilities to assist with our work.

We will include a focus on ensuring that the investment valuations provided through the custodian and fund managers are appropriately journaled into the financial statements, where we have identified the opportunity and incentive for override to occur.

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.

Risk of inappropriate posting of investment journals*

What is the risk?

Investment valuations are manually input on the general ledger, so there is opportunity to manipulate the valuation of investments reported in the Net Asset Statement.

Manipulation of investment values would increase the net value of pension fund assets.

The total investment held by the pension fund from the latest audited statement of accounts (i.e., 2022/23) amounted to £5,240 million (2021/22: £5,325 million).

As our performance materiality is £26.5 million, any manipulation over 1% would result in a material error to the value of investments.

What will we do?

Our approach will focus on:

- Testing of journals at year-end to ensure there are no unexpected or unusual postings;
- Undertaking a review of reconciliations between the fund manager/ custodian reports/ valuer's reports and investigating any reconciling differences over a specified threshold;
- Re-perform the detailed investment note using the reports we have acquired directly from the custodian or fund managers; and
- Check the reconciliation of holdings included in the Net Assets Statement back to the source reports.

We will use our data analytics capabilities to assist with our work, including journal entry testing. We will assess journal entries for evidence of management bias and evaluate for business rationale.

Our response to significant risks (cont'd)

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.

Valuation of Level 3 complex investments (private equity and pooled property investments)

What is the risk?

We consider the valuation of Level 3 investments to be a significant risk as a result of unobservable inputs making up the valuations. Significant judgements are made by the investment managers or administrators to value these investments for which prices and valuation data are not publicly available.

The Fund's private debt and infrastructure investments are categorised as being at Level 3 in the fair value hierarchy.

What will we do?

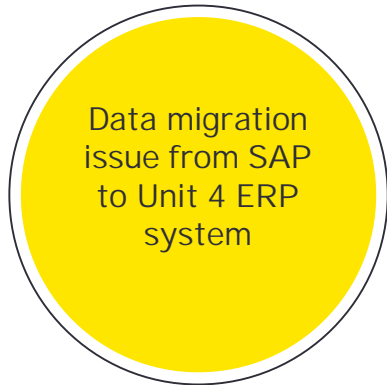
Our approach will focus on:

- Obtaining a schedule of investments to ensure correct classification, presentation and disclosure of items in the financial statements and corresponding notes;
- Obtaining an understanding and evaluating of the work of management's expert;
- Assess the competence of valuation experts through review and analysis of ISAE 3402 internal control reports issued on the fund managers and the custodian;
- Where the ISAE 3402 reports are not issued as at 31 March 2024, we will obtain and review bridging letters;
- Review the control reports for any issues or qualifications which impact the valuation controls over the funds.
- Review the basis of valuation for property investments and other unquoted investments, assessing the appropriateness of the valuation methods used;
- Where available, review the latest audited accounts for the relevant underlying investment funds and compare the net asset values with the valuation of the assets in the accounts of the Fund. We will also ensure there are no matters arising that highlight weaknesses in the Fund's valuation;
- If the latest audited accounts are issued at a different date compared to the reporting date of the Fund, we will perform roll forward procedures to support the valuation of the investments as of 31 March 2024, such as benchmark indexation for similar assets and analysis of cash movements in the gap period and understand what the Pension Fund has done to assess how the valuations are still materially correct as at 31 March 2024; and
- Testing accounting entries have been correctly processed in the financial statements.

If necessary, our internal valuation specialists will support our work in this area.

Our response to significant risks (cont'd)

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.



What is the risk?

In June 2023, the Pension Fund changed financial reporting systems from SAP to Unit 4 ERP system. The change in system impacts all areas of accounts in for the 2023/24 financial year. As a result of this migration, certain issues have been identified that resulted to inconsistencies in the balances reported in the general ledger account. These matters are still being investigated by management.

The system migration is a normal process within entities, however the issues relating to data migration can occur anywhere in the account balances presented in the financial statement.

Based on our risk assessment procedures and initial review of the account balance, we have noted that the issues on data migration could manifest in a number of account balances, hence we considered that this may affect the whole of the balance of the statement of accounts.

What will we do?

In order to address this risk, we will carry out a range of procedures including:

- ▶ Understanding and obtaining further information in relation to data migration.
- ▶ Determining the specific issues identified by the management or the internal and assessing its impact in the financial statement
- ▶ Assess management action plan in addressing and resolving the issues identified relating to data migration
- ▶ Engaged our EY Risk Consulting (i.e. EY IT Specialist Team) to review and perform procedures in relation to the data migration.

In addition to the above we will also perform procedures to review the journals being affected by the data migration and assesses the reasonableness of the posted transactions.

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

Estimates involved in the disclosures of IAS26

We consider there to be a higher degree of inherent associated with the IAS26 valuation of IAS 26 because of the level of estimation uncertainty relating to a number of underlying assumptions that are used in the calculation. The actuary is required to make assumptions on salary increases, discount rates, pension rates, scheme member longevity and other variables.

In order to address this risk we will carry out a range of procedures including:

- ▶ Assessing the competence of management experts, Hymans Robertson;
- ▶ Engaging with the NAO's consulting actuary and our EY Pensions team to review whether the IAS26 approach applied by the actuary is reasonable and compliant with IAS26;
- ▶ Engaging with EY Pensions to undertake procedures to create an auditor's estimate for the pension liability, which we use to gain assurance over the process and assumptions used to estimate the present value of future retirement benefits;
- ▶ Ensure that the IAS26 disclosure is in line with the relevant standards and consistent with the valuation provided by the actuary; and
- ▶ Perform audit procedures to assess the accuracy of membership numbers

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?

Valuation of investments under Level 2 fair value hierarchy

The Pension Fund held £3,753 million level 2 investments at 31 March 2023 and £4,011 million at 31 March 2022. These are assets where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Valuations are based on either evaluated prices provided by independent pricing services, closing bid price where bid and offer are published or estimated valuation reported by a counterparty.

Our response: Key areas of challenge and professional judgement

In order to address this risk we will carry out a range of procedures including:

- ▶ Where the funds are actively traded in listed markets/exchange, test the valuation by using the EY Investment Security Pricing Tool;
- ▶ Alternatively, inspecting quotations, financial statements of investees and other evidence of current value, cost or equity amount of investments and test that investments are classified, recorded and measured in accordance with the entity's accounting policies and applicable financial reporting framework;
- ▶ Perform triangulation work to agree amounts per the financial statements to Fund Manager and to Custodian; and
- ▶ Where Level 2 Investments are not listed, we may revert to Level 3 testing as detailed on page 12.

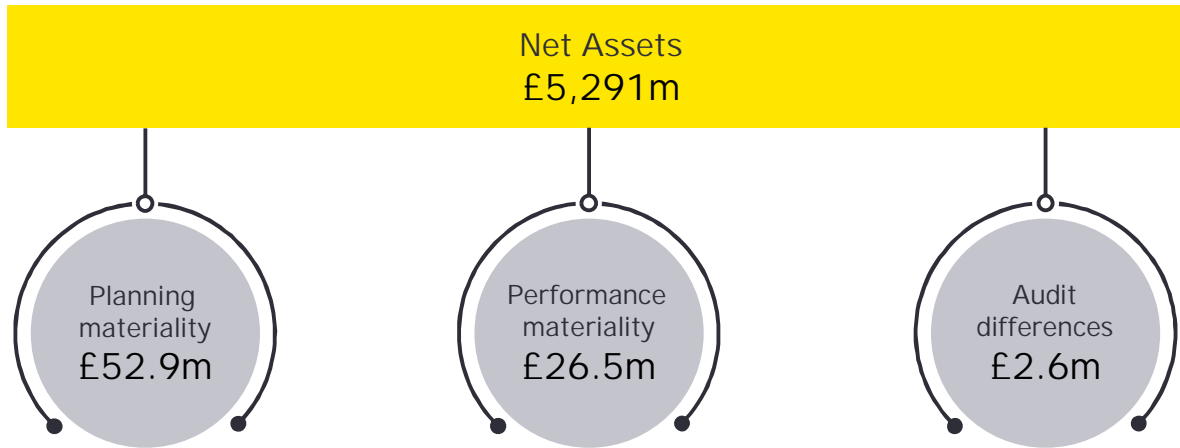


03 Audit materiality

Materiality

Fund Materiality

For planning purposes, materiality for 2023/24 has been set at £52.9m. This represents 1% of the Fund's net assets in the 2022/23 audited financial statements. We consider net assets to be the appropriate basis of materiality for the Fund due to the scale and interest to users of the financial statements. We have provided supplemental information about audit materiality in Appendix D.



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

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 the circumstances that might ultimately influence our judgement. 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 financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

At the time of writing this report, the draft statement of account of the pension fund is not yet available, hence the materiality calculated above is based on the latest audited statement of account (i.e. 31 March 2023). The materiality calculation will be updated once the draft 2023/24 statement of accounts is available and published.

Key definitions

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

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at 50% of planning materiality as this is our first year audit.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount.

Other uncorrected misstatements, such as reclassifications and misstatements in the 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.



04

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:

Financial statement audit

Our opinion on the financial statements:

- whether the financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2024 and the amount and disposition at that date of its assets and liabilities for 2023/24; 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.

Consistency statement:

- Our opinion on the consistency of the Fund financial statements within the Fund annual report with the published financial statements of Surrey Council.

Our opinion on other matters:

- whether other information published together with the audited financial statements is consistent with the financial statements.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

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; and
- ▶ Reliance on the work of experts in relation to areas such as disclosures based on actuarial reports.

Our initial assessment of the key processes across the Fund 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

Whilst we will not be relying on the work of Internal audit we will review their plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, where they raise issues that could have an impact on the financial statements.



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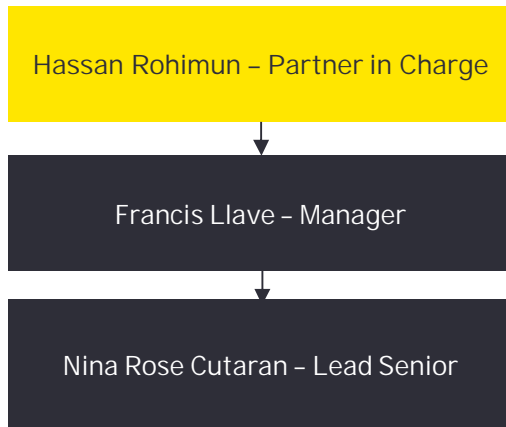
05 Audit team

Audit team

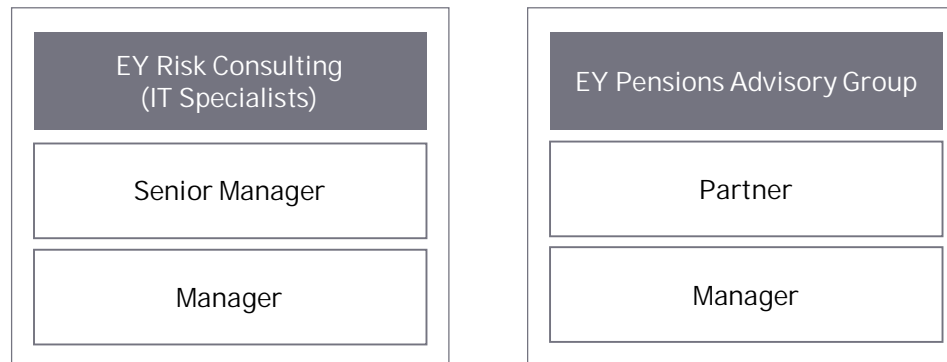
Audit Team Leadership

The Surrey Pension Fund is led by Hassan Rohimun who has overall responsibility for the performance of the audit and for the auditor's report issued on behalf of EY.

Audit Team Structure



Specialists Structure



Use of specialists

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 management and EY specialists are expected to provide input for the current year audit are:

Area	Specialists
Pension Fund financial statement IAS 26 disclosure	Management Specialist – Hymans Robertson PwC as consulting actuary engaged by NAO to provide guidance to auditors when assessing the competence and objectivity of, and assumption and approach adopted by actuaries (including Hyman Robertson) producing IAS19 figures as at 31 March 2024.
Investment valuation	The Pension Fund’s Custodian and Fund Managers

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 Fund’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





06 Audit timeline

Timetable of communication and deliverables

Timeline

Below is a draft 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.

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.

Audit phase	2024 Timetable	Deliverables
Planning and risk assessment and setting of scopes including planning procedures	May	
Walkthrough of key systems and processes	June	
Yearend execution of audit procedures on the financial statements	June to August	This audit planning report to be presented to the 10 July 2024 meeting of the Audit and Governance Committee.
Yearend audit completion and conclusion procedures	August to September	
Audit planning report presented to the Audit and Governance Committee	September*	The audit results report shared with management and, in turn, the Audit and Governance Committee and will be presented to the 11 September meeting of the Audit and Governance Committee.
Audit conclusion	October*	Audit opinion and completion certificates.

* The final timetable is yet to be confirmed as we need to take into account the Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays, and the consequent impact on the Council and Pension Fund audits.



07 Independence

Introduction

The FRC Ethical Standard 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.

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 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 (where applicable) 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 Kevin Suter, 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 the Fund. Examples include where we have an investment in the Fund; 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.

At the time of writing, there are no non-audit fees associated with Surrey Pension Fund. 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.

Relationships, services and related threats and safeguards

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 company. 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](#).



08 Appendices

Appendix A – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Fund 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 Fund 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.

As part of our reporting on our independence, we set out here a summary of the expected fees for the year ended 31 March 2024. Scale fee variations are agreed when we incur work in addition to the planned level of work built into the scale fee.

For the Surrey Pension Fund audit, whilst we believe that the current scale fee reflects the changes in the audit market and increases in regulation since the most recent PSAA tender exercise, we still expect to agree a scale fee variation with management and PSAA for the 2023/24 audit, as per the Notes to the fee table below.

	Current Year 2023/24
	Proposed fee £
Scale Fee – Code work	99,214
Additional work	
Procedures for first year audit (<i>Note 1</i>)	TBD
ISA 315 additional procedures (<i>Note 2</i>)	TBD
Data migration work (<i>Note 3</i>)	TBD
Total fees	TBD

Note 1 – As the FY 2023/24 is the first-year audit of the pension fund under EY, we are required to perform additional procedures in accordance with ISA 510.

Note 2 – As this is our first-year audit, we will be undertaking additional procedures to address the enhanced requirements of ISA315 (Revised). We are unable to provide an estimate at this time.

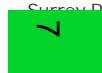
Note 3 – Additional work will be required to review the impact of the change in financial systems and the subsequent data migration issues identified for our 2023/24 audit of the pension fund.

Appendix C – 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 – July 2024
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 	Audit results report – September 2024



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

7

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 – September 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 – September 2024
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Governance committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements 	Audit results report – September 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: <ul 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 ▶ Any other matters related to fraud, relevant to Audit and Governance Committee responsibility 	Audit results report – September 2024

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

Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ 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 – September 2024
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <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 objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report – July 2024</p> <p>Audit results report – September 2024</p>



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

Our Reporting to you

Required communications	What is reported?	When and where
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 – September 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 – September 2024
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit results report – September 2024
Representations	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit results report – September 2024
Material inconsistencies and misstatements	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report – September 2024
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report – September 2024
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit planning report – July 2024 Audit results report – September 2024

Appendix D – Additional audit information

Regulatory update

Our objective is to form an opinion on the Fund's 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 the formal terms of engagement between the PSAA's appointed auditors and audited bodies. 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 Fund'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 to express an opinion on the financial statements. Reading other information contained in the financial statements, 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 D – Additional audit information (cont'd)

Other required procedures during the course of the audit

Procedures required by the Audit Code

- Discharging our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice
- Reviewing, and reporting on as appropriate, other information published with the financial statements.

We have included in Appendix C 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 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 E - 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 E - 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.

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Audit & Governance Committee
10 July 2024

2023/24 Draft Annual Governance Statement

Purpose of the report:

This report presents the draft Annual Governance Statement, which summarises the Council's governance arrangements for the financial year ending 31 March 2024.

Recommendations

It is recommended that the Committee:

1. Review the contents of the draft Annual Governance Statement (Annex 1) to satisfy themselves that the governance arrangements are represented correctly; and
2. Commend the draft Annual Governance Statement for publication with the Council's Statement of Accounts.

Introduction

1. The Council is required to annually review the effectiveness of its governance arrangements and produce an Annual Governance Statement. Once signed by the Leader of the Council and the Chief Executive, the Annual Governance Statement is incorporated in the Statement of Accounts.

Annual Governance Statement 2023/24

2. The 2023/24 draft Annual Governance Statement is attached at Annex 1 and includes:
 - A summary of the key activities during the year and the main elements of the council's governance framework;
 - An update on the actions taken on the key issues identified in the 2022/23 AGS; and
 - An action plan for the issues identified in this year's AGS.

Consultation

3. The Governance Panel, Interim Executive Director of Finance and Corporate Services, Interim Director of Law and Governance, Corporate Leadership Team and Leader of the Council have been consulted and their comments are incorporated.

Implications

Financial

4. There are no direct financial implications arising from this report. Continued improvements in governance will support the delivery of the Council's objectives.

Equalities

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

Risk management

6. Strong governance arrangements support the Council in the effective delivery of services and achievement of objectives.

Legal Implications – Monitoring Officer

7. There are no direct legal implications of this report. The Annual Governance Statement process ensures that the Council discharges its statutory duties under the Local Government Act 1999 and the completion and approval is required by the Accounts and Audit (England) Regulations 2015.

What happens next

8. The Annual Governance Statement will be signed by the Interim Head of Paid Service and the Leader of the Council and then incorporated into the Council's Statement of Accounts for 2023/24.

Report Author: Asmat Hussain, Interim Director of Law and Governance and Chair of the Governance Panel

Contact Details: asmat.hussain@surreycc.gov.uk

Sources/background papers:

Code of Corporate Governance. CIPFA/SOLACE framework *Delivering Good Governance in Local Government*.

Annexes:

Annex 1 - 2023/24 draft Annual Governance Statement

Audit & Governance Committee
10 July 2024

Annual Whistleblowing Report 2023/24

Purpose of the report:

This report presents the annual whistleblowing report of the Council to the Audit and Governance Committee to provide transparency and accountability.

The report summarises the whistleblowing activity over the last year and analyses the effectiveness of the Council's process and system.

Recommendations

It is recommended that the Committee:

1. Review the contents of the Annual Whistleblowing report to satisfy themselves that the governance arrangements are operating effectively; and
2. Make any recommendations for improvement.

Introduction

1. The Council is required to have an effective whistleblowing policy and arrangement in place. The annual report was previously reported to the Audit and Governance Committee in July 2023, and it was agreed to provide an updated report on an annual basis, reporting the results of the previous financial year.

Whistleblowing Annual Report 2023/24

2. As part of its governance arrangements the Council must ensure that effective arrangements for Whistleblowing are in place to which officers, staff and all those contracting with or appointed by the authority have access.
3. An effective and positive whistleblowing culture has the following advantages:
 - Detects and deters wrongdoing.
 - Provides information to managers so they can make decisions and contain the risk.

- Demonstrates to stakeholders that Surrey County council is serious about good governance.
- Reduces the chance of anonymous or malicious leaks.
- Reduces the chance of Legal claims against the Council; and
- Clear whistleblowing arrangements are likely to help with a defence under the Bribery Act 2010.

4. The annual report is attached at Annex A for the Committee's consideration.

5. The Governance Panel, The Risk Governance Group and the Whistleblowing monitoring group, which meets quarterly, has previously considered the report. These are informal meetings of the officers within the Council to discuss operation matters of governance, one being the statutory officer meeting.

Implications

6. Financial

There are no direct financial implications arising from this report. Continued improvements in governance will support the delivery of the council's objectives.

7. Equalities

There are no direct equalities implications of this report.

8. Risk management

Strong whistleblowing arrangements support the council's commitment to good governance and the effective delivery of services and achievement of objectives.

Conclusions

9. The Annual Whistleblowing report provides assurance that the system and process for recording and monitoring whistleblowing cases is maintained and reviewed on a quarterly basis by the Monitoring Officer, Internal Audit, the People Consultancy Lead and the Governance Team responsible for maintaining the whistleblowing reports.

Legal Implications – Monitoring Officer:

10. The report complies with Council Officer Code of Conduct as set out in the Council Constitution under Part 6 Codes and Protocols. There are no immediate legal implications associated with this report. However, the Public Interest Disclosure Act 1998 (PIDA) amended the Employment Rights Act 1996 ("the Act") create a framework for whistleblowing across the private, public, and voluntary sectors. The Act provides individuals in the workplace with protection from victimisation where they make a protected disclosure about malpractice or wrongdoing at work in accordance with the Act's

provisions. The Council's Whistleblowing Policy and Procedure gives effect to this statutory requirement.

Next steps:

11. Any actions and recommendations from the Audit & Governance Committee will be considered for future reports.

Report authors: Shella Smith, Director of People & Change;
Bella Smith, Head of Insights, Systems and Governance, People & Change

Contact details: shella.smith@surreycc.gov.uk;
arabella.smith@surreycc.gov.uk

Sources/background papers:
Whistleblowing Policy and Procedure

Annexes/Appendices:
Annex A - Governance Report - Whistleblowing activity Financial Year
2023/24

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HR Governance Report

Whistleblowing activity Financial Year 2023/24

PURPOSE

The purpose of this report is to summarise whistleblowing activity during the financial year 2023/24, and to explain its monitoring and governance. The report provides an annual report of the Council's whistleblowing arrangements and a review of the Whistleblowing Policy. The report is being presented to the Risk Governance Group, which includes the Chief Executive, the Chief Internal Auditor, the Interim Executive Director of Finance and Corporate Services (Section 151 Officer), the Director of Law and Governance (Monitoring Officer) and the Director of People and Change. It will then be presented as a formal report to the Audit Governance Committee.

Shella-Marie Smith, Director of People & Change

CONTEXT

Whistleblowing allegations can be received either in written format to a senior officer, or through Navex Global, an external service which allows employees to raise a concern about an aspect of the council, their service or their team, in complete confidentiality. Allegations can be made anonymously to the confidential reporting hotline provided by Navex Global online, or by telephone.

An advisor within the HR Governance team within People & Change is the primary recipient of reports via Navex Global. They note the allegation, record it and determine whether the case should be investigated by People & Change, Internal Audit, or the Monitoring Officer. Any allegation that involves a potential instance of fraud – which may include someone not working their full hours, or submitting false time or travel claims for example – is investigated initially by Internal Audit.

Any whistleblowing allegation regarding HR practice or employees working in People & Change is investigated by the Monitoring Officer directly.

Receipt is acknowledged to the whistle-blower within 14 days of Navex Global receiving a whistleblowing report and further updates are provided after 28 days and once the case is closed. All correspondence is conveyed via Navex Global, always maintaining the anonymity of the whistle-blower.

Full information, including the policy and a flowchart of the lifecycle of a whistleblowing allegation, is available on SCC Info under [Whistleblowing](#). The Whistleblowing Policy is also incorporated into the employee code of conduct which has recently been reviewed and updated and approved by Full Council in May 2024.

In addition, communication campaigns to all staff occur four times a year to promote the service.

SCRUTINY

Whistleblowing cases are investigated by either People & Change, Internal Audit, the Monitoring Officer, or a combination of these depending on the nature of the allegation and the route by which the allegation has been made. Allegations about staff working in Twelve15 (Commercial Services) are directed to the Twelve15 HR division and allegations about teaching staff are currently managed by the Assistant HR Business Partner in the SCC HR team for Schools, in conjunction with the Area Schools Officer and the Chairs of Governors, where appropriate.

Officers from Internal Audit, People & Change and the Monitoring Officer meet on a quarterly basis to review recent whistle blowing activity including trends and patterns and related issues, such as promotion of the policy. Traffic to and from the SCC Info page is also reviewed at these meetings.

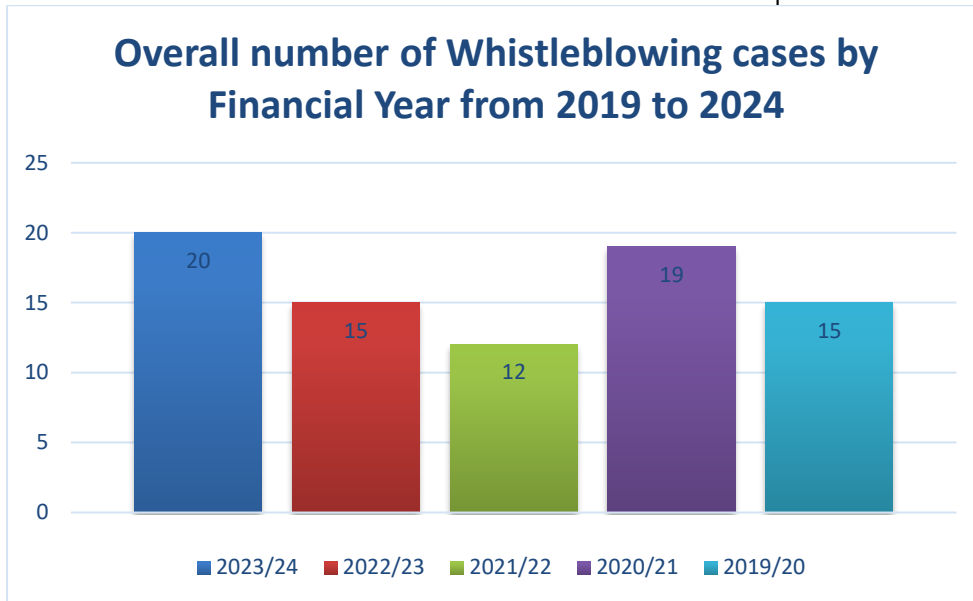
SUMMARY OF WHISTLEBLOWING ACTIVITY FY 2023/24

In financial year 2023/24 there was a slight increase in allegations, in comparison to the activity of the previous financial year, maintaining a reasonable number of reported cases and in line with previous years, providing reasonable assurance that people understand how to report a whistleblowing case.

An increase of communications campaigns in April, June (World Whistleblowers Day), December 2023 and March 2024 and new updated policies being circulated has resulted in an expected rise in the number of referrals. Within the activity summary overleaf, “Direct” refers to reports received in writing or by telephone to a council officer, and “Navex Global” refers to reports received through the confidential reporting hotline.

Comparison of overall whistleblowing activity FY 2019/20 to FY 2023/24

2023/24	2022/23	2021/22	2020/21	2019/20
20	15	12	19	15



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Breakdown of Cases

Whistleblowing Cases	Grievance cases	Number of repeated cases submitted	Number of cases submitted on Navex
20	78	1	17

There were a total number of 20 whistleblowing cases received in the FY 2023/24. 17 of those case were submitted via Navex and 3 of the cases were received directly to officers via email.

There were separately 78 grievances raised by employees. These are included to show the distinction between casework handled as whistleblowing and grievances and highlight effective management of each type of concern.

1 whistleblowing case was referred to borough council demonstrating strong working procedures with our borough council colleagues.

Two of the 20 whistleblowing cases were regarding schools.

Number of Allegations

The tables below show pending cases and cases which have been closed in the FY 2023/24.

Pending Cases:

Some whistleblowing cases can take longer than others to conclude due to various factors related to their complexity and can lead to extended timelines for resolution.

Case number	Date received	Directorate	Allegation	Status	Referred to
2	27/06/2023	Children, Families & Learning	Corruption and nepotism	OPEN	HR PEOPLE CONSULTANT & AUDIT
57	07/02/2024	Environment, Transport & Infrastructure	Fraud	OPEN	HR PEOPLE CONSULTANT & AUDIT
59	26/03/2024	Children, Families & Learning	Product Quality Concern	OPEN	HR PEOPLE CONSULTANT
61	28/03/2024	Children, Families & Learning	Policy Issues	OPEN	HR PEOPLE CONSULTANT

Closed Cases

Case number	Date received	Directorate	Allegation	Outcome	Date closed
45	20/04/2023	Health, Wellbeing & Adult Social Care	Employee relations	TBC	17/05/2023
46	18/05/2023	Children, Families & Learning	Employee relations	Investigation has been completed. Due to the confidentiality, findings of the case cannot be shared.	18/05/2023
47	22/05/2023	Schools	Workplace violence/ Threats	Forwarded to be progressed with the school	23/05/2023
1	13/06/2023	Environment, Transport & Infrastructure	Streetlighting	Internal audit carried out an investigation and found that no further action is required no case to answer	TBC
48	14/06/2023	Resources	Discrimination	All resource IDs have a 'Sex' record against them. This is recorded in the Recruitment process.	18/08/2023
49	12/07/2023	Resources	Policy Issues	Investigation has been completed but findings cannot be shared due to confidentiality reasons.	11/09/2023
3	06/09/2023	Health, Wellbeing & Adult Social Care	Fraud	Case closed and no case to answer. No	06/09/2023

HR Governance Report – Whistleblowing activity FY2023/24

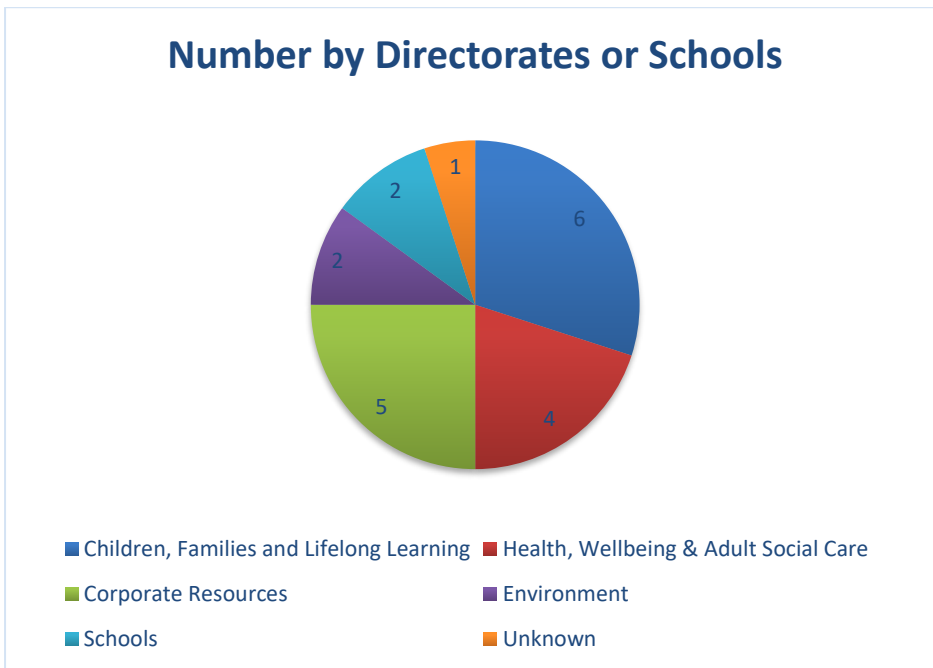
				further action required	
50	12/09/2023	Health, Wellbeing & Adult Social Care	Employee relations	TBC	TBC
51	14/09/2023	Surrey, Fire and Rescue	Fraud Conduct	Investigation has been completed but findings cannot be shared due to confidentiality reasons.	09/01/2024
52	15/09/2024	Children, Families & Learning	Employee relations	Case falls out of the scope for WB. Case has now been dealt with as a grievance	06/10/2023
53	08/11/2023	Schools	Theft or misuse of company assets or services	Whistleblower gave consent to speak to the schools COG so that they could share details and case could be investigated	05/12/2023
54	19/11/2023	Resources, Surrey, Fire & Rescue	Breach in policy	Allowed to pass a promotional process without completing core competencies	13/12/2023
56	17/01/2024	Unknown	Fraud –	Referred to Borough Council as related to private housing rent	14/12/2023
55	05/12/2023	Children, Families & Learning	Fraud Insurance Claims	Insufficient information	15/12/2023
58	26/02/2024	Health, Wellbeing & Adult Social Care	Safety Issues and sanitisation	Investigation has been completed; findings cannot be shared due to the confidential nature of the case.	TBC
60	27/03/2024	Resources	Discrimination	Preliminary review conducted by the Monitoring Officer who concluded there was not enough evidence to support the allegation therefore no formal investigation considered. No case to answer	19/04/2024

Number of allegations received broken down by Directorate or School FY 2023-24

A summary of total number of cases by directorate and schools is featured in the table and graph below.

	Number of cases
Children, Families and Lifelong Learning	6
Health, Wellbeing & Adult Social Care	4
Corporate Resources & SFRS	5
Environment, Infrastructure and Growth	2
Chief Executive Office	0
Schools	2
Unknown	1
TOTAL	20

Number by Directorates or Schools



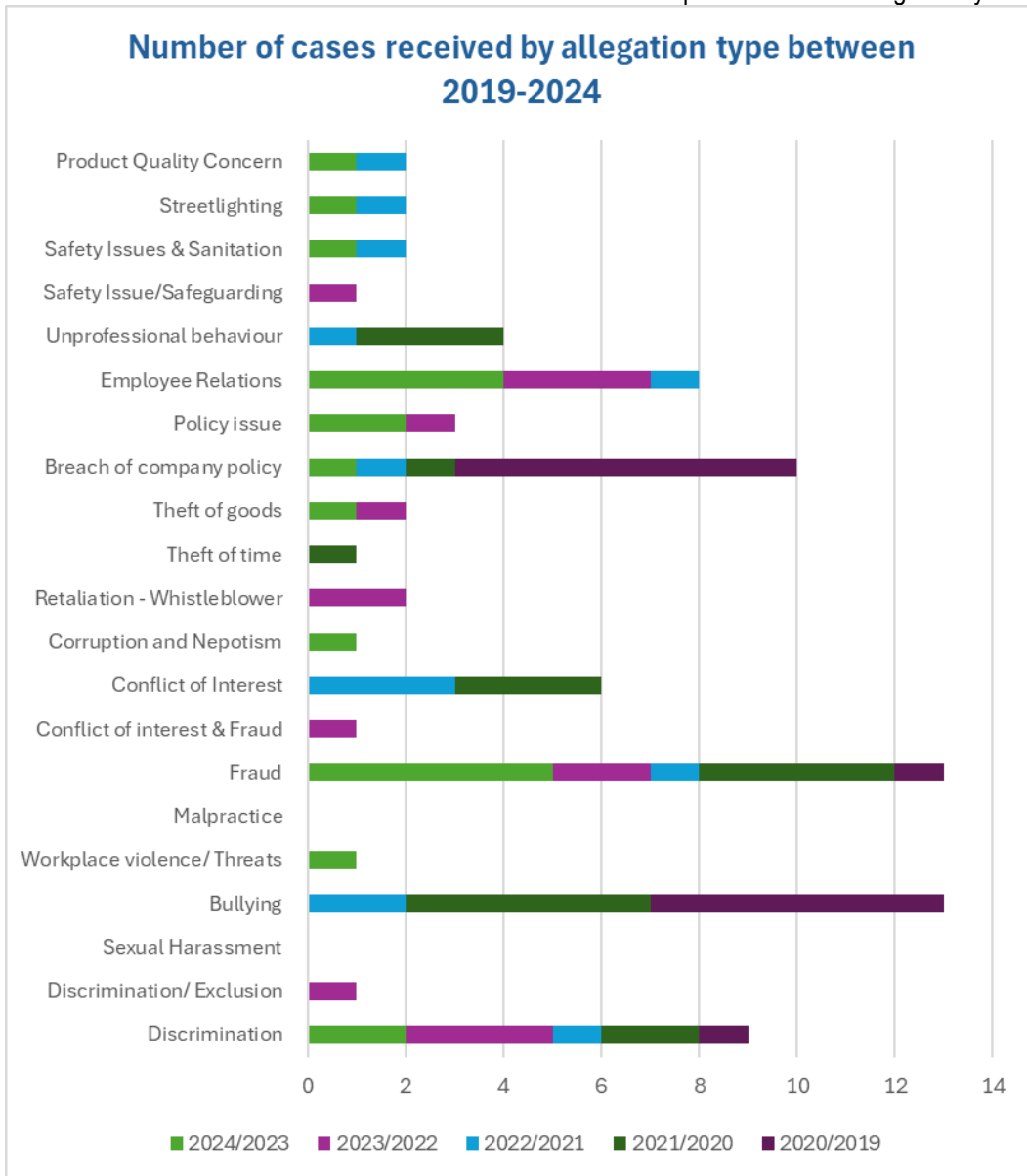
The reports submitted were mainly concerning specific areas in Children, Families, Lifelong Learning (CFLL), Corporate Resources and Health, Wellbeing & Adult Social Care (HWASC), 3 of our largest directorates. The cases reviewed did not reveal any major issues or concerns.

Number of cases received by allegation type between 2019 - 2024

HR Governance Report – Whistleblowing activity FY2023/24

Financial Year	2024/2023	2023/2022	2022/2021	2021/2020	2020/2019
Discrimination	2	3	1	2	1
Discrimination/ Exclusion	0	1	0	0	0
Sexual Harassment	0	0	0	0	0
Bullying	0	0	2	5	6
Workplace violence/ Threats	1	0	0	0	0
Malpractice	0	0	0	0	0
Fraud	5	2	1	4	1
Conflict of interest & Fraud	0	1	0	0	0
Conflict of Interest	0	0	3	3	0
Corruption and Nepotism	1	0	0	0	0
Retaliation - Whistleblower	0	2	0	0	0
Theft of time	0	0	0	1	0
Theft of goods	1	1	0	0	0
Breach of company policy	1	0	1	1	7
Policy issue	2	1	0	0	0
Employee Relations	4	3	1	0	0
Unprofessional behaviour	0	0	1	3	0
Safety Issue/Safeguarding	0	1	0	0	0
Safety Issues & Sanitation	1	0	1	0	0
Streetlighting	1	0	1	0	0
Product Quality Concern	1	0	1	0	0
Total	20	15	13	19	15

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Comparison of Grievance versus whistleblowing cases 2021 to present day with the relevant headcount for each directorate

The below table shows the number of grievance and whistleblowing cases compared to the headcount of the directorates.

		FY 22/23	FY 23/24
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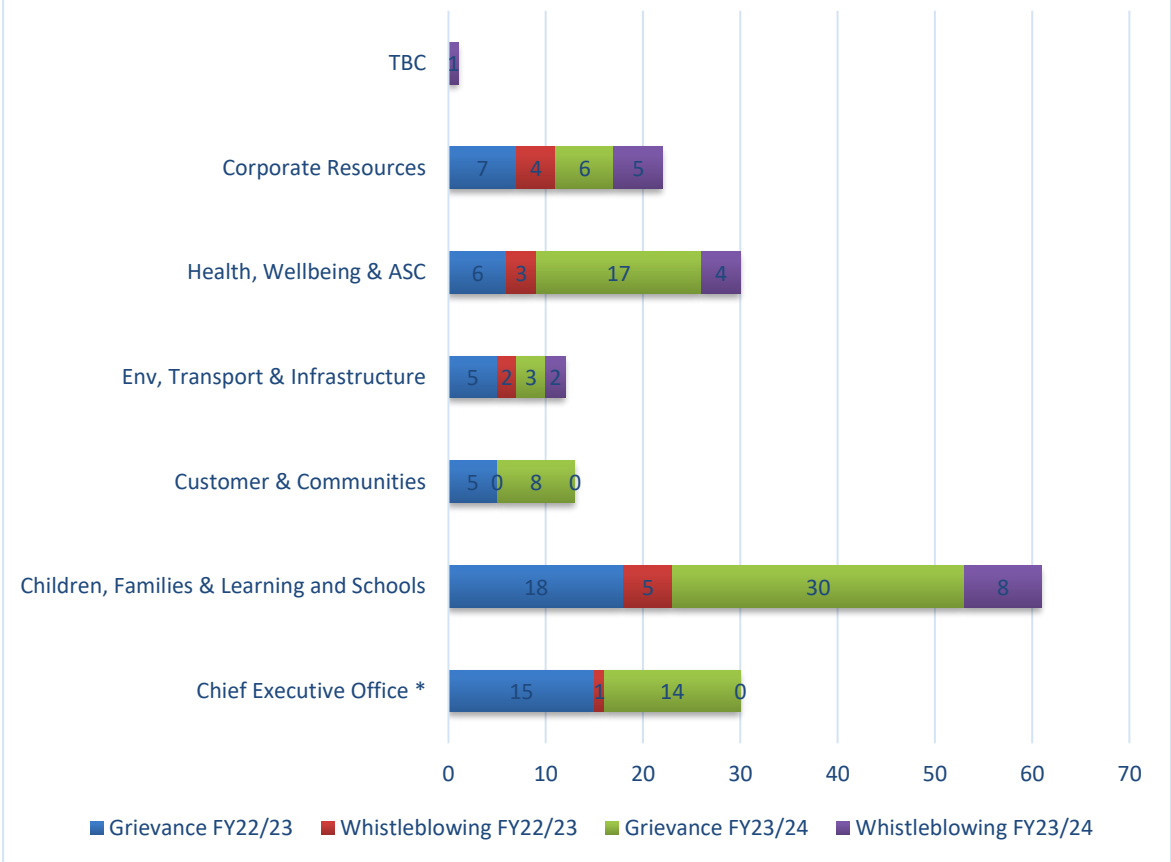
HR Governance Report – Whistleblowing activity FY2023/24

Directorate	Headcount (as of 31 March 2024)	Grievance FY22/23 (Numbers & % of headcount)	Whistleblowing FY22/23 (Numbers & % of headcount)	Grievance FY23/24 (Numbers & % of headcount)	Whistleblowing FY23/24 (Numbers & % of headcount)
Chief Executive Office *	939	15 (1.6%)	1 (0.1%)	14 (1.5%)	0
Children, Families & Learning and Schools	3891	18 (0.5%)	5 (0.1%)	30 (0.8%)	6(0.2%)
Customer & Communities	1394	5 (0.4%)	0	8 (0.6%)	0
Env, Transport & Infrastructure	1061	5 (0.5%)	2 (0.2%)	3 (0.3%)	2 (0.2%)
Health, Wellbeing & ASC	2185	6 (0.3%)	3 (0.1%)	17 (0.8%)	4 (0.2%)
Corporate Resources	1467	7 (0.5%)	4 (0.3%)	6 (0.2%)	5 (0.3%)
Surrey Schools **	7479	N/A	1 (0.01%)	N/A	2 (0.03%)
Unknown					1
Total	18,416	56 (0.3%)	16 (0.1%)	78 (0.4%)	20 (0.1%)

***SFRS headcount numbers are included in CEX figures prior to the service move into its own directorate.**

**** No grievance numbers available for schools as managed by various external HR providers.**

Number of Grievance and Whistleblowing cases FY 22/24



INTERPRETATION OF ACTIVITY

There has been an increase in cases during the FY 2023/24. There have been no bullying whistleblowing allegations in 2023/24, which has previously been consistently the highest allegation type over the previous years and a rise in Employee Relations allegations. This highlights the effectiveness of promotions of the Grievance Resolution Policy, Ending of Bullying and Harassment Policy and the Whistleblowing Policy and successful mediating of potential bullying allegations. It indicates that there has been an improvement in workplace culture suggesting anti bullying initiatives are effective and employees are more aware and willing to raise concerns reflecting an open and communicative workplace environment.

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Comparison with other councils

Figure 1- The table below shows a comparison of whistleblowing activity with other councils.

Year	Surrey	Brighton & Hove	Hampshire	East Sussex	West Sussex
Headcount 23/24 (Approx)	18,416	9124	13,300	8,000	5,100
2019-2020	15	15	0	2	1
2020-2021	19	9	3	2	1
2021-2022	12	11	3	2	1
2022-2023	15	13	0	1	1
2023-2024	20 (0.1%)	N/A	1 (0.001%)	3 (0.04%)	N/A
Total	81		7	10	

Surrey County Council has the highest rate of whistleblowing activity whereas, Hampshire has the lowest rate. The number of cases across Hampshire, East Sussex and West Sussex Council is low and could be due to under reporting. We consistently have the highest rate of activity but a healthy number in comparison to council size.

RECOMMENDATIONS / REQUESTS

The HR Governance team should continue with the communication exercises to further promote the whistleblowing service on SCC intranet.

Planned exercises.

- Continued awareness with added dates for World Whistleblowing Day and National Whistleblowing Day.
- 3 further reminders booked quarterly with internal communications to promote awareness on SharePoint.
- Posters to be circulated for SCC buildings such as homes, schools and offices.
- E-learning course for new starters
- Whistleblowing information added to provisional offer pack for new starters
- Increased communications of Code of Conduct policy
- Exit Survey Reporting to monitor any concerns that might be linked to either grievances or whistleblowing cases.
- New Case Management System providing insights and reports on overall grievances, employee relations casework and whistleblowing report follow ups.

The communication of the Grievance Policy, Ending of Bullying and Harassment Policy and Whistleblowing Policy have proved successful in increasing Council awareness. New cases of Whistleblowing were reported within a few weeks of the awareness posts going live on SCC Daily with grievances now taking the correct route.

There are no major concerns that malpractice in the workplace is an issue, although People & Change continues to monitor trends and ensure closure of cases in an appropriate and timely way.

In order to mitigate the challenge of assessing performance of the whistleblowing process (as low numbers of allegations could mean there is very little irregularity within the Council, or it could mean lack of awareness of the Whistleblowing Policy) a continued and improved communications plan is in place to support awareness, and the HR Business Partners also support services to understand best practice with regards to employee relations to reduce the number of whistleblowing cases in areas such as bullying, harassment and time management.

An e-learning quick-link for whistleblowing is being created and will form part of the employee induction pack. The module will be highlighted to managers and employees together with the Code of Conduct, which will also be promoted to joiners of the Council.

A new case management system (CMS) is live and being managed by the People Consultancy team. The CMS has the functionality to report on whistleblowing cases

and captures all cases that may not be submitted through Navex Global. Regular meetings are to be held with the HR Governance team and People Consultancy to ensure timely and effective handling of these cases to maintain trust and encourage individuals to come forward.

The exit survey reporting provides an overview of issues within directorates where focus can be enhanced, and relevant policies and communications can be targeted.

CONCLUSION

The report sets out the volume of whistleblowing across Surrey County Council. It indicates that although a higher number of cases are reported than other councils, this is interpreted as a healthy number and a sign of strength that the p of policies is working effectively and the relationship between HR Governance and People Consultancy works well. The communications and awareness campaigns are showing to be effective and the quarterly discussions with People & Change, Internal Audit and Monitoring Officer work well to identify trends and patterns. Regular reviews between the HR Governance team and People Consultancy will prove effective and improve an already strong process.

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Audit & Governance Committee
10 July 2024

**Officers and Employees Annual Gifts and Hospitality Report
2023/24**

Purpose of the report:

The report applies to officers and employees of the Council only, it does not apply to Members (councillors).

The report presents the annual gifts and hospitality report of the Council to the Audit and Governance Committee to provide transparency and accountability.

The report summarises the gifts and hospitality activity over the last year and analyses the effectiveness of the Council's process and system.

Recommendations

It is recommended that the Committee:

1. Review the contents of the Annual Gifts and Hospitality report to satisfy themselves that the governance arrangements are operating effectively; and
2. Make any recommendations for improvement.

Introduction:

1. The Council is required to have an effective gifts and hospitality policy and arrangement in place. It was recommended by the Centre for Governance and Scrutiny as an improvement the Council should make in its governance arrangements.

Gifts and Hospitality Annual Report 2023/24

2. As part of its governance arrangements the Council must ensure that effective arrangements for logging and reporting any gifts and hospitality offered and accepted, or declined, by officers are in place and are scrutinised regularly by the appropriate governance groups.

3. An effective and positive culture of declaring any offers of gifts and hospitality has the following advantages:

- Detects and deters wrongdoing.
- Provides information to managers so they can make decisions and contain the risk.
- Demonstrates to stakeholders that Surrey County council is serious about good governance.
- Reduces the chance of anonymous or malicious leaks.
- Reduces the chance of Legal claims against the Council; and
- Clear declarations of gifts and hospitality are likely to help with a defence under the Bribery Act 2010.

4. The annual report is attached at Annex A for the Committee's consideration.

5. The Governance Panel, The Risk Governance Group and the Whistleblowing monitoring group, which meets quarterly, have previously considered the report. These are informal meetings of the officers within the Council to discuss operation matters of governance, one being the statutory officer meeting.

Implications

6. **Financial**

There are no direct financial implications arising from this report. Continued improvements in governance will support the delivery of the council's objectives.

7. **Equalities**

There are no direct equalities implications of this report.

8. **Risk management**

Transparent declarations of gifts and hospitality support the council's commitment to good governance and the effective delivery of services and achievement of objectives.

Conclusions

9. The report on gifts and hospitality in the financial year 2023/24 is to provide Committee with the details of what has been declared by officers as accepted or declined. In addition, scrutiny is provided on sponsorship of the Stars in Surrey awards ceremony.

Legal Implications – Monitoring Officer:

10. The report compiles with Council Officer Code of Conduct as set out in the Council Constitution under Part 6 Codes and Protocols. There are no immediate legal implications associated with this report.

Next steps:

11. Any actions and recommendations from the Audit & Governance Committee will be considered for future reports.

Report authors: Shella Smith, Director of People & Change;
Bella Smith, Head of Insights, Systems and Governance, People & Change

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arabella.smith@surreycc.gov.uk

Sources/background papers:
Gifts and Hospitality Policy (amended in 2024)

Annexes/Appendices:
Annex A - Governance Report - HR Governance Report - Annual Report on Gifts and Hospitality Activity FY2023/24

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HR Governance Report

Annual Report on Gifts and Hospitality

Activity FY2023/24



SURREY
COUNTY COUNCIL

HR Governance Report

Annual Report on Gifts and Hospitality 2023/24

1. Summary

This report sets out the details for the Risk Governance Group and the Audit and Governance Committee of the gifts and hospitality received by officers at Surrey County Council in the period from 1 April 2023 to 31 March 2024. It explains the background to the policy as well as the monitoring and governance arrangements in place. It makes recommendations and provides a rationale.

2. Recommendations

That the report be reviewed, and the following recommendations be accepted, as follows:

- Quarterly re-issue of guidance around reporting of Gifts and Hospitality on the MySurrey system through the Our Surrey SharePoint pages.
- Clear and concise guidelines around hospitality.
- Targeted Communications for risk area groups, such as Interims, Procurement, Finance, to ensure that they refuse gift or hospitality from suppliers or contractors.
- Information reinforcing the expectation to decline gifts and hospitality, if unable to donate, to be cascaded by Extended Leadership Forum and People Business Partners
- Issue guidance on how to use MySurrey. Some employees do not know how to use the system which has led to low entries on the Gifts and Hospitality Register.
- Communicate the Code of Conduct at onboarding which contains Gifts and Hospitality policy, including new and improved e-learning course.

3. Background

Surrey County Council's Gifts & Hospitality (G&H) policy states that:

"The council expects employees, and those working on behalf of the council, including interims, agency workers and employees who are seconded to other organisations to refuse offers of gifts and hospitality, unless there are exceptional circumstances."

The Council has agreed a default position of decline for any gifts and hospitality, unless there are exceptional circumstances, then staff must complete the relevant declaration form in respect of receipt of any gift or hospitality which must be signed and approved by their line manager.

The detailed policy and the online register– together with the requirements relating to the registration of the receipt of gifts and hospitality by members of staff – can be found at: [SCC Info Gifts and Hospitality](#).

The register is maintained and reviewed monthly by the HR Governance team. Declared, non-compliant gifts and hospitality are investigated initially by the HR Governance team and escalated to HR Business Partners if deemed necessary.

Internal Audit, the Monitoring Officer and members of the HR Governance team review the register during quarterly meetings and continue to work together to achieve best practice and to ensure the Council meets its obligations with regards to monitoring and mitigating risk. The register of Itemised entries made by members of staff is edited appropriately (to remove personal data) and is published on Surrey-I. (See **Appendix B**).

4. Rationale

Sponsorship of the Surrey Awards 'Stars in Surrey' event accounted for 96% of the total value of all accepted Gifts and Hospitality in 2023/24 (worth £27.5k out of a total value of £28.7k).

The sponsorship was donated by 14 service providers - with an average donation of £2,000 - in exchange for an invitation to the award ceremony and company logos on display. In 2022-23, sponsorship of the same event totalled £6,500 among 3 service providers.

Otherwise, the number and value of accepted gifts and offers of hospitality were relatively low compared to the previous year. Excluding sponsorship, in 2023-24, there were 45 acceptances with a total value of £1,177.54. The equivalent figures in 2022-23 were 71 acceptances worth £5,269.

This would suggest that the Gifts and Hospitality Policy has become better known and understood among staff. This level of awareness should be maintained through a continued campaign of communications, training and raising understanding of the policy.

5. Issues for Consideration

Several points arise from the declared items set out in the tables in **Appendix A**:

- A total of 87 declarations by members of staff with a total value of £30,378 was made in relation to gifts and hospitality registered within the FY 2023/24 (including sponsorship). Of these, 59 were accepted (value £28,678), 23 were declined (£1,615) and 5 were donated to charity (£86).
- Sponsorship accounted for 96% of the total value of all accepted Gifts and Hospitality in 2023-24 (worth £27.5k out of a total value of £28.7k). See Tables 1 and 2.
- This compares with 89 notifications by officers with a total value of £10,600 in the preceding FY 2022/23. Of these 74 were accepted (£9,769), 11 were declined (£650) and 4 donated (£181). In 2022-23, sponsorship accounted for £6,500 of total acceptances.
- The value of acceptances in 2023/24 was 293% higher than the preceding year – mainly because of the 423% increase in the value of sponsorship (£27,500 compared to £6,500).

- By directorate, Children Families and Lifelong Learning (CFLL) was highest by volume - 36% - with 21 gifts and a total value of £428. These declarations were mainly to pay for attendance at events, subsistence, and networking occasions.
- Adults, Wellbeing and Health Partnerships (AWHP) accounted for 19% of all gifts by volume (11 in all – value of £126).
- In terms of value, Customer & Communities (C&C) had the highest value of gifts accepted with 96% of the total value of all gifts accepted – and 29% by volume (second highest – 17 in all).
- This total includes 14 donations of average value of £2,000 to sponsor the ‘Stars in Surrey’ event in December 2023. The total of £27,500 amounts to 91% of the value of all entries in 2023/24 and has skewed the year’s results significantly.
- Register entries tend to peak in December and January.
- All gifts and hospitality acceptances had manager authorisation.

6. Financial Implications

The scrutiny and audit of gifts and hospitality shows that all were investigated and authorised and that there is nothing of specific significant concern, although we always aim for a higher number of declined gifts and hospitality.

7. Future improvements

The process for recording the offer of gifts and hospitality was automated in 2023, so employees and members can log the offers through self-service on MySurrey. They are approved by the line manager or by Democratic Services for Member declarations.

The increased number of declined gifts and hospitality in 2023-24 suggests awareness of the policy has improved since the previous year. Regular reminders on SCC Daily to improve awareness of recording on MySurrey and access to the policy through the intranet will increase awareness and support compliance.

A strong and robust process for declaring sponsorships has been created by the HR Governance team, Legal Services and Internal Communications. Clear guidelines have been communicated to avoid leaving the Council open to allegations of impropriety. The communications campaign attracted immediate attention with many requests received by services with plans for future events.

With the new gifts and hospitality functionality within MySurrey, the enhancements will significantly reduce administrative burdens, improve compliance, and ensure a more transparent and accountable process for managing gifts and hospitality within the organisation.

Communications have been published and areas of concern have been targeted, highlighting the new functionality for reporting within MySurrey. Regular communications

will continue to be published and areas of concern will continue to be monitored and mitigating actions and initiatives implemented.

8. Conclusion

There is confidence that the accepted items are not of significant value and are accepted as goodwill, and the investigations by the HR Governance Team are thorough for any deemed inappropriate.

Clear and concise guidance around sponsorship is now available and will require further communication to services and will form part of the communications campaign. The campaign supports the policy and raises awareness, this includes work on targeted communications where there may be higher levels of gifts and hospitality offers, particularly for major project work which may include facility visits and networking events.

The close monitoring by the HR Governance team on a monthly basis and the quarterly reviews with Internal Audit, the Monitoring Officer and members of the HR Governance team supports this confidence.

HR Governance Team
May 2024

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Table 1 – All Gifts and Hospitality 2019-20 to 2023-24

Financial Year	No. of entries	Total Value - All Entries	Accepted	Value	Declined	Value	Donated	Value
2019-20	141	£9,665	60	£3,136	74	£6,385	7	£144
2020-21	37	£2,464	34	£2,338	1	£3	2	£110
2021-22	61	£7,874	50	£6,144	9	£1,370	2	£360
2022-23	89	£10,600	74	£9,769	11	£650	4	£181
2023-24	73	£2,878	45	£1,178	23	£1,615	5	£86

Table 2 – Sponsorship in 2023-24

Stars in Surrey - Sponsorship - 2023-24				
	Month	Company	Award	Amount
1	December	Pick Everard	Headline sponsor award- Make it Community award	£3,500.00
2	December	Atkins Global	People's choice award	£2,000.00
3	December	Beard Construction	Frontline worker award	£2,000.00
4	December	Concerto	EDI Award	£2,000.00
5	December	Impower	Innovative working award	£2,000.00
6	December	Commercial Services Group	Lifetime achievement award	£2,000.00
7	December	Vail Williams	Greener Future Award	£2,000.00
8	December	Suez	Entrepreneurial project of the year Award	£2,000.00
9	December	RingWay	Young Employee of the year award	£2,000.00
10	December	myProteus	The Service Transformation award	£2,000.00
11	December	MLL Telephony	Team Award for outstanding customer service	£2,000.00
12	December	Embridge Consulting	50/50 with Unit 4, The Unsung Hero Award	£1,000.00
13	December	Unit 4	The Unsung Hero Award	£1,000.00
14	December	31 Ten Consulting	Entertainment package	£2,000.00
	Total			£27,500.00



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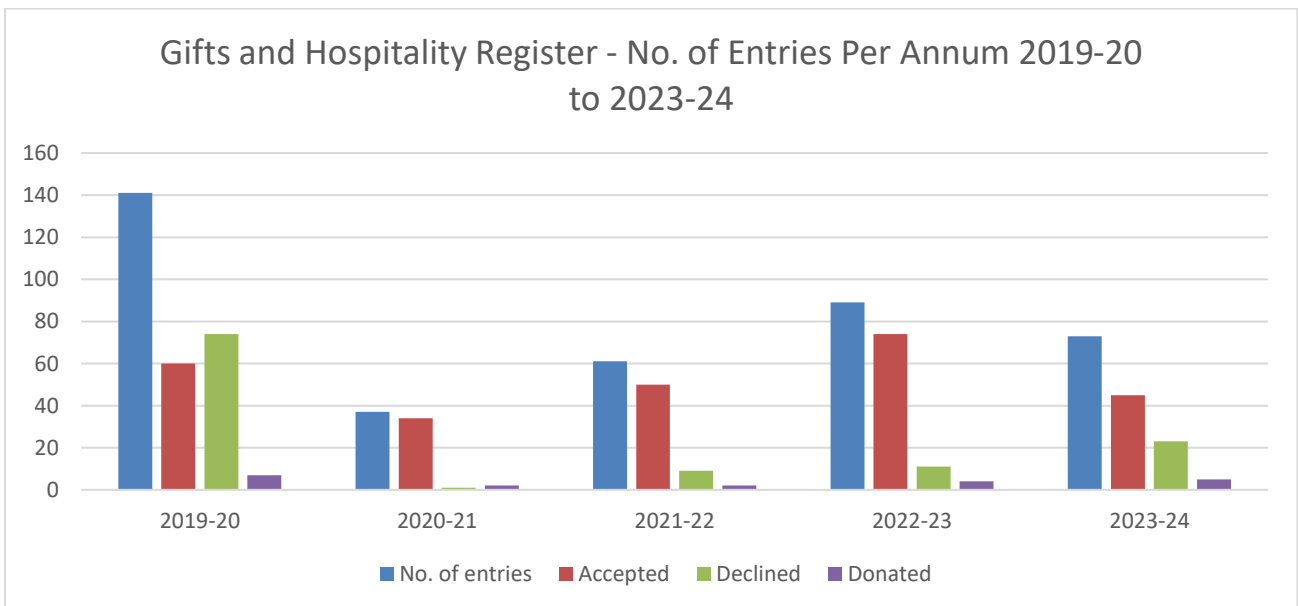
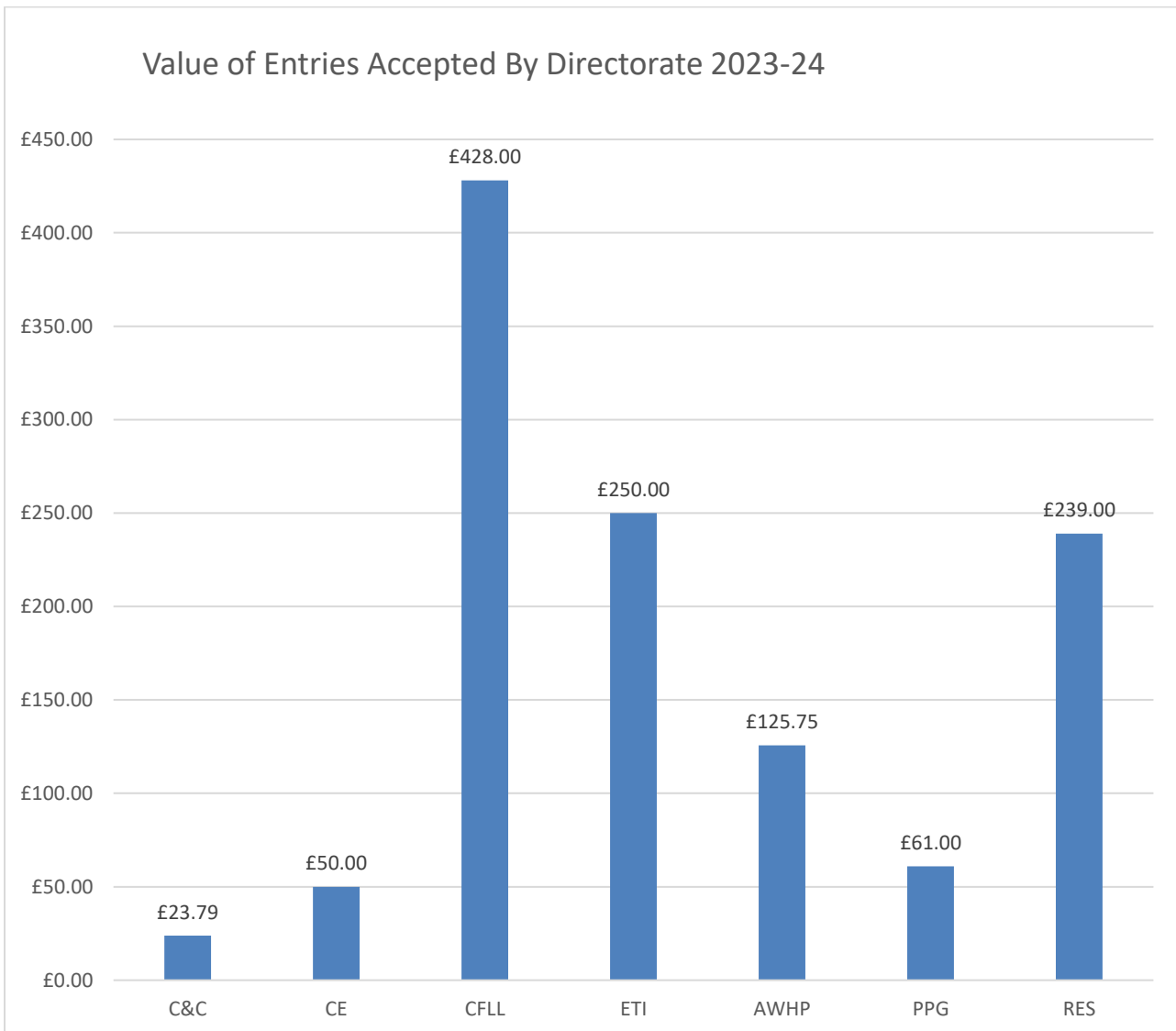


Table 3 - Breakdown of Gifts and Hospitality by Directorate 2023/24

Directorate 2023-24	Value of gifts and hospitality accepted	%
C&C	£23.79	2.0
CE	£50.00	4.2
CFLL	£428.00	36.3
ETI	£250.00	21.2
AWHP	£125.75	10.7
PPG	£61.00	5.2
RES	£239.00	20.3
Total	£1,178	100

Value of Entries Accepted By Directorate 2023-24

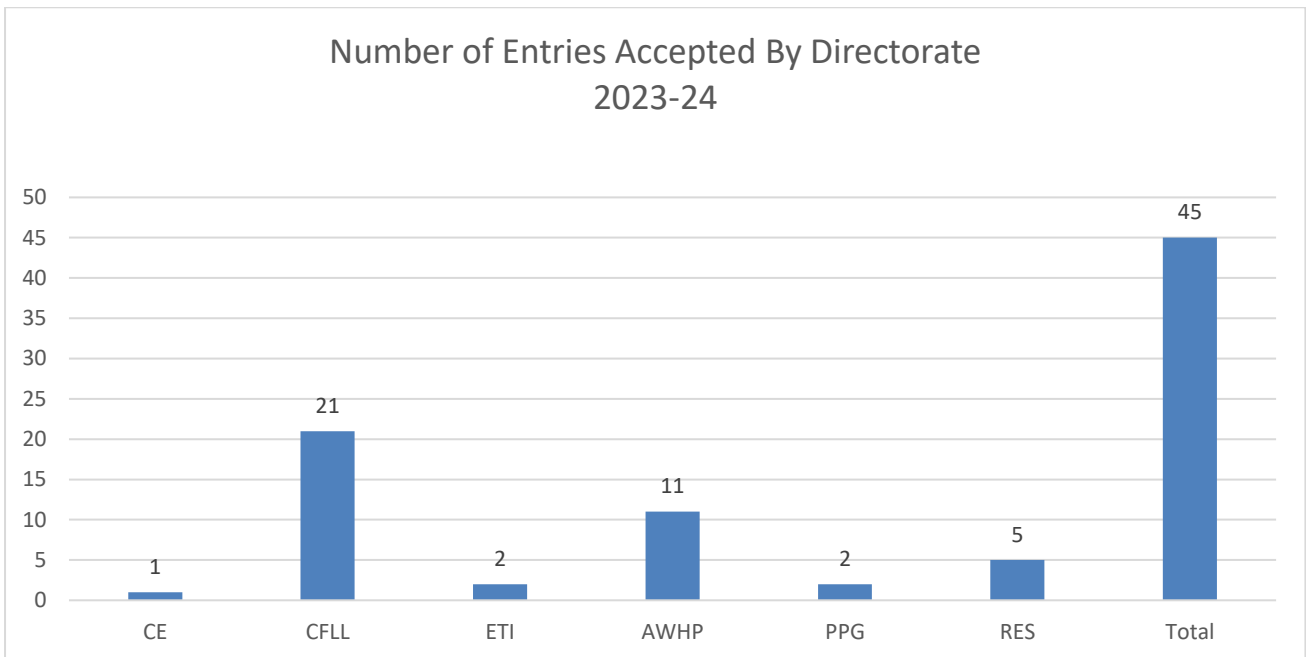


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Table 4 – Number of Gifts and Hospitality Accepted by Directorate 2023/24

Directorate 2023-24	Gifts and hospitality accepted - Number	%
C&C	3	6.67
CE	1	2.22
CFLL	21	46.67
ETI	2	4.44
AWHP	11	24.44
PPG	2	4.44
RES	5	11.11
Total	45	100

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Appendix B**Register of Gifts and Hospitality**

Key	Directorate (Dir.)
C&C	Customer & Communities
CE	Chief Executive
CFL	Children, Families & Learning
ETI	Environment, Transport & Infrastructure
AWHP	Adult, Wellbeing and Health Partnerships
PPG	Partnerships, Prosperity & Growth
RES	Resources

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No.	JOB TITLE	DIR.	DATE OFFERED	OFFERED BY	BRIEF DESCRIPTION	EST. VALUE	WAS THE OFFER MADE TO OTHERS?	OFFER ACCEPTED / DECLINED/ DONATED TO CHARITY
1	Business Team - Deputy Manager	C&C	20/06/2023	Comité interprofessionnel du vin de Champagne - It was a training presentation at CTSI conference in Birmingham	The prize of a bottle of champagne for people that attended their training session, and I won the prize	£10.79	No	Accepted
2	Community Investment Advisor	C&C	25/07/2023	Main contact of 8th Ashford Scouts	Gift included a card, baby muslins and baby stacking cups (as I will be going on maternity leave in a few weeks)	£8.00	Yes	Accepted
3	Weekend Library Assistant	C&C	17/02/2024	Mr Gregory Stuart King	A bottle of Hardy's white wine	£6.50	Yes	Declined
4	Chief Executive	CE	24/05/2023	Westco Communications	LGA Conference - dinner invite	£50.00	No	Declined
5	Chief Executive	CE	26/05/2023	CCN	LGA Conference - dinner invite	£50.00	No	Declined

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6	Chief Executive	CE	22/05/2023	PwC	LGA Conference - dinner invite	£50.00	No	Declined
7	Chief Executive	CE	01/06/2023	Oxygen Finance	LGA Conference - drinks invitation	£50.00	No	Declined
8	Chief Executive	CE	02/06/2023	SOLACE	LGA Conference - dinner invitation	£50.00	No	Declined
9	Chief Executive	CE	04/05/2022	LGA	LGA Conference - dinner invitation	£50.00	No	Declined
10	Chief Executive	CE	18/05/2023	Capita and Localis	LGA Conference - dinner invitation	£50.00	No	Declined
11	Chief Executive	CE	24/03/2023	Newton Europe	LGA Conference - dinner invitation	£50.00	No	Accepted
12	SEND Advice Surrey Manager	CFLL	27/06/2023	A parent and her daughter that I was supporting in their appeal.	A bunch of flowers arrived in the post. Lillies and roses.	£20.00	Yes	Accepted
13	social worker	CFLL	23/10/2023	Foster carer /prospective adopter	A bottle of champagne 2x home-made jars of jam	£25.00	Yes	Accepted
14	Targeted Youth Practitioner	CFLL	05/01/2024	Family I am supporting	£30 gift card	£30.00	Yes	Accepted
15	SEND Advisor	CFLL	10/07/2023	Parent of Service User	Bunch of flowers and thank you card.	£5.00	Yes	Accepted
16	Senior Social Worker	CFLL	12/12/2023	Fostering Family	Smart Phone Holder	£10.00	Yes	Accepted
17	Personal Advisor	CFLL	12/04/2023	Leaving Gift from Service User	Chocolate and perfume	£20.00	Yes	Accepted
18	SEND Case Officer	CFLL	19/04/2023	Parent of Service User	Flowers and chocolates. Champagne was also offered but declined.	£10.00	Yes	Accepted
19	SEND Advice Surrey Advisor	CFLL	24/04/2023	Parent who has been supported through the tribunal process	bunch of flowers	£20.00	Yes	Accepted
20	SEND Advice Surrey Manager	CFLL	10/05/2023	Parent of Service User	A bottle of prosecco, tulips and a box of chocolates.	£12.00	No	Accepted

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21	Administration Coordinator	CFLL	25/05/2023	Parents of service user	Three tins of Fortnum & Mason biscuits, presentation box of Pukka tea and a box of artisan coffees.	£100.00	Yes (Team Gift)	Accepted
22	Senior Social Worker	CFLL	30/05/2023	Adopters I have been working with	a bracelet	£25.00	Yes	Accepted
23	SEND Advice Advisor	CFLL	07/06/2023	Mossarof Ovi	Small box of Ferrero Rochet	£6.00	No	Accepted
24	SEND Advice Surrey Advisor	CFLL	07/06/2023	Parent	Box of chocolates	£5.00	Yes	Accepted
25	SEND Advice Surrey Advisor	CFLL	11/04/2023	A parent	A large bar of chocolate with SEND Advice are Superhero's written on it.	£14.00	Yes	Accepted
26	Trainee Educational Psychologist	CFLL	30/06/2023	School	Two separate packs of four cans of 330ml cans of beer, eight cans total.	£10.00	Yes	Accepted
27	SEND Advice Surrey Manager	CFLL	08/11/2023	Parent	A bunch of flowers. A bottle of prosecco and a box of biscuits.	£20.00	Yes	Accepted
28	Social worker	CFLL	07/12/2023	Service User	Christmas card and box of chocolates	£10.00	Yes	Accepted
29	Senior Supervising Social Worker	CFLL	07/12/2023	Foster carer	2 small bunches of yellow roses which had been reduced to £1.75 a bunch (sticker still on the flowers). However, the foster carer obtained them for free.	£3.50	Yes	Accepted
30	Senior Practitioner - Targeted Youth Support	CFLL	20/12/2023	Family at a closure session.	Card, two hand towels with an image of an animal on it. Cost of gift not known- guess estimate entered.	£5.00	Yes	Accepted
31	Social Worker	CFLL	22/01/2024	Parent	She gave me a late Christmas gift which was perfume.	£30.00	Yes	Offered to charity

Annual Report on Gifts and Hospitality 2023/24

32	Social Worker	CFLL	12/02/2024	Parent of Service User	Elizabeth Arden Green Tea Body Cream	£15.00	Yes	Offered to charity
33	Senior Supervising Social Worker	CFLL	07/12/2023	Forster Carer	2 small bunches of yellow roses which had been reduced to £1.75 a bunch (sticker still on the flowers). However, the foster carer obtained them for free.	£3.50	Yes	Accepted
34	Senior Finance Team Leader	CFLL	19/12/2023	PowerTutorials Ltd	Two of "Lindt Pick & Mix Selection Box 1kg Large"	£74.00	No (31 People)	Accepted
35	Participation Lead	CFLL	19/02/2024	Chinese Association of Woking	50p in a Good Luck bag as a token of luck for the new year. As a thank you / good luck gift from the organisers of the event to stall-holders.	£0.50	Yes	Offered to charity
36	Assistant Director, Highways	ETI	02/11/2023	Brightly Software	Networking and collaboration at CIHT Annual Luncheon	£50.00	Yes	Declined
37	Systems Strategy and Improvement Lead	ETI	02/11/2023	Brightly - Software company who we are a strategic client with. They provide the system we use to manage all enquiry, defect, works, and payment in EIG.	The invite was to the annual Charter Institute and Highway and Transport luncheon. This is a networking event where representatives from the industry and other highway authorities are brought together to discuss new initiatives and better ways of working.	£50.00	Yes	Declined
38	Street Lighting Manager	ETI	24/08/2023	Milestone Infrastructure	Attendance at annual conference, awards dinner and overnight accommodation	£200.00	Yes	Accepted

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39	Director Highways & Transport	ETI	16/06/2023	Atkins	Attendance at the Chartered Institute of Highways Transport Annual Luncheon	£50.00	Yes	Accepted
40	Director Highways & Transport	ETI	04/09/2023	Ringway (supplier)	invitation to attend the Chartered Institute of Highway & Transportation annual luncheon	£50.00	No	Declined
41	Assistant Director, Highways	ETI	26/10/2023	Asphalt Group	Collaboration and networking opportunity at attendance at CIHT Annual Luncheon	£50.00	Yes	Declined
42	Director Highways & Transport	ETI	04/10/2023	Atkins	to join Atkins and other LA clients at the industry CIHT luncheon	£50.00	Yes	Declined
43	Strategic Contracts Group Manager	ETI	02/11/2023	Ringway Infrastructure Services	Attendance at the Chartered Institute of Highways and Transportation (CIHT) Annual Luncheon.	£50.00	Yes	Declined
44	PDP Placemaking Officer	ETI	29/11/2023	Mr Simms Olde Sweet Shop - The owner	The owner offered me a bag of sweets	£2.00		Declined
45	Placemaking Specialist	ETI	29/11/2023	Owners of One 40	Offered (a few times) a hot drink or cold drink, during an impromptu meeting with them - about the Public realm improvements for Cranleigh High Street.	£3.00	No	Declined
46	Social Worker	AWHP	06/04/2023	Parent of Service User	The gifts were a box of chocolate and flowers.	£10.00	Yes	Accepted
47	Assistant Team Manager	AWHP	19/06/2023	Family of Service User	Packet of Quality Street chocolates	£6.00	No	Accepted
48	Mental Health Social Worker	AWHP	07/07/2023	Service user	One bunch of roses, one hardcover book ('Yellowface' by Rebecca	£20.00	Yes	Accepted

Annual Report on Gifts and Hospitality 2023/24

					Kuang), and a thank-you card			
49	Approved Mental Health Professional	AWHP	12/06/2023	Service user	Box of chocolates	£3.00	No	Declined
50	Approved Mental Health Professional	AWHP	16/08/2023	Service user	Tesco Mug - grey with heart embossed (£3.50). Bar of chocolate - Galaxy 135g (£1.25) Mug accepted, chocolate donated to IRL manager who would pass to another resident in need.	£4.75	Yes	Mug accepted; chocolate donated
51	Social Worker	AWHP	24/10/2023	Parents of service user	A small plant and small box of chocolates.	£10.00	Yes	Accepted
52	Social Care Assistant	AWHP	05/12/2023	From service user following visit	x3 box of chocolates	£10.00	No	Accepted
53	senior commissioning manager	AWHP	13/12/2023	SD Card	Hamper	£20.00	Yes	Offered to charity
54	Assistant Team Manager	AWHP	18/12/2023	Family of Service User	Two bottles of wine, one red and one white, one normal size and one small size.	£12.00	Yes	Accepted
55	senior commissioning manager	AWHP	13/12/2023	SD Care, local homecare provider	Hamper	£20.00	Yes	Offered to charity
56	Social Worker	AWHP	11/01/2024	A previous client's mother has sent a Christmas card and gift.	The gift is hand soap and cream	£15.00	No	Accepted
57	Senior Occupational Therapist	AWHP	24/01/2024	Family of Service User	A bottle of red wine.	£8.00	Yes	Accepted
58	Assistant Team Manager	AWHP	22/02/2024	Service User	Woolen Scarf	£20.00	Yes	Accepted

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Annual Report on Gifts and Hospitality 2023/24

59	Assistant Team Manager	AWH P	12/03/2024	Family of Service User	2 bunches of roses - one for Karen Armour and one for Maalika Perera	£10.00	No	Accepted
60	Senior Project Manager	PPG	06/06/2023	School	Marks and Spencer Belgian Chocolate gift bag received in post.	£30.00	No	Accepted
61	Executive Director for Partnerships, Prosperity and Growth	PPG	29/09/2023	Inner Circle Consulting provided lunch during a meeting	Provided lunch during a meeting in Borough Market.	£31.00	Yes	Accepted
62	Assistant Director - LGPS Senior Officer	RES	26/06/2023	Mercer	Dinner	£50.00	No	Accepted
63	Deputy Chief Executive & Exec Director of Resources	RES	21/11/2023	State Street Global Advisors	An audience with British astronaut, Tim Peake	£150.00	Yes	Declined
64	Deputy Chief Executive & Exec Director of Resources	RES	02/05/2023	LAPF Investments	Dinner Party held in Cotswolds, Champagne reception to start with followed by dinner and drinks	£200.00	Yes	Declined
65	Senior Development Manager	RES	05/06/2023	Company	Invitation to attend a 20/20 Cricket match Surrey v Middlesex at The Oval on 22 June 2023	£39.00	No	Declined
66	Executive Director of Resources	RES	06/06/2023	Arlington Close	Public Finance Live Dinner 2023- Dinner at Cinnamon Club in London	£80.00	Yes	Declined
67	Head of Service Delivery - Pensions	RES	26/06/2023	Mercer	Dinner	£50.00	No	Accepted
68	Employer Manager	RES	26/06/2023	Mercer	dinner	£50.00	No	Accepted
69	Head of Investment and	RES	26/06/2023	Mercer	Dinner	£50.00	No	Accepted

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Annual Report on Gifts and Hospitality 2023/24

	Stewardship							
70	Deputy Chief Executive & Exec Director of Resources	RES	17/08/2023	Finance Directors Forum	Attendance at The Richmond Events Finance Directors Forum 2023, including meals, workshops, drinks reception and accommodation	£450.00	Yes	Declined
71	Insight & Intelligence Lead	RES	26/09/2023	Zenith	Bottle of wine	£10.00	No	Declined
72	Senior Surveyor	RES	24/01/2024	SCC tenant	Two bottles of wine from Fortnum and Mason	£60.00	Yes	Declined
73	Lead Community Investment Advisor	RES	26/06/2023	Oxshott Scouts and Guides	Box of chocolates	£5.00	Yes	Accepted

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