

MINUTES of the meeting of the **AUDIT AND GOVERNANCE COMMITTEE** held at 10.00 am on 20 November 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

The Chairman welcomed some officers from the Corporate Leadership Team (CLT) in attendance in person and online, particularly to respond to any questions regarding their directorate concerning item 8.

57/24 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]

There were none.

58/24 MINUTES OF THE PREVIOUS MEETING - 11 SEPTEMBER 2024 [Item 2]

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

59/24 DECLARATIONS OF INTEREST [ITEM 3]

There were none.

60/24 QUESTIONS AND PETITIONS [Item 4]

There were none.

61/24 RECOMMENDATIONS TRACKER AND WORK PLAN [Item 5]

Key points raised in the discussion:

1. Action A8/23: the Audit Manager (Counter Fraud) explained that since agenda publication, he had received the final report from Unit 4/MySurrey to allow him to undertake the analysis. He confirmed that no issues had been identified and that reporting would be built into the proactive work undertaken periodically.
2. Action A20/24: the Chairman noted that he would respond to the Chair of the Children's Families, lifelong learning and Culture Select Committee, who had invited him to sit on the relevant Task Group.
3. Action A30/24: the Chairman noted that he would draft the letter to CLT and invite officer(s) to attend to provide an update.

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:

None.

62/24 CENTRE FOR GOVERNANCE AND SCRUTINY REVIEW OF COUNCIL GOVERNANCE ACTION PLAN UPDATE [Item 6]**Speakers:**

Asmat Hussain, Interim Director of Law and Governance and Monitoring Officer

Key points raised in the discussion:

1. The Interim Director of Law and Governance and Monitoring Officer outlined the final action updates on the action plan brought to the Committee in 2023. She emphasised that completed actions would be reviewed and refreshed as a matter of good practice and governance.
2. A Committee member noted that as a backbencher it was difficult to get to know new officers that join the Council particularly those who would be relevant to Members' work, with the local elections next year it would be useful for all Members to be alerted to new officers with their photo and role. The Interim Director of Law and Governance and Monitoring Officer noted that could be addressed in the communications to Members via the newsletter.
3. A Committee member welcomed the report and asked once all the actions had been implemented, whether the Centre for Governance and Scrutiny (CfGS) could revisit the Council to see whether any other areas could be improved, its last visit was in 2022 and the CfGS provides a significant benefit to organisations. The Interim Director of Law and Governance and Monitoring Officer agreed noting that would demonstrate good governance, a future date could be reviewed and agreed with the Committee after the local elections.
4. Regarding 'Members and Officers Working Together', the Chairman wondered whether there could be a workshop for the Committee with CLT, to see what could be done better. The Interim Director of Law and Governance and Monitoring Officer would liaise with the Chief Executive and CLT.
5. Responding to the Chairman, the Interim Director of Law and Governance and Monitoring Officer confirmed that there would be a Local Government Association (LGA) peer review next year and the date was to be confirmed, the LGA undertakes a peer review of authorities on a five-year cycle.

RESOLVED:

1. Noted the continued progress made against the actions taken by officers in response to the 2022 Centre for Governance and Scrutiny report as set out in Annex 1.
2. Noted that the actions, tasks and ongoing monitoring of these areas are now integrated into the Council's business as usual activities.
3. Noted that ongoing governance work will be undertaken by the Council using the Government's Best Value Standards and Intervention statutory guidance with oversight from the Audit and Governance Committee.

Actions/further information to be provided:

1. A33/24 - The Interim Director of Law and Governance and Monitoring Officer will follow up the suggestion that all Members be alerted to those new officers that would work closely with Members when they join with their photo and role through the communications to Members via the newsletter.
2. A34/24 - The Interim Director of Law and Governance and Monitoring Officer will review a future date to be agreed with the Committee after the local elections, for the CfGS to visit the Council to see whether any other areas could be improved.
3. A35/24 - The Interim Director of Law and Governance and Monitoring Officer will liaise with the Chief Executive and CLT regarding the request for a workshop for the Committee with CLT, to see what can be done better.

63/24 6 MONTH COMPLAINTS UPDATE REPORT 2024/25 [Item 7]

Speakers:

Eleanor Brown, Assistant Director - Customer Experience

Steve Tanner, Assistant Director - Inclusion and Additional Needs

David John, Audit Manager

Liz Mills, Strategic Director - Customer Service Transformation

Sam Reynolds, Head of Customer Engagement and System Development

Asmat Hussain, Interim Director of Law and Governance and Monitoring Officer

Key points raised in the discussion:

1. The Assistant Director - Customer Experience noted there had been signs of improvement compared to the first six months of last year. There was a 6% decrease in complaint volumes, a large decrease in the number of Local Government and Social Care Ombudsman (LGSCO) escalations and investigations regarding Special Educational Needs (SEN) assessment complaints, the on-time response remained below Council's target but there had been quarterly improvements in most areas and stages. The improvement actions detailed in Annex 3 remained on track for completion by March 2025.
2. The Assistant Director - Customer Experience summarised the key highlights around performance timescales across the complaint areas and stages, the complaint themes, and LGSCO complaint volumes and decisions held steady compared to last year. She highlighted the breakdown of the LGSCO's decisions, the Education Service in Children, Families and Lifelong Learning (CFLL) remained the highest area. The number and proportion of LGSCO investigations relating to delays in SEN assessments had decreased in the first six months of 2024/25 which resulted in a drop in the upheld investigations. The financial remedies were around £239,000, payment outliers had been included.
3. The Assistant Director - Customer Experience summarised the learning and analysis from complaints. CFLL Directorate: communication remained a key complaint theme regarding SEN children, the report outlined improvement actions underway such as the End to End Review, additional resource for staff training and the planned restructure in Education Services. Adults, Wellbeing and Health Partnerships Directorate: Equality, Diversity and Inclusion was central to the analysis, newly created reports were shared with internal assurance boards. Corporate Services: complaints handling training was central to improve timeliness and quality, and reduce the escalations; updates were being made to the Council's website so residents could self-serve.
4. The Assistant Director - Customer Experience noted that since writing the report, improvements had been made to stabilise the current complaints IT system, that improved data accessibility and the other outstanding issues were on track for

- resolution with the supplier by January 2025. Technical assessments were underway to inform the business case for a more effective future IT system.
5. The Chairman noted that he could only see a slight improvement from the work underway, he asked when the Committee could see a major improvement with complaints having dropped by 50% for example. The Assistant Director - Customer Experience reiterated the various improvement actions underway which would culminate into reduced complaint volumes over time, and the extent of success was dependent on a whole Council effort. The end goal was not to have any complaints and a realistic timeframe to see a major reduction would likely be at least eighteen months and subject to a comprehensive series of improvements at both service level and complaint handling aspects.
 6. The Chairman noted that poor communication remained a major source of complaints, between 30 to 40% of complaints about CFLL. The Committee had a deep dive around eighteen months ago where poor communications were highlighted, and concern was expressed that there seemed to be limited improvement.
 7. The Assistant Director - Inclusion and Additional Needs noted that there were around 40,000 children and young people with SEN support in Surrey and around 16,000 children and young people with an Education, Health and Care Plan (EHCP). He explained that the End to End Review looked at the whole process to make it more efficient and effective to improve the timeliness and lessen the number of hand-offs between different parts of the system. Recruitment and retention was a challenge and improvements had been put in place. The customer journey was being mapped to make it smoother.
 8. The Assistant Director - Inclusion and Additional Needs explained that a revised quality assurance process was being built in to ensure that communications to parents are reviewed before being issued. The structure was being reviewed to ensure the best use of the capacity and resources, and right team sizes; using digital technology to improve communications on more simple matters, freeing up case workers' time to address complex matters. There had been staff training on relational working with customers. The information on the Council website was being strengthened on the local offer. There had been an erosion of trust and confidence in the Council, rebuilding that would take time.
 9. The Chairman noted that constituents simply wanted to be replied to on their complaint or issue particularly at Stage 1, he asked whether the capacity was in place to do so. The Assistant Director - Inclusion and Additional Needs noted the measures taken in the Learners' Single Point of Access (L-SPA), the front door for many queries from parents and schools. The response rate had increased significantly in the last three months, work was underway to: improve the responses by case officers in the local quadrant teams, improve the telephony system and email responses, and implement a system to get instant feedback from parents around how well their call has been handled. More granular detail around parents' overall satisfaction with their interaction with the Council could be reported to the Committee, learning from both positive and poor experiences.
 10. A Committee member noted that the cohort of 56,000 children and young people receiving support from the Council was not a small proportion. Noted that parents feel that they must make a complaint to be heard for their child's needs to be addressed, that needed to be resolved and not exacerbated; focusing on accepting the issue and being helpful rather than being defensive.

Ayesha Azad arrived at 10.38 am.

The Assistant Director - Inclusion and Additional Needs noted the investment and focus on the Early Intervention and Support Strategy, to help identify children's needs earlier with schools and parents and to put in the support required without

the need to undertake a statutory assessment. In the last year there had been a 5% reduction in the overall EHC Needs Assessments requests.

11. The Committee member noted that it was vital for the Committee to regularly be informed of the trajectory of parents' satisfaction and how it was being managed, Surrey was not the only council suffering from poor communication issues. The Chairman agreed to that request. The Assistant Director - Inclusion and Additional Needs highlighted that one of the major sources of complaints last year was around EHCNAs timeliness, that improved from the teens to nearly 70%, the complaints had reduced. The increasing number of complaints relating to Annual Reviews had started to reduce as the timeliness improved, provision remained a challenge and was being addressed through the capital programme and additional provision. Demand in Surrey and nationally had significantly increased from around 7,500 EHCPs five years ago to currently around 16,000.
12. A Committee member acknowledged the efforts being made to improve the situation, however the number of complaints received had not changed much for the last three years despite hearing the attempts throughout to improve the situation. It was highly unsatisfactory, particularly considering the further eighteen months it would take to see significant improvements. The Council was receiving more complaints than it should and it was not meeting performance targets in many areas to deal with those complaints. Queried what the Committee could do to encourage the improvement of the situation.
13. A Committee member asked when the last time Internal Audit undertook a review of complaints management. The Audit Manager noted that the last full audit of customer complaints was in 2021, specific work around customer complaints management in Children's Services was done in 2023; it would likely be in the planning considerations for next year.
14. A Committee member received complaints escalated from residents who had not received clear and timely communications and updates. As there had been little change over the past few years, he asked whether the problem was truly understood, asked what assurance could be provided that the actions being taken would address the issue and provide improvements.
15. The Strategic Director - Customer Service Transformation noted the extensive Customer Transformation Programme under way, benefits were being delivered. For example, the need to underpin the culture and behaviours within the organisation, taking a whole Council approach, through training and performance management and reporting systems. Also taking a digital perspective looking at the routes in such as the website to address issues, for example in Education Services having a portal by April 2025 where parents can access their record and see the progress. As well as ensuring the website is fit for purpose, enabling simple customer journeys.
16. The Strategic Director - Customer Service Transformation added that customer feedback from FixMyStreet was positive, reporting issues was simpler. Had started to map every journey that a customer would take throughout the Council, there were over 500 journeys, that was being collated with the satisfaction and complaint data to focus on areas to prioritise. At the start of September where there was the usual high volume of contacts for those starting the new school year, there had been greater resolution of issues first time and more quickly for families. The Contact Centre could provide first and second line resolutions where possible. The work underway created fundamental shifts across many areas, working with services and making incremental changes over time.
17. The Chairman asked whether the Customer Transformation Programme was in place two years ago where the problems particularly around communications were known about. The Strategic Director - Customer Service Transformation noted that the programme was established this year and investment was approved by the Cabinet in July 2024.

18. A Committee member queried whether residents had been asked about what their communications issues are in trying to get data out of the Council particularly in CFLL. The actions put in place two years ago did not appear to be effective. The Strategic Director - Customer Service Transformation noted that the Council was working with its customers to understand the issues. The programme is improving the communication vastly, for example with families at the beginning of term. Customer feedback was used in designing the processes for FixMyStreet. The customer's voice is the first principle used to understand their needs, moving to design and action to improve those experiences.
19. The Head of Customer Engagement and System Development noted that in the CFLL Directorate, the learning from complaints was being reported directly to the education leadership team, there was detailed analysis on the trends and themes and case studies, detailing what had happened at each stage. That would be integrated into a Service Improvement Plan, looking at why complaints are raised, and putting in place early resolution when those are raised. A large investment had been made for more staff resourcing within the complaint function and within SEND services, through the complaint leads liaising with parents and focusing on early resolution.
20. The Head of Customer Engagement and System Development explained that regarding Stage 1 complaints, a quality assurance framework had been introduced so the Customer Relations team could review complaint responses in line with the customer promise setting clear timeframes; following up the actions with the services so as not to escalate complaints to Stage 2. There was work in the Customer Relations team with managers to ensure accountability for the actions. There was a 30 to 40% year-on-year increase in complaints between 2019/20 and 2022/23, which started to level off in 2023/24 and for the first six months of this year there had been a decrease for the first time in Education Services in the volume of complaints at Stage 1. The increase in complaints correlated with the increase in requests for EHCPs, however, despite continued increase in demand, the complaint volumes started to decrease at Stage 1 and it is expected they would subsequently decrease at Stage 2 and at LGSCO level.
21. The Vice-Chairman asked that when reviewing the satisfaction surveys, there should be a focus on dealing with the expectation at the first point of communication with residents. For example, the complaints he received related to insufficient information on the website or when engaging with the Council, for them to understand the processes. He noted that chatbots could be a useful tool. The Head of Customer Engagement and System Development noted that in Education Services, a restorative practice service manager had been appointed, they would help embed the cultural aspects. Chatbots were useful to address queries, yet it was important not to lose that personal touch with parents. He had highlighted in the customer journey map the issue of the early points for engagement with customers being missed before they request an EHCP, to help set expectations and improve communication at an early stage.
22. The Strategic Director - Customer Service Transformation noted that chatbots had been trialled and were effective, best practice was being used, further automation in self-service was being reviewed, the model ensured accessibility. The findings were that the wrong balance of information was provided on the website, the content was being reviewed; there had been improvements to journey time and customer experience in the Blue Badge domain.
23. The Assistant Director - Inclusion and Additional Needs responded to comments that the numbers of complaints had not improved, he noted that in 2021 there were 12,000 EHCPs. Currently, there are 16,000, that was a third increase, yet there had not been a third increase in complaints; complaints had decreased. He outlined the key decision-making and communication points within a local authority's statutory duties regarding EHCPs from the receipt of an application or

request to assess, to the end point of reviewing the plan after one year. Noted that in some cases parents were making excessive demands of case officers through multiple emails, that was a challenge for case officers.

24. A Committee member asked when the Service Improvement Plan would be implemented, and what the improvement expectations were. Asked for the Committee to receive those actions from two years ago, to review progress. There were solutions to address the multitude of emails received by case officers from parents, such as self-service portals. The Strategic Director - Customer Service Transformation confirmed that a portal for parents was in development, being tested with parents to go live in April 2025; the impact would be reported to the relevant committees. She was happy to follow up the request to track back two years and circulate to the Committee a summary of the progress made regarding communications; she would liaise with the relevant Director.
25. A Committee member noted that parents would send multiple emails in the absence of adequate information, the right information must be available on the website or from an officer to discuss it; alleviating the stress. The Council must do better at informing people and how through various tools.
26. A Committee member reiterated his initial question about what the Committee could do to in line with its responsibilities. The Interim Director of Law and Governance and Monitoring Officer noted that the Committee could ask for a more detailed report but needed to avoid the issue being repeated. The Chairman highlighted that the Committee was not a scrutiny committee. The Committee agreed that the Chairman would write to CLT and the select committees, noting the Committee's dissatisfaction with the complaints performance so far; its concerns to be highlighted to the Cabinet.
27. The Cabinet Member for Finance and Resources noted that he would inform the Cabinet of the Committee's concerns. He noted that the Committee had not provided alternative suggestions about what could be done to improve the situation over and above the work underway. The Chairman noted that the Committee's focus was the lack of progress, it was difficult for the Committee to say what should be done as it was not operationally involved in the work. The Cabinet Member for Finance and Resources noted that for example around Home to School Transport, there was a significant reduction in the number of complaints compared to two years ago and the timeliness had improved.
28. A Committee member asked the officers whether they felt confident that the Customer Transformation Programme would provide the improvements needed. The Strategic Director - Customer Service Transformation was confident that it would make a difference. She wondered whether the information had been presented in a linear way around the complaints statistics without highlighting the context and providing evidence of improvement to residents, and areas for further development. Through the investment and targeted work, there had been tangible differences. She recognised the need to keep the programme under review, to be honest and open and adjust where needed; and to provide the Committee with a more complete picture of the situation going forward.
29. A Committee member noted that the tactical work underway addressed the symptoms rather than the root cause and asked whether how the improvements are measured would be revised. The Assistant Director - Customer Experience noted that in the Customer Transformation Programme, the Key Performance Indicators (KPIs) around customer experience were being redesigned so that things are measured that demonstrate impact and to ensure that the current customer experience is understood, to show what good looks like to understand the impact of the interventions and to treat the root cause. Accessing the right data to measure that and using technology effectively was vital.
30. A Committee member referred to the risk implications section and queried whether there was adequate accountability and whether there should be a risk added to the

Strategic Risk Register on poor complaints handling. The Assistant Director - Customer Experience would consider that suggestion.

RESOLVED:

1. Noted the content of this report, the analysis of the Council's complaints performance.
2. Noted the improvement actions that have been delivered and actions in progress.

Actions/further information to be provided:

1. A36/24 - The Strategic Director - Customer Service Transformation and relevant officers will incorporate Committee members' comments to revise how the information is presented going forward around the complaints statistics. Complaints reports to the Committee should highlight the context and provide evidence of improvement to residents regarding the Customer Transformation Programme, and areas for further development; to provide the Committee with a more complete picture of the situation going forward.
2. A37/24 - The Committee will be regularly informed of the trajectory of parents' satisfaction and how it is being managed, including more granular detail around parents' overall satisfaction with their interaction with the Council, learning from both positive and poor experiences.
3. A38/24 - Regarding the portal for parents in development to go live in April 2025, the impact will be reported to the relevant committees.
4. A39/24 - The Director - Education and Lifelong Learning will follow up the request to track back two years and circulate to the Committee a summary of the progress made regarding communications.
5. A40/24 - The Chairman will write to CLT and the select committees, noting the Committee's dissatisfaction with the complaints performance so far; its concerns to be highlighted to the Cabinet via the Cabinet Member for Finance and Resources.
6. A41/24 - The Assistant Director - Customer Experience will consider the suggestion regarding whether there should be a risk added to the Strategic Risk Register on poor complaints handling.

The Committee adjourned for a ten-minute comfort break, 11.28 to 11.38 am.

64/24 ANNUAL GOVERNANCE STATEMENT - HALF YEAR UPDATE [Item 8]

Speakers:

Andy Brown, Deputy Chief Executive and Executive Director - Resources

Key points raised in the discussion:

1. The Deputy Chief Executive and Executive Director - Resources explained that the Annual Governance Statement formed part of the Council's Statement of Accounts, the report provided an update on the work underway.
2. A Committee member welcomed the Council's new Section 151 Officer and asked for his reflections on the role so far. The Deputy Chief Executive and Executive Director - Resources noted the regular finance updates to Cabinet, the budget was a focus. Areas of concern included MySurrey, he had spoken to the Chief Internal Auditor about some of the issues which were being rectified, his role was to ensure a robust control environment and financial administration.
3. A Committee member referred to the Digital Business and Insights (DB&I) programme and noted that the update was not an accurate reflection of the current situation concerning MySurrey and the problems experienced. It would be helpful

for reference to be made to the work underway by Internal Audit, for example payroll and pensions receiving Minimal Assurance. The update does not highlight the significant issues that the Council is addressing.

4. The Deputy Chief Executive and Executive Director - Resources acknowledged that the update could be more forthcoming about the current situation faced, particularly regarding the several low assurance Internal Audit reports, highlighting the weaknesses in the control environment. He would take that comment on board to reflect that in the update that there is work underway. He noted the need to be more honest and transparent, with staff and the Committee and Members about the reality of the situation and improvements to be made.
5. The Cabinet Member for Finance and Resources referred to the paragraph on DB&I which notes the pipeline of outstanding technical fixes which were impacting on several areas within the system such as payroll and pension services, those were prioritised for completion overseen by the MySurrey Stabilisation Board.
6. The Chairman asked that the timeline be added to the last paragraph regarding DB&I. The Deputy Chief Executive and Executive Director - Resources noted that a more definitive timescale was being reviewed, he would add more detail to the update report on the work underway including timescales.
7. The Cabinet Member for Finance and Resources noted that he received regular updates on the work of the MySurrey Stabilisation Board, which had a project plan for key areas to improve, the board was working to the timescale of the end of March 2025 to clear the backlog of issues. Responding to a Committee member, he noted that the board was set up in September. A Committee member emphasised the need to allow the board to do its work.
8. A Committee member noted that the MySurrey Stabilisation Board was addressing several actions as part of business as usual from when the system went live in June 2023. Welcomed an update for the next Committee meeting on the work of the MySurrey Stabilisation Board, to understand what the problems are and its action plan and timelines, and its Terms of Reference. The Deputy Chief Executive and Executive Director - Resources was happy to provide that report, following the period of stabilisation; further improvement and development would follow beyond March 2025. The board was reviewing and actioning the recommendations from the Internal Audit reports.

RESOLVED:

Confirmed that it was satisfied with the progress made so far, subject to detail to be added to the update report on the DB&I programme to reflect the current situation concerning MySurrey.

Actions/further information to be provided:

1. A42/24 - The Deputy Chief Executive and Executive Director - Resources will reflect the comments in the updated report, adding more detail on the work underway including timescales, referring to the work underway by Internal Audit.
2. A43/24 - The Deputy Chief Executive and Executive Director - Resources will provide a report for the next Committee meeting on the work of the MySurrey Stabilisation Board, highlighting the problems, its action plan, timelines, and its Terms of Reference.

Richard Tear (Vice-Chairman) left the meeting at 11.57 am.

65/24 EXTERNAL AUDIT PROGRESS REPORT [Item 9]

Speakers:

Janet Dawson, Partner (Surrey County Council audit), EY
Hassan Rohimun, Partner (Surrey Pension Fund audit), EY
Nicola O'Connor, Strategic Finance Business Partner

Key points raised in the discussion:

1. The Partner for the Surrey County Council audit (EY) noted that the report set out the findings and progress to date against the key risk areas identified in EY's audit plan. Highlighted that as it was the first-year audit for the Council, the first year of the new MySurrey system and with changes in staff members within the Council's Finance team, the process was taking longer than anticipated. The aim was to complete the field work by 18 December 2024, several amendments had been identified so far, subsequently including lease disclosures. Draft Value for Money (VfM) commentary was included, anticipated having no exceptions to report, no risks of significant weakness had been identified.
2. The Partner for the Surrey Pension Fund audit (EY) noted that the focus was on the key risk areas. EY was on track to provide IAS19 assurances to the auditors of the scheduled bodies by the end of November. Since the report was written there had been progress regarding the Level 3 investments work, the position had reduced concerning the areas under consideration.
3. A Committee member noted that there were a few things outstanding, queried whether the December deadline for the completion of the fieldwork had been communicated, asked whether EY was confident that would be met. The Partner for the Surrey County Council audit (EY) noted that the two teams were working closely to the timetable in place and was confident that date would be achieved.
4. A Committee member referred to the data migration issue from SAP to MySurrey which was a significant risk identified regarding the Surrey Pension Fund audit, sought a date when those results would be known. Queried whether the findings from the external audit would be provided to the MySurrey Stabilisation Board. The Partner for the Surrey County Council audit (EY) noted that the same area of focus was included in the Council's audit, work had been completed for the Council's financial statements and EY was satisfied with the information provided, there were no issues to report. The Partner for the Surrey Pension Fund audit (EY) noted that work was being reviewed, any issues arising would be included in the Audit Findings Report which would be shared with management and reported to the January Committee meeting as scheduled.
5. A Committee member asked what impact the anticipated in-year adjustment of around £20.7 million to the Private Finance Initiative (PFI) would have on the Council. The Strategic Finance Business Partner explained that it was an adjustment between the draft Statement of Accounts previously presented to the Committee and the final version scheduled for January's Committee meeting, it reflected the changes made to the waste PFI during the 2023 financial year. The adjustment would increase the value of the assets held offset by an increase to the long-term liability to pay the provider over the remaining contract life.
6. A Committee member referred to the mapping issues and misstatements, noting the difficulties faced in mapping the underlying data to the accounts provided by management, asked what those issues were. The Strategic Finance Business Partner noted that it was unfortunate that it related to cash and debtors, provided assurance that the cash figure was not incorrect. The codes on the new system had to be remapped, the specific code was included in the wrong category on the balance sheet so was being restated in the final accounts.
7. The Chairman queried whether the mapping issues was the main cause of the delay. The Partner for the Surrey County Council audit (EY) noted that it was one of the fundamental delays at the start of the audit, the new system had to be mapped by the Council, there had been issues in terms of EY ensuring that the

Council understood how the system worked. The other issue was getting to know the organisation and for the Finance team to understand how to present back to EY what their judgements are in the way requested. The Strategic Finance Business Partner agreed that it was a different approach to audits undertaken in recent years, a high level of detail was requested.

8. The Chairman asked what the performance materiality was on the audit. The Partner for the Surrey County Council audit (EY) noted that it was around £44 million, the mapping issue was below that. The Strategic Finance Business Partner noted that high level of materiality did not mean that the audit was only looking at numbers above that, significant lists of transactions were being tested and evidence being provided at levels significantly lower than that.
9. The Chairman asked whether the final Statement of Accounts would be scheduled at January's Committee meeting. The Strategic Finance Business Partner clarified that was the aim, subject to anything further being found.

RESOLVED:

Noted the progress reports from EY (attached as Annexes 1 & 2).

Actions/further information to be provided:

None.

66/24 TREASURY MANAGEMENT MID-YEAR REPORT 2024/25 [Item 10]

Speakers:

Joe Stockwell, Strategic Capital Accountant
Nicola O'Connor, Strategic Finance Business Partner

Key points raised in the discussion:

1. The Strategic Capital Accountant noted that the report outlined the Council's performance against the debt and investment limits as agreed in the Treasury Management Strategy. The Council remained compliant with all the indicators. The Council continued with its strategy of internal and short-term borrowing, and no new long-term borrowing had been undertaken over the period, to avoid locking in high interest rates. Gross borrowing position increased by £169 million to £911 million. Interest rates are expected to decrease over the year, although not as sharply as originally anticipated. The Council meets with Arlingclose to regularly to review the borrowing position. The Council holds short-term investments in overnight money market funds and the return rates broadly mirror the Bank Rate. There is a small over recovery of interest receivable forecast due to these investments.
2. A Committee member commented that inflation had risen and the Bank of England was unlikely to lower rates as reported in the press. The Strategic Finance Business Partner noted that the Council's assumptions for treasury and budgeting purposes, was that the Bank of England base rate would reduce over the next year and a half, although slower than previously forecast. The Council meets with Arlingclose after the meetings of the Monetary Policy Committee.
3. A Committee member sought more detail on the increase in short-term borrowing of £169 million. The Strategic Finance Business Partner explained that a proportion of the Council's capital investment was funded from borrowing. The Council had not undertaken any long-term borrowing, the current increase was in short-term borrowing from other local authorities, most were under six months, on the assumption that interest rates were starting to decrease. Short-term borrowing

rates from other local authorities were similar to Public Works Loan Board (PWLB) rates, which had not been the case historically, the balance between long-term and short-term was around fifty-fifty and so that was being reviewed. Having more long-term borrowing was preferred as it was a fixed predictable interest rate and reduced exposure to interest rate fluctuations, but this needs to be managed against locking in rates when they were anticipated to fall.

4. A Committee member queried the Council's reduction in exposure by £3 million in the PWLB. The Strategic Finance Business Partner noted that most of the Council's debt with PWLB was maturity debt, so repayment was not due until maturity, however there were a small number of loans with annuity repayments and this reduction reflected those payments made during the period, reducing the outstanding loan.
5. The Chairman was surprised that local authorities have got quite a high borrowing rate. The Strategic Finance Business Partner noted that PWLB borrowing had not been taken out in the last two years, that average rate reflected historic rates of borrowing. The local authority market tended to broadly track the Bank of England base rate. Local authorities had the same pattern of cash balances with more cash at the beginning of the financial year than at the end of the financial year, with dips in December and March and rates therefore often reflected demand.

RESOLVED:

Noted the content of the Treasury Management Mid-Year Report for 2024/25.

Actions/further information to be provided:

None.

67/24 INTERNAL AUDIT PROGRESS REPORT - QUARTER 2 [Item 11]

Speakers:

David John, Audit Manager

Russell Banks, Chief Internal Auditor

Andy Brown, Deputy Chief Executive and Executive Director - Resources

Simon White, Audit Manager - Counter Fraud

Mark Winton, Audit Manager - IT

Key points raised in the discussion:

1. The Audit Manager noted that over half the opinions were of Reasonable Assurance. However, the work around MySurrey particularly audits on the payroll and pension enrolment, and the user access and security review audits, were of Minimal Assurance; the integrations work was Partial Assurance. Whilst putting in place a new ERP system was complex, the audits were a year after go-live so finding weaknesses in the control environment was a concern.
2. The Audit Manager noted that the MySurrey Stabilisation Board sought to address the weaknesses, Internal Audit sat on that board and all the audit reports concerning MySurrey were fed into that board's programme of work; was positive about the progress made. Follow-up work on the MySurrey integrations work would start in quarter 3, work had started on accounts payable, more work was underway around the actions concerning accounts receivable. Quarter 4 was the aim for the follow up of the key actions regarding payroll, and user access and security.
3. The Audit Manager noted that having been an auditor for thirty years, he had never done an audit of Minimal Assurance on the corporate payroll system. However, the

opinion was on the process and not the people, he commended the Head of HR Operations and his payroll team for ensuring that most staff were paid correctly throughout the whole period.

4. The Audit Manager noted that Internal Audit was around 2% below delivery on the KPI regarding completion of the audit plan. Some audits did not go out as planned as more time had been spent doing other audits such as payroll. The audit plan was under review and priority was being given to follow up work on lower assurance opinions concerning MySurrey, and on service areas previously reported to the Committee. That might mean that some audits are deferred from the current audit plan to next year's.
5. The Chairman noted that having done many payroll audits himself, such an opinion was rare; he commended the payroll team for its work.
6. A Committee member referred to the non-opinion advisory pieces of work and asked what was done to ensure independence. The Chief Internal Auditor explained that those pieces of work focused on governance, risk management and internal control, and so were Internal Audit activities. The delivery method was different, it was real time. For example, Internal Audit attends the MySurrey Stabilisation Board as an independent advisor, and not as a decision-maker.
7. A Committee member asked whether the Council was trying to claim back money from Unit 4 concerning MySurrey and the problems faced. The Deputy Chief Executive and Executive Director - Resources noted that commercial perspective would be looked at by the MySurrey Stabilisation Board. He noted that when entering a contract, the engagement rules from a legal perspective must be followed, trying to build a legal case to recover money and finding where fault lies would be difficult and would raise legal issues, the Council continues to have an open dialogue with Unit 4.
8. A Committee member noted that the report was littered with Minimal and Partial Assurance audits which was concerning. Regarding the Minimal Assurance reports highlighted at the last Committee meeting concerning MySurrey, asked when there would be follow up audits for those and for the Surrey Fire and Rescue Service Partial Assurance report, and Partial Assurance reports from schools. The Audit Manager stressed that reports of a lower assurance opinion such as Partial or Minimal would have a follow up audit and the findings would be reported to the Committee, the timing depended on the dates for the agreed actions to be implemented.
9. A Committee member referred to the on-street parking arrangements audit and asked how that contract was awarded as part of the tender process when NSL at the outset of the contract was understaffed with civil enforcement officers and had to recruit. He assumed that NSL would have provided evidence that it could fulfil the staffing requirements. The Audit Manager would provide a written response and noted that there were issues around TUPE and complications in the process of how long it took to get staff where they needed to be. He noted that NSL was the largest supplier in the field so was unsure whether any other competitive bid would have been better in terms of resourcing.
10. The Audit Manager - Counter Fraud added that in the list of irregularities reviewed, there was a whistleblowing case around parking enforcement relating to that mobilisation stage and some of the issues were attributable to recruitment. There was a significant increase in the civil enforcement officers needed, the investigation work found that NSL borrowed enforcement officers from their existing contracts and it recruited more as the contract progressed.
11. A Committee member referred to the payroll and the pensions enrolment work, asking whether Internal Audit was satisfied with the robustness of the manual controls that operated within payroll. He asked whether it was Internal Audit's decision to do the pensions enrolment audit or whether management requested it. The Audit Manager clarified that whilst the manual controls do the job they need to

do, those made the process clunky and inefficient but put in place a stronger control environment. The payroll audit was split out due to capacity issues, the audits however were collated into the same opinion as it was part of the same work around corporate payroll.

12. A Committee member referred to the MySurrey user access and security review and asked whether any of the breaches identified had to be escalated. The Chief Internal Auditor explained that the data breaches were identified before the audit was undertaken, which prompted Internal Audit to conduct the review. The Audit Manager - IT explained that the breaches went through the normal data protection officer process who was aware of those and would have made the decision about whether to escalate to the Information Commissioner's Office. He would follow up whether any breaches had been escalated.

RESOLVED:

Noted the report and considered two further actions required in its response to issues raised.

Actions/further information to be provided:

1. A44/24 - Regarding the on-street parking arrangements audit, the Audit Manager will provide a written response concerning how that contract was awarded as part of the tender process when NSL at the outset of the contract was understaffed with civil enforcement officers and had to recruit.
2. A45/24 - The Audit Manager - IT will follow up whether any breaches had been escalated regarding the MySurrey user access and security review.

68/24 DATE OF NEXT MEETING [Item 12]

The date of the next meeting of the Committee was noted as 22 January 2025.

The Chairman informed members that they had been sent an invite to the Treasury Management Strategy - Joint Resources & Performance Select Committee/Audit & Governance Committee Training session - Arlingclose, on 16 January 2025.

Meeting ended at: 12.41 pm

Chairman