

## Notice of Meeting

# Audit and Governance Committee



### Date and Time

Wednesday, 20  
November 2024  
10.00 am

### Place

Surrey County  
Council, Council  
Chamber,  
Woodhatch Place,  
11 Cockshot Hill,  
Reigate, Surrey,  
RH2 8EF

### Contact

Amelia Christopher  
  
amelia.christopher@surreycc.  
gov.uk

### Web:

[Council and  
democracy  
Surreycc.gov.uk](#)

X:  
[@SCCdemocracy](#)



### **Committee Members:**

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

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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 recorded, 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](mailto: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 - 11 SEPTEMBER 2024

(Pages  
1 - 10)

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

### 3 DECLARATIONS OF INTEREST

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

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

#### NOTES:

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

### 4 QUESTIONS AND PETITIONS

To receive any questions or petitions.

#### Notes:

1. The deadline for Member's questions is 12.00pm four working days before the meeting (*14 November 2024*).
2. The deadline for public questions is seven days before the meeting (*13 November 2024*).
3. The deadline for petitions was 14 days before the meeting, and no petitions have been received.

### 5 RECOMMENDATIONS TRACKER AND WORK PLAN

(Pages  
11 - 24)

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

### 6 CENTRE FOR GOVERNANCE AND SCRUTINY REVIEW OF COUNCIL GOVERNANCE ACTION PLAN UPDATE

(Pages  
25 - 44)

To provide a further update to Members on the actions taken in response to the 2022 Centre for Governance and Scrutiny's (CfGS) review of Council governance using their Governance Risk and Resilience Framework.

- 7 6 MONTH COMPLAINTS UPDATE REPORT 2024/25** (Pages 45 - 60)
- This report provides a summary and analysis of complaints received during the period 1 April 2024 to 30 September 2024. The report supports the Customer Promise principles in listening to customer feedback and delivering excellent customer service.
- 8 ANNUAL GOVERNANCE STATEMENT - HALF YEAR UPDATE** (Pages 61 - 82)
- This report provides an update on progress on the improvement areas identified in the 2023/24 Annual Governance Statement for monitoring purposes.
- 9 EXTERNAL AUDIT PROGRESS REPORT** (Pages 83 - 112)
- To update the Audit & Governance Committee on the progress of the external audit of both the County Council's and the Surrey Pension Fund's Statement of Accounts for 2023/24.
- 10 TREASURY MANAGEMENT MID-YEAR REPORT 2024/25** (Pages 113 - 126)
- This report summarises the Council's treasury management activity during the first half of 2024/25, as required to ensure compliance with CIPFA's Code of Practice for Treasury Management.
- 11 INTERNAL AUDIT PROGRESS REPORT - QUARTER 2** (Pages 127 - 152)
- The purpose of this progress report is to inform Members of the work completed by Internal Audit between 1 July 2024 and 30 September 2024.
- The current annual plan for Internal Audit is contained within the Internal Audit Strategy and Annual Plan 2024-25, which was approved by this Committee on 13 March 2024.
- 12 DATE OF NEXT MEETING**
- The next meeting of the Audit and Governance Committee will be on 22 January 2025.

**Terence Herbert**  
**Chief Executive**

Published: Tuesday, 12 November 2024

## **MOBILE TECHNOLOGY AND FILMING – ACCEPTABLE USE**

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## **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 11 September 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

**46/24 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS [Item 1]**

There were none.

**47/24 MINUTES OF THE PREVIOUS MEETING - 10 JULY 2024 [Item 2]**

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

**48/24 DECLARATIONS OF INTEREST [ITEM 3]**

There were none.

**49/24 QUESTIONS AND PETITIONS [Item 4]**

There were none.

**50/24 RECOMMENDATIONS TRACKER AND WORK PLAN [Item 5]**

**Key points raised in the discussion:**

1. The Chairman noted that a key area reviewed by the Committee last time was complaints and the report at item 8 explored complaints in more detail.

**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.

**51/24 RISK MANAGEMENT [Item 6]**

**Speakers:**

David Mody, Head of Strategic Risk  
Russell Banks, Chief Internal Auditor

**Key points raised in the discussion:**

1. The Head of Strategic Risk thanked Internal Audit for its help with undertaking the comparator exercise concerning the Council's Corporate Risk Register. The Council had twenty-two corporate risks which was above the optimum of fifteen to twenty, that was not unwarranted given the Council's size and activities. All the other councils' top risks were included in the Council's Corporate Risk Register apart from a risk relating to HS2 which was not applicable. The Corporate Leadership Team (CLT) reviewed the findings via a workshop and no changes were made to the Corporate Risk Register. There was an additional risk concerning payroll and pensions, which related to the new Unit4/MySurrey system; a follow-up report would go to a future Informal Cabinet meeting. No changes were proposed to the Risk Management Strategy.
2. A Committee member asked whether the process of how risks were added to the register was reviewed or whether it was an assessment of what was already included. The Head of Strategic Risk explained that different councils treated what they categorised as a corporate risk differently.
3. A Committee member asked about risk maturity and classification of the risks. The Head of Strategic Risk explained that risk registers were divergent, one council had forty-three risks and another had eleven risks, there was no universal standard however most councils were using the five by five matrix.
4. A Committee member asked whether there was an opportunity to share best practice between councils. The Head of Strategic Risk noted that he was engaging with other councils, over the last six months he had been contacted by around ten councils seeking best practice from the Council.
5. A Committee member asked whether the process of identifying risks was comprehensive enough. The Head of Strategic Risk noted that the many discussions around risk made it more likely that risks were identified, significant risks were being captured. He championed the approach of having deep dives, CLT had a monthly session and the directorates had their own sessions.
6. A Committee member welcomed the proactive approach by Internal Audit reviewing the Corporate Risk Register and was reassured that the communications sessions were happening. He welcomed that there were no changes needed to the Risk Management Strategy.
7. The Chief Internal Auditor noted that regarding information sharing and assurance on risk identification, working as a partnership Internal Audit had access to knowledge in partner organisations and worked with other heads of audit nationally, comparing Internal Audit Plans which were risk-based.
8. The Chairman referred to the optimum number of corporate risks noting that if there were too many the Council would be inundated. The Head of Strategic Risk agreed, noting the need to be able to understand what the significant risks were so resources could be allocated to address priority areas.
9. Responding to the Chairman's query, the Head of Strategic Risk noted that there had not been any changes to the risk scores since March, however some changes were to come.
10. Regarding item 8 around the complaints and financial redress, the Chairman asked whether that should be included in the Corporate Risk Register. The Head of Strategic Risk explained that he had received the Ombudsman's report, a risk was included on the directorate's risk register and an action plan was in place. CLT reviewed whether those risks needed to be escalated.

11. The Cabinet Member for Finance and Resources noted that Informal Cabinet reviewed risks quarterly and undertook deep dives into one of the corporate risks, he shares any concerns with the Head of Strategic Risk.
12. A Committee member noted that Durham had nearly less than half Surrey's budget but had nearly twice the number of corporate risks. The Head of Strategic Risk explained that was likely due to combining corporate and directorate risks, there was no correlation between an organisation's size and the number of risks.

**RESOLVED:**

1. Noted the update on risk management.
2. Approved the Risk Management Strategy.

**Actions/further information to be provided:**

None.

**52/24 INTERNAL AUDIT PROGRESS REPORT - QUARTER 1 [Item 7]**

**Speakers:**

David John, Audit Manager  
 Russell Banks, Chief Internal Auditor  
 Nicola O'Connor, Strategic Finance Business Partner  
 David Mody, Head of Strategic Risk

**Key points raised in the discussion:**

1. The Audit Manager noted that there were twenty-four completed assignments. There were audits of Reasonable or Substantial Assurance in key areas. Six audits were given Partial Assurance, the Transition of Children into Adults, and Community Equipment Services Contract Management audits were referred to Internal Audit by management as there were known issues. A deep dive was undertaken on the Fuel Cards audit, it was affected by MySurrey implementation whereby the controls had dropped off in year, management responded and the level of assurance increased. A follow-up to this audit was reported in the same quarter and is summarised in this report pack with an improved assurance level of Reasonable Assurance. He noted concern in the two follow-up audits around Tree Management, and Social Value In Procurement. The level of assurance had not risen from Partial Assurance, as whilst some progress had been made actions had not been fully implemented.
2. The Audit Manager noted the opinion of Partial Assurance for Accounts Payable due to MySurrey implementation issues, Accounts Receivable in the last quarter was given Reasonable Assurance. He noted that other audits in progress relating to MySurrey were likely to be of lower assurance levels. Work was underway with management to rectify that through agreed actions, there was a new established MySurrey Stabilisation Board. The intention was to undertake as many follow-up audits in quarters three and four to try and raise the assurance levels, but that this depended on management having completed all of the agreed actions in the timeframe expected.
3. A Committee Member referred to the many Partial Assurance opinions, particularly the two follow-up audits; asked what the Committee could do to express concern. The Chief Internal Auditor noted that the matter had been escalated with CLT which was committed to address the issues. He noted that it was unusual for the level of assurance to not increase from a follow-up audit, a follow-up would be rescheduled and the findings would be reported to the Committee. He noted that

the Committee could request updates from management to review progress on the actions. The Committee agreed for management to provide a report on the actions being undertaken regarding the two follow-up audits on Tree Management, and Social Value In Procurement.

4. A Committee member asked whether random sampling was undertaken to check whether actions were being completed. The Audit Manager noted that high priority actions were automatically tracked on the audit system and followed-up with the responsible officer, and audits of lower assurance were followed up and all the actions reviewed. Regarding medium and low priority actions in higher assurance reports, dip sampling was undertaken at the end of the year to seek assurance from the responsible officers that the actions were being addressed.
5. The Audit Manager explained that dip sampling tended to prioritise audits that had a borderline opinion between Partial and Reasonable, or where there were more medium priority actions for lower assurance opinions. The Chief Internal Auditor referred to the KPI on 'Implementation of management actions agreed in response to audit findings' which was management's responsibility but was included to give it visibility, it was below the 95% target due to the two follow-up audits not having completed their high-priority agreed actions.
6. A Committee member referred to Accounts Payable and lateness of payments. She noted both the reputational damage to the Council and the impact on the receiver of the money having to wait to be paid. She queried whether the service would take the audit opinion seriously and asked how quickly Internal Audit would undertake its follow-up. The Audit Manager explained that the authority was taking the matter seriously, noting the collaborative work to resolve the issues. The Strategic Finance Business Partner noted that most findings by Internal Audit were already known to the service and three of the agreed actions had already been delivered. Progress against the remaining actions was monitored, system defects and the strengthening of MySurrey was a focus.
7. A Committee member asked whether the Committee could receive a six-month follow-up on the Accounts Payable audit. The Audit Manager noted that the follow-up audit was provisionally scheduled in quarter four.
8. A Committee member welcomed the positive work undertaken by Internal Audit, highlighting the KPI whereby their staff that are 'Professionally Qualified/Accredited' surpassed the 80% target reaching 94%.
9. A Committee member referred to Accounts Payable asking why the opinion was Partial as opposed to Minimal Assurance as some of the issues were fundamental, were there compensatory controls. The Audit Manager noted that there were manual workarounds and compensating controls that made the system operative but without built in control, the remaining value issue affected some purchase orders; most payments were made on time for the right amount. The Chief Internal Auditor noted that the opinions were a professional judgement, another factor considered for borderline opinions was the extent to which the organisation was responsive to the audit.
10. A Committee member queried how many issues were declared by management prior to the audit starting, and whether those issues had a defined action plan in place before the audit began. The Audit Manager noted that most of the system issues in design and control would have been known and attempted to be rectified.
11. A Committee member noted that one third of creditor payments were paid late, asking whether there was a target set on how many should be paid on time; and asked for the issue to be revisited to see if it has been resolved. The Strategic Finance Business Partner clarified that it was a KPI being measured, late payments were not solely due to invoices being held up in the accounts payable team, but in some cases it was due to invoices not being sent through by the services by the due date. The one third measurement related only to purchase order payments. The report from the system highlighting late payments and



enabling a focus of specific areas of issue was not being generated on the new system. One of the agreed actions was to progress the development of this report to enable the service to better follow up on areas sending late invoices. The Chairman noted that Committee members could request to see the Internal Audit report.

12. A Committee member asked how the Partial Assurance opinions were factored into risk management. The Head of Strategic Risk noted that he had access to the Internal Audit reports and could check if a risk needed to be added to the Corporate Risk Register.
13. The Chairman asked whether CLT was aware of the December deadline to complete the actions regarding Accounts Payable. The Chief Internal Auditor was unsure whether they were aware of that specific date, however in response to the audit and previous audits, a programme board had been set up to focus on stabilising the MySurrey control environment and to implement the actions. A Committee member suggested an additional recommendation for CLT to formally address the Partial Assurance opinions - not specifically MySurrey as there was significant work on that elsewhere. The Chairman would write to CLT to express the Committee's concerns, sharing that letter in advance, inviting a member of CLT to March's Committee to provide an update on the actions being addressed.
14. The Chief Internal Auditor noted that because of the materiality involved and commitment from management to address the issues, Internal Audit had flexed the annual plan and set time aside to follow-up the actions, to be reported back to the Committee before the end of the year. Responding to the Chairman, he noted that the opinion given on the follow-up audits had not improved which was concerning and the root cause related to MySurrey implementation, it was vital to understand the scale of the problems and to quickly address those.
15. The Vice-Chairman queried whether anything could be done to improve the process of raising purchase orders. The Strategic Finance Business Partner explained that training and communications were crucial, a key action related to resolving the report not being generated enabling trends to be identified and relevant staff members to be contacted.
16. The Cabinet Member for Finance and Resources noted that he was in regular contact with the Executive Director - Customer, Digital and Change, the chair of the programme board. Deadlines had been set for the work to be completed and there was a budget to enable the enhancements to MySurrey. In line with the recommendations from the Lessons Learned Review by the Task and Finish Group on the implementation of MySurrey, he would have oversight of the programme board's papers; the agendas and minutes were non-public. He would receive fortnightly progress updates from the Executive Director, the deadline to complete the MySurrey work was March, the aim was by the end of the year.

#### **RESOLVED:**

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

#### **Actions/further information to be provided:**

1. A29/24 - Management will provide a report on the actions being undertaken regarding the two follow-up audits on Tree Management, and Social Value In Procurement.
2. A30/24 - CLT will formally address the Partial Assurance opinions - not specifically MySurrey as there is significant work on that elsewhere. The Chairman will write to CLT to express the Committee's concerns, sharing that letter in advance, inviting a

member of CLT to March's Committee to provide an update on the actions being addressed.

## **53/24 THE LGSCO'S ANNUAL REVIEW LETTER FOR SURREY COUNTY COUNCIL 2023/24 [Item 8]**

### **Speakers:**

Sarah Bogunovic, Assistant Director - Registrations, Coroner's Service & Customer Strategy

Eleanor Brown, Assistant Director - Customer Experience

Sam Reynolds, Head of Customer Engagement and System Development

Steve Tanner, Interim Assistant Director - Inclusion and Additional Needs – North East

### **Key points raised in the discussion:**

1. The Assistant Director - Registrations, Coroner's Service & Customer Strategy outlined the analysis overview section, highlighting that in 2023/24 the Local Government and Social Care Ombudsman recorded an increased volume of complaints about Surrey County Council: 324 complaints compared to 215 complaints the previous year. Compared to its peers the Council had a high volume of complaints being investigated and the 89% uphold rate was higher than the 85% national average. The Council's had a disproportionate number of complaints about Education Services, specifically Special Educational Needs and Disabilities (SEND), with 116 upheld complaints. External pressures included a shortage of Educational Psychologists, high demand for services in Surrey and over 15,000 children and young people on Education, Health and Care Plans (EHCPs). The Council in 2023 invested £15 million in a recovery plan.
2. The Assistant Director - Registrations, Coroner's Service & Customer Strategy explained that due to the time lag between complaints being made to the Council and then decided on by the Ombudsman, it was anticipated that it would take a further year before the impact of improvement activity would be reflected in the Ombudsman's data. 71% of the upheld complaints in 2023/24 related to events that took place in previous years, less Ombudsman enquiries had been received so far this year compared to the previous year.
3. The Assistant Director - Registrations, Coroner's Service & Customer Strategy noted that despite having a higher volume of cases, no concerns were raised about the timeliness or quality of the Council's response to the enquiries. Around £540,000 was paid out in 2023/24 for financial redress, £345,000 of that was Ombudsman directed. The Council sought to review the process and oversight around financial redress, ensuring early action and positive interventions; using the learning gained from complaints. As part of the recommendations from the operational review into complaints handling, a Senior Complaints Practice Lead had been reinstated to build consistency in practice and to improve organisational oversight. The Customer Transformation Programme was an opportunity to take a cross-organisational approach to improve processes and performance.
4. Responding to a query by a Committee member on the Council's compliance rate with the Ombudsman's recommendations, the Assistant Director - Registrations, Coroner's Service & Customer Strategy clarified that the Council complied with 100% of the Ombudsman's recommendations; the Council was in line with its peers, it was rare for a council to refuse to take forward the recommendations.
5. The Chairman queried whether a complaint was only received by the Ombudsman if the complainant was unhappy with how it was being dealt with by the Council. The Assistant Director - Registrations, Coroner's Service & Customer Strategy explained that it was a legal right for anyone to take a complaint to the

Ombudsman. The Ombudsman normally requires that the complaint has gone through the council's local complaints handling process, but in can use its discretion to take a complaint on directly.

6. A Committee member asked what progress had been made on the operational review and action plan with a completion target date of 31 March 2025. The Assistant Director - Registrations, Coroner's Service & Customer Strategy noted that the new Senior Complaints Practice Lead would work through those actions. The Assistant Director - Customer Experience noted that over the past six weeks, a new monthly complaints report had been implemented replacing the weekly update, it would enable trend analysis pulling out themes and the learning used would drive improvement. Statutory and non-statutory complaints would be included in that report going forward, to be received by CLT and directors. She noted that data extraction from the current case management system was difficult and was looking to procure a new complaints case management system.
7. The Assistant Director - Registrations, Coroner's Service & Customer Strategy added that Ombudsman training was being commissioned for specified complaint handlers, looking at how each staff member manages a complaint once received to ensure early resolution. The work was aligned with the Customer Transformation Programme, core customer interaction skills training had been rolled out to 150 staff, to be expanded Council-wide; using automation to increase the visibility of complaints data was being reviewed to improve oversight. The actions were on track to be completed by the end of March, the Committee would receive an update in November as scheduled.
8. A Committee member noted that it was significant that the Council was at the bottom of the table compared to its peers with more complaints around EHCPs and the process, £15 million had been earmarked to address that. She sought assurance that by next April the number of complaints would be less than they were in 2023/24. The Assistant Director - Registrations, Coroner's Service & Customer Strategy noted that it was not the position the Council wanted to be in when benchmarking against its peers.
9. The Head of Customer Engagement and System Development explained that since last presenting to the Committee, the actions around putting in place four complaint leads within operational services and increasing the capacity of the Customer Relations Team within Children's Services had been done. The average working days to respond to a complaint had improved, and restorative practice and early resolution were areas of focus. The number of Stage 1 complaints raised were similar to last year, however the theme this year was not EHC Needs Assessments but missed provision and annual reviews delays. Stage 2 complaints were at a similar level reducing slightly, the biggest change was at Ombudsman level where those were reducing; there was a time lag. There was a Section 19 working group around children missing education and provision and regarding communications there was an Additional Needs partnership board.
10. The Interim Assistant Director - Inclusion and Additional Needs – North East noted that the biggest category of complaints was EHCNAs concerning the process and timeliness. The timeliness had significantly improved from eighteen months ago in the low teens compared to now at 70% being completed on time due to the recovery work and investment; the number of complaints on EHCNAs reduced from 70% to 10%. 9% of the complaints related to Annual Reviews, a backlog team focused on improving the timeliness from the mid-thirties to currently in the mid-fifties, the target was 75%. Missed provision was a challenge as the demand for specialist places was outstripping the capacity, alternatives were being reviewed to increase the type and range of provision.
11. The Interim Assistant Director - Inclusion and Additional Needs – North East noted that there were a range of measures and strategies in place, focusing on early intervention and support without the need for statutory intervention.

Regarding communications, there was relational working to improve the interactions with families to rebuild trust. There was also greater training and support to staff. Staffing challenges contributed to the poor timeliness, as the number of EHCNAs requests increased substantially and EHCPs had nearly doubled in the last five years. Fundamental to the end-to-end review was reviewing the right size of the service and ensuring an efficient process.

12. Regarding the time lag, a Committee member suggested an additional column in future reports saying when the complaints had been instigated. The Assistant Director - Registrations, Coroner's Service & Customer Strategy noted that the date of the original complaint and date that it relates to could be added in.
13. A Committee member noted the 141 upheld complaints and over £500,000 paid in compensation which was concerning, the number of complaints he received from residents had not decreased. Hoped that the report in November would detail the progress being made on the improvement actions, suggested the addition in the report of the number of complaints going to the Ombudsman during the current year that the Council was aware of and the matter.
14. The Chairman calculated the average cost per upheld complaint was £4,000 per person, he asked whether there were outliers in financial redress per person. The Assistant Director - Registrations, Coroner's Service & Customer Strategy noted that the Ombudsman follows financial remedy guidance and its directed redress was £345,000; financial redress for distress, time and trouble tended to be lower payments. The rest of the total amount was paid through the Council's local resolution process, it was case dependent. The total figure was significantly higher than expected and more analysis was needed regarding the level of payments directed by the Ombudsman, reviewing the drivers and patterns. The Head of Customer Engagement and System Development added that the amount of financial redress tended to be higher for complaints about Children's Social Care escalated to the Ombudsman, an outlier was a case of £40,000.
15. The Head of Customer Engagement and System Development explained that from an education perspective, the most expensive remedies related to missed provision, that was calculated by the Ombudsman on a termly basis. Last year, there was a large volume of complaints at Stage 1 around EHCNAs received before the additional resource in the service to respond, leading to a higher rate of escalation to Stage 2 and to the Ombudsman. Complainants could take their complaint to the Ombudsman even if it was upheld at Stage 2 and a financial remedy given. The Ombudsman's practice had recently changed in terms of specific amounts that they were awarding at their investigation level that the Council was not awarding at Stage 2. It was hoped that the percentage of cases being resolved before Ombudsman receipt would increase.
16. The Assistant Director - Registrations, Coroner's Service & Customer Strategy added that at the point of financial redress, there was a need for robust local procedures around how that is approved from the service budget; more organisational oversight was needed setting clear parameters and thresholds.
17. The Chairman stressed that if the EHCP requests keep rising, it would be difficult to keep on top of the situation. The Interim Assistant Director - Inclusion and Additional Needs – North East noted that the EHCNA requests had decreased by 10% since September last year which was an improvement. However, those were being received at a rate that exceeded the rate at which plans are ceased at the other end so the overall number continued to increase, it was a national issue.
18. A Committee member noted that the recovery plan recommended earlier intervention, so that parents know that they do not need to go down the EHCP route, the Council was supporting schools by putting in specialist training and teachers to support children showing signs of educational need earlier. The Interim Assistant Director - Inclusion and Additional Needs – North East noted

that there were a range of early intervention measures in place.

**RESOLVED:**

1. Noted the content of this report, the analysis of the LGSCO's Annual Review Letter for 2023/24 and Surrey County Council's performance compared to other similar councils.
2. Noted the proposed improvement actions, with a further update on these to be provided as part of the mid-year complaints update, scheduled for November 2024.

**Actions/further information to be provided:**

1. A31/24 - The Assistant Director - Registrations, Coroner's Service & Customer Strategy will for future reports add in the date of the original complaint and date that it relates to.
2. A32/24 - Regarding November's report to the Committee, the Assistant Director - Registrations, Coroner's Service & Customer Strategy will take on board the suggestion to include the addition of the number of complaints going to the Ombudsman during the current year that the Council is aware of and the matter.

**54/24 AUDIT AND GOVERNANCE COMMITTEE - ANNUAL REPORT 2023/24 [Item 9]**

**Speakers:**

Amelia Christopher, Committee Manager

**Key points raised in the discussion:**

1. The Committee Manager noted that the Annual Report for the period May 2023 - May 2024 provided assurance on how the Committee demonstrated impact and fulfilled its purpose. Undertaking oversight of the management of internal control systems was fundamental. The Committee provided a high level and independent focus on financial accounts, and audit and governance matters such as the Member Code of Conduct. The Committee's activities were in line with the core functions of the Terms of Reference and the report provided a summary of the items considered on the work plan.
2. The Chairman noted that it was a thorough report.

**RESOLVED:**

The Committee reviewed and commented on the Annual Report 2023/24, commending it to October's Council meeting.

**Actions/further information to be provided:**

None.

**55/24 AMENDED ARRANGEMENTS FOR DEALING WITH ALLEGATIONS OF BREACHES OF THE MEMBER CODE OF CONDUCT AND APPOINTMENT OF INDEPENDENT PERSONS [Item 10]**

**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 highlighted the agreement to a cross-party recruitment panel for the Independent Persons that would take place after the advertisement of the positions and shortlisting.
2. The Chairman thanked the appointees to the recruitment panel for volunteering.

**RESOLVED:**

1. Noted the new Code of Conduct for Councillors complaint form that has been implemented (Appendix A).
2. Agreed the proposed amendments to the Arrangements for Dealing with Allegations of Breaches of the Member Code of Conduct (Part 6(02) of the Constitution) set out in Appendix B to this report and recommended them to the County Council for approval.
3. Approved the updated Independent Person Role Profile set out in Appendix C to this report.
4. Noted the proposed recruitment process being undertaken.
5. Following an interview process, recommends the preferred candidates to the 10 December County Council meeting to be appointed as Independent Persons.
6. Agreed that the newly appointed Independent Persons be invited to attend meetings of the Audit & Governance Committee in an advisory capacity in relation to Member Conduct matters only.

**Actions/further information to be provided:**

None.

**56/24 DATE OF NEXT MEETING [Item 11]**

The date of the next meeting of the Committee was noted as 20 November 2024.

Meeting ended at: 11.35 am

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**Chairman**





Audit & Governance Committee  
20 November 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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**Report authors:** Amelia Christopher, Committee Manager, Democratic Services

**Contact details:** telephone: 07929 725663  
email: [amelia.christopher@surreycc.gov.uk](mailto:amelia.christopher@surreycc.gov.uk)

### Sources/background papers:

- None

### Annexes/Appendices:

- Annex A - Recommendations Tracker
  - Annex B - Work Plan
-

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## Audit & Governance Committee – Recommendations Tracker

20 November 2024

Number	Meeting Date	Item	Recommendation / Action	Action by whom	Action update	Target date for Completion
<b>2023</b>						
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 12 November 2024:</p> <p>Awaiting a refresh of the Unit4 payroll reports to complete a final check. However, work to date has not identified any issues with School Business Managers grading. A verbal update to be provided at the November committee meeting.</p> <p>Update provided by the Audit Manager (Counter Fraud) on 22 August 2024:</p> <p>The reports have now been built in Unit4 to allow us to extract data for this check. They will shortly be deployed in Production so we should be ok to start the analysis in September. All being well on track for completion by November.</p> <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>	November 2024

## Audit & Governance Committee – Recommendations Tracker

20 November 2024

Page 14					<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>	
<b>2024</b>						
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 received an item on July's agenda concerning officers' gifts and hospitality: Officers and Employees Annual Gifts and Hospitality Report 2023/24.</p> <p>The Head of Insights, Systems and Governance has noted on 28 August 2024 that: we will be tracking the Declaration of Interests for officers this year and will produce an annual report in April/May time for scrutiny.</p> <p>Extract from draft minutes, 10 July 2024:</p>	<p><b>(completed =</b> July 2024 - officers' gifts and hospitality)</p> <p>June 2025 - officers' Declaration of Interests</p>

## Audit & Governance Committee – Recommendations Tracker

20 November 2024

					<p><i>A Committee member referred to A10/24 asking when there would be an update regarding officers' Declaration of Interests as that was noted as to be confirmed (TBC).</i></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 &amp; Digital are supporting with it.</p>	
A20/24  Page 15	10 July 2024	Draft Statement of Accounts 2023/24	The Interim Executive Director - Finance and Corporate Services, and Strategic Finance Business Partner (Corporate) will follow up the request for a Member Development Session on SEND/Safety Valve Agreement; and for the Committee to receive an update from the service in terms of meeting the Council's requirements regarding the capital side of the Safety Valve Agreement.	Interim Executive Director - Finance and Corporate Services / Strategic Finance Business Partner (Corporate)	<p>28 October 2024 update: A SEND/Safety Valve Agreement Member Development Session took place on 4 November 2024. Members had the opportunity to engage with key officers involved in the delivery of the Safety Valve Agreement, ask questions, and discuss how Surrey is addressing both the financial challenges and service improvements within the SEND framework.</p> <p>The Chair of the Children, Families, Lifelong Learning and Culture Select Committee has invited the A&amp;G Committee's Chairman to sit on the relevant Task Group and is awaiting a response.</p> <p>Update provided by the Strategic Finance Business Partner (Corporate) on 21 August 2024: It has been requested that members of the A&amp;G Committee are invited to join Members of the CFLL Select Committee to receive an update on the SEND Programme and Safety Valve Agreement.</p>	November 2024

## Audit & Governance Committee – Recommendations Tracker

20 November 2024

Page 16	A27/24	10 July 2024	Officers and Employees Annual Gifts and Hospitality Report 2023/24	<p>The Director of People and Change, Interim Head of Paid Service, and Monitoring Officer will consider the comments made regarding:</p> <ul style="list-style-type: none"> <li>a) a threshold to be set over which officers and employees must declare gifts and hospitality.</li> <li>b) to review the guidelines to be clearer about what is really a gift or hospitality offer, focusing on where a gift or hospitality offer is perceived by a member of the public to skew an officer's opinion about the way they were performing their work.</li> <li>c) benchmarking to be undertaken with other organisations.</li> <li>d) Members' not having to declare gifts and hospitality offers on the register under the £50 threshold.</li> <li>e) removing some of the bureaucracy, considering the timing of the gift and amount.</li> <li>f) keeping the officer and employees' policy separate to Members' policy or combining the two; to review the implications and any regulations that apply to Members as opposed to officers.</li> </ul>	Director of People and Change / Interim Head of Paid Service / Monitoring Officer	<p>Update from the Head of Insights, Systems and Governance on 30 October 2024:</p> <p>A report outlining the SCC Gifts &amp; Hospitality policy versus other councils is being produced for consideration, along with a recommendation of an annual zero return requirement for senior officers, to ensure compliance.</p> <p>30 August 2024 update: Officers are considering the comments made by the Committee, the policy is being reviewed.</p>	January 2025
	A29/24	11 September 2024	Internal Audit Progress Report - Quarter 1	Management will provide a report on the actions being undertaken regarding the two follow-up audits on Tree Management, and Social Value In Procurement.	Management in relevant services	<p>Item added to the Committee's Work Plan for 12 March 2025:</p> <p><b>New item</b> UPDATE ON Q1 PARTIAL ASSURANCE OPINIONS; TREE MANAGEMENT, AND</p>	March 2025

**Audit & Governance Committee – Recommendations Tracker**  
20 November 2024

					SOCIAL VALUE IN PROCUREMENT AUDITS	
A30/24	11 September 2024	Internal Audit Progress Report - Quarter 1	CLT will formally address the Partial Assurance opinions - not specifically MySurrey as there is significant work on that elsewhere. The Chairman will write to CLT to express the Committee’s concerns, sharing that letter in advance, inviting a member of CLT to March’s Committee to provide an update on the actions being addressed.	Chief Executive and CLT / Chairman	See above new item added to the Work Plan.	Letter - ASAP  CLT attendance - March 2025

**COMPLETED RECOMMENDATIONS/REFERRALS/ACTIONS – TO BE DELETED**

2024					
A31/24	11 September 2024	The LGSCO's Annual Review Letter for Surrey County Council 2023/24	The Assistant Director - Registrations, Coroner's Service & Customer Strategy will for future reports add in the date of the original complaint and date that it relates to.	Senior Complaints Practice Lead	This will be included in the next LGSCO annual report (due in Sept 25). In the meantime, the mid-year report includes information on the dates LGSCO escalated complaints were raised with SCC.

**Audit & Governance Committee – Recommendations Tracker**  
20 November 2024

A32/24	11 September 2024	The LGSCO's Annual Review Letter for Surrey County Council 2023/24	Regarding November's report to the Committee, the Assistant Director - Registrations, Coroner's Service & Customer Strategy will take on board the suggestion to include the addition of the number of complaints going to the Ombudsman during the current year that the Council is aware of and the matter.	Senior Complaints Practice Lead	This has been included in the mid-year report.
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## AUDIT & GOVERNANCE COMMITTEE - WORK PLAN 2024 / DRAFT 2025

20 November 2024		
New item - deferred from September 2024, deferred to January 2025 TBC AUDIT AND GOVERNANCE COMMITTEE - EFFECTIVENESS REVIEW 2024	To receive a report on the Committee's effectiveness.	<del>(Committee Manager - Democratic Services)</del>  <del>Executive Director - Finance and Corporate Services</del>
New item CENTRE FOR GOVERNANCE AND SCRUTINY REVIEW OF COUNCIL GOVERNANCE ACTION PLAN UPDATE	To provide a further update to Members on the actions taken in response to the 2022 Centre for Governance and Scrutiny's (CfGS) review of Council governance using their Governance Risk and Resilience Framework.	Interim Director of Law and Governance / Monitoring Officer
6 MONTH COMPLAINTS PERFORMANCE UPDATE REPORT 2024/25	To receive a half year update report on the operation of the Council's complaints procedures.	Senior Complaints Practice Lead
<del>(Deferred from January, March, June 2024)</del> REPORT OF THE COMPLAINTS TASK AND FINISH GROUP	<del>The Committee to receive the results of the Task and Finish Group - action from November's (2023) Committee meeting.</del>  Reason for removal as included in September's version of the tracker, A35/23: The LGSCO annual letter full report is included as an item on September's A&G Committee agenda, including the high-level recommendations of the operational review.	<del>Customer Relations Team Manager/Head of Customer Services</del>
ANNUAL GOVERNANCE STATEMENT - HALF YEAR UPDATE	This report provides an update on progress on the improvement areas identified in the 2023/24 Annual Governance Statement.	Director of Law and Governance / Senior Finance Business Partner  Chief Executive / Leader
Deferred to January 2025 STATEMENT OF ACCOUNTS 2023/24	To approve the 2023/24 Statement of Accounts.	<del>Strategic Finance Business Partner / EY</del>
EXTERNAL AUDIT PROGRESS REPORT	To update the Audit & Governance Committee on the progress of the external audit of both the County Council's	EY

	and the Surrey Pension Fund's Statement of Accounts for 2023/24.	
TREASURY MANAGEMENT MID-YEAR REPORT 2024/25	This report summarises the council's treasury management activity.	Strategic Finance Business Partner
INTERNAL AUDIT PROGRESS REPORT - Q2	To report on Internal Audit progress during quarter 2.	Chief Internal Auditor/ Audit Manager

<b>22 January 2025</b>		
TREASURY MANAGEMENT STRATEGY STATEMENT 2025/26	This report sets out the Council's Treasury Management Strategy for 2025/26, as required, to ensure compliance with CIPFA's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code).	Strategic Finance Business Partner / Chief Principal Accountant (Corporate)
<b>Deferred from November 2024</b> STATEMENT OF ACCOUNTS 2023/24	To approve the 2023/24 Statement of Accounts and Audit Findings Report.	Strategic Finance Business Partner / EY
2023/24 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 2023/24	The Council's external auditors present their Annual Audit Report including the Annual Audit Letter.	Chief Principal Accountant (Corporate) / EY
<b>New item</b> GIFTS & HOSPITALITY POLICY	A report outlining the Gifts & Hospitality SCC policy versus other councils, to include a recommendation of an annual zero return requirement for senior officers, to ensure compliance.	Monitoring Officer / Director - People and Change / Head of Insights, Systems and Governance



<p><b>New item - deferred from September 2024 (timing TBC)</b>  AUDIT AND GOVERNANCE COMMITTEE - EFFECTIVENESS REVIEW 2024</p>	<p>To receive a report on the Committee's effectiveness.</p>	<p>(Committee Manager - Democratic Services)   Executive Director - Finance and Corporate Services</p>
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12 March 2025		
<p>INTERNAL AUDIT PROGRESS REPORT - QUARTER 3</p>	<p>The purpose of this progress report is to inform Members of the work completed by Internal Audit during Q3.</p>	<p>Chief Internal Auditor/  Audit Manager</p>
<p><b>New item</b>  UPDATE ON Q1 PARTIAL ASSURANCE OPINIONS; TREE MANAGEMENT, AND SOCIAL VALUE IN PROCUREMENT AUDITS</p>	<p>A29/24 - Management will provide a report on the actions being undertaken regarding the two follow-up audits on Tree Management, and Social Value In Procurement.</p> <p>A30/24 - CLT will formally address the Partial Assurance opinions - not specifically MySurrey as there is significant work on that elsewhere. The Chairman will write to CLT to express the Committee's concerns, sharing that letter in advance, inviting a member of CLT to March's Committee to provide an update on the actions being addressed.</p>	<p>Management - Executive Directors</p>
<p>INTERNAL AUDIT STRATEGY AND ANNUAL AUDIT PLAN 2025/26</p>	<p>To receive the strategy and the plan for 2025/26.</p>	<p>Chief Internal Auditor/  Audit Manager</p>
<p>RISK MANAGEMENT</p>	<p>To receive an update on Risk Management (March &amp; September).</p>	<p>Head of Strategic Risk</p>

<b>4 June 2025</b>		
ANNUAL COMPLAINTS PERFORMANCE REPORT	To give the Audit & Governance Committee an overview of the Council's complaint handling performance in 2024/25 and to demonstrate how feedback from customers has been used to improve services.	Senior Complaints Practice Lead
2024/25 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 2024/25	The Council's external auditors to present their Audit Plan in respect of Surrey County Council.	EY / Strategic Finance Business Partner
SURREY PENSION FUND EXTERNAL AUDIT PLAN 2024/25	To provide the Committee with an update on the process for undertaking the external audit of the 2024/25 Surrey Pension Fund.	EY / Head of Accounting and Governance, and Assistant Director – LGPS Senior Officer
INTERNAL AUDIT ANNUAL REPORT AND OPINION 2024-25 (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
COUNTER FRAUD ANNUAL REPORT 2024/25	To receive the annual report.	Chief Internal Auditor/Audit Manager - Counter Fraud

<b>9 July 2025</b>		
2024/25 DRAFT ANNUAL GOVERNANCE STATEMENT	This report presents the draft Annual Governance Statement, which summarises the Council's governance arrangements for the financial year.	Director of Law and Governance / Senior Finance Business Partner  Chief Executive / Leader
DRAFT STATEMENT OF ACCOUNTS 2024/25	To receive the draft Statement of Accounts 2024/25.	Strategic Finance Business Partner
ETHICAL STANDARDS ANNUAL REVIEW 2024-25	To enable the Committee to monitor the operation of the Members' Code of Conduct over the course of the last year.  To include sections on: (for review)  <ul style="list-style-type: none"> <li>- Members' Gifts and Hospitality Register</li> <li>- Members' Declarations of Interest</li> <li>- Officers' and Employees' Gifts and Hospitality Register</li> <li>- Officers' and Employees' Declarations of Interest</li> </ul>	Director of Law and Governance / Head of Insight, Programmes and Governance
ANNUAL WHISTLEBLOWING REPORT 2024/25	The Committee to receive the report for information.	Director of Law and Governance / Head of Insights, Systems and Governance

<b>17 September 2025</b>		
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
THE LGSCO'S ANNUAL REVIEW LETTER FOR SURREY COUNTY COUNCIL 2024/25	To give the Audit & Governance Committee an overview of the Local Government and Social Care Ombudsman's annual letter for the year 2024/25.	Customer Relations Team Manager/Head of Customer Services
A&G COMMITTEE - ANNUAL REPORT 2024/25	To receive an annual report highlighting the Committee's activity over the past year.	Committee Manager (Democratic Services)

<b>19 November 2025</b>		
<b>TBC</b> AUDIT AND GOVERNANCE COMMITTEE - EFFECTIVENESS REVIEW 2025	To receive a report on the Committee's effectiveness.	(Committee Manager - Democratic Services)  Executive Director - Finance and Corporate Services
6 MONTH COMPLAINTS PERFORMANCE UPDATE REPORT 2025/26	To receive a half year update report on the operation of the Council's complaints procedures.	Senior Complaints Practice Lead
ANNUAL GOVERNANCE STATEMENT - HALF YEAR UPDATE	This report provides an update on progress on the improvement areas identified in the 2024/25 Annual Governance Statement.	Director of Law and Governance / Senior Finance Business Partner  Chief Executive / Leader
STATEMENT OF ACCOUNTS 2024/25	To approve the 2024/25 Statement of Accounts.	Strategic Finance Business Partner
TREASURY MANAGEMENT MID YEAR REPORT 2025/26	This report summarises the council's treasury management activity.	Strategic Finance Business Partner
INTERNAL AUDIT PROGRESS REPORT - Q2	To report on Internal Audit progress during quarter 2.	Chief Internal Auditor/ Audit Manager

Audit & Governance Committee  
20 November 2024

**Centre for Governance and Scrutiny Review of Council  
Governance Action Plan Update**

**Purpose of the report:**

To provide a further update to Members on the actions taken in response to the 2022 Centre for Governance and Scrutiny's (CfGS) review of Council governance using their Governance Risk and Resilience Framework.

**Recommendations:**

It is recommended that the Audit and Governance Committee:

1. Note 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. Note that the actions, tasks and ongoing monitoring of these areas are now integrated into the Council's business as usual activities.
3. Note 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.

**Introduction:**

1. In 2022, the Council commissioned a review of its governance arrangements from the Centre for Governance and Scrutiny (CfGS). This review was conducted using their Governance Risk and Resilience Framework. This review considered the Council's systems and process alongside the culture and behaviour against a series of criteria and positive and negative behaviours. The Council was an early adopter of this approach to establish, with the help of CfGS, where development and improvement could assist the Council's future understanding and management of risk relating to governance.

2. At its meeting in January 2023, the Audit & Governance Committee agreed an action plan, formulated in response to the letter provided by CfGS with their findings. The Committee then received a further update on the actions taken by officers at its meeting in July 2023.
3. This report seeks to provide a final update to the Audit & Governance Committee on the actions taken (as set out in **Annex 1**) and to confirm that these areas of work are now embedded into business as usual activity.

## **Action Plan Final Update**

### **Risk**

1. The CfGS recommended that the Council take a stronger approach to the management of risk, including greater Member ownership and oversight of high-risk areas. The Audit and Governance Committee now receive six-monthly reports on the Risk Management Strategy and this report incorporates ongoing monitoring of the effectiveness of risk management at the Council.

### **Members and Officers Working Together**

2. Overall, CfGS felt that there were constructive relationships between Members and officers. However, it was noted that more could be done to define the different roles of Members and officers and encourage a deeper understanding of mutual objections and motivations – particularly the nature of Members’ political motivations.
3. Training workshops looking at the role of Members and officers and how they best work together have been delivered to the Council’s Leadership Team, Cabinet, Political Groups and all Directorate Leadership Teams. Feedback from these sessions has been provided to the Corporate Leadership Team and as a result, additional sessions have been delivered to the next tier of senior management upon request. A further externally facilitated follow up training session titled ‘Leading in a Political Environment’ was commissioned and delivered to tiers 1 to 3 of the Council’s leadership in July/August 2024.
4. A governance e-learning course has been developed that covers an overview of the Council’s governance arrangements and the key elements of the Member Officer Protocol and this is available to all staff. A communications plan is being developed that will target managers to ensure that they complete this in autumn 2024.

### **Constitution and Scheme of Delegation**

5. CfGS undertook a detailed review of the Constitution and the Monitoring Officer and Democratic Services have responded to the points raised by CfGS in their report.

6. The Constitution Review Group made recommendations to County Council in July 2023 and amendments to Standing Orders were approved alongside agreement that the annual approval of the Risk Management Strategy would be delegated to the Audit & Governance Committee.
7. Further work will be undertaken in consultation with the new Chief Executive regarding the Council's protocols and procedures and Scheme of Delegation and ensuring that they reflect the working arrangements of the Council.

### **Whistleblowing**

8. CfGS reported that the expected formal processes for whistleblowing were in place but also recommended that more needed to be done to ensure that wider organisation 'cultures' catch up with the changes that have taken place at the top of the Council.
9. As a result of the CfGS recommendations, whistleblowing is now a standing item on the Audit and Governance Committee's work programme. Whistleblowing, sponsorships and gifts and hospitality are reported by HR to the Monitoring Officer on a quarterly basis and there is ongoing work to improve reporting of this to the Audit and Governance Committee. Quarterly communications are released to the organisation to remind officers of their obligations in relation to these areas and regular whistleblowing communications are released throughout the year.

### **Scrutiny**

10. Whilst recognising that the scrutiny function at Surrey had improved, the CfGS report recommend that further steps were taken to strengthen its role. This included greater use of performance information to inform scrutiny, ensuring scrutiny was focussed on strategically important issues and clearly demonstrating the difference that scrutiny makes.
11. Scrutiny improvements have been achieved or are underway. This includes drawing up protocols to clarify the processes around pre-decision scrutiny and increase awareness of the legitimate /statutory role of scrutiny to challenge ahead of decisions being made including the approach to Call in and an Executive Scrutiny Protocol being developed.
12. Improved oversight of priority areas through regular strategic updates to Select Committee Chairs on priority issues emerging at Cabinet and Audit & Governance Committee (e.g. Complaints) and horizon-scanning improvements have been introduced with more consistent monitoring of Cabinet Forward Plan and regular discussions with Committee Chairman at bilateral meetings.
13. All Committees receive performance data regularly and enhancements have been achieved with an extensive suite of performance, risk and business planning data introduced as part of the budget scrutiny process. A further review is planned later for in the year to ensure performance data consistently factored into forward planning. Feedback mechanisms to be

implemented and Select Committee self-assessments to be undertaken and factored into annual work programme schedule by end May 25.

## Member Development

14. CfGS consider a strong Member development offer as crucial to effective governance. Although CfGS found no issues with the Member development offer at the Council, Democratic Services have taken steps to improve the Council's development offer and the take up of this by councillors. A Members Reference Library has been introduced as a repository for long term reference documents which includes training and development information.

### Conclusions:

15. The risk areas identified within the CfGS letter have been addressed by officers over the last 18 months and the actions identified have transitioned into business as usual activity. As a result, the Audit and Governance Committee are asked to note the continued progress against the action plan and that this programme of work is now closed.
16. Further governance assurance work will be undertaken by the Council using the Government's Best Value Standards and Intervention statutory guidance and regular updates on this work will be provided to Audit and Governance Committee.

### Legal Implications – Monitoring Officer:

17. There are no substantive legal issues to be added to this report.

### Next steps:

18. Governance work will continue to ensure that the Council meets best practice standards using the Government's Best Value Standards and Intervention statutory guidance and regular updates on this work will be provided to Audit and Governance Committee.

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**Report authors:** Asmat Hussain, Director of Law and Governance and Monitoring Officer

**Contact details:** [asmat.hussain@surreycc.gov.uk](mailto:asmat.hussain@surreycc.gov.uk)

### Sources/background papers:

- CfGS Governance Risk and Resilience Framework. Code of Corporate Governance.
- Audit and Governance Committee report – Centre for Governance and Scrutiny – behavioural and cultural governance review 18 January 2023



- Audit and Governance Committee report – Review of behaviour and cultural governance – update on action plan 12 July 2023

**Annexes/Appendices:**

- Annex 1 – CfGS Action Plan – final update
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<p><b>Risk</b></p> <ul style="list-style-type: none"> <li>- Work to embed improvement in risk management needs to be closely monitored</li> <li>- Understanding roles in acting on operational risk</li> </ul>	<p><b>Actions</b></p> <p>The Audit and Governance Committee will receive its six-monthly update on the Risk Management Strategy in March 2023. Report to incorporate on going monitoring of risk management effectiveness and member roles in oversight of operational risks</p>	<p><b>Owner</b></p> <p>Strategic Risk Manager/Audit and Governance Committee</p>	<p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>- Continue to monitor the improvement of risk management and embedding in the authority.</li> </ul>	<p><b>Progress Update (Jul 2023)</b></p> <ul style="list-style-type: none"> <li>- Six monthly monitoring report considered by Audit and Governance March meeting, including recommendations in Value for Money audit.</li> </ul>	<p><b>Status (Sept 2024)</b></p> <p><b>Six-monthly Risk Management Update is now a standing item on the Audit &amp; Governance Work Programme</b></p> <p><b>Closed – integrated into business as usual</b></p>
<p><b>Members and officers working together</b></p> <ul style="list-style-type: none"> <li>- Improve understanding of others motivation and objectives, and the political</li> </ul>	<p><b>Actions</b></p> <p>-Provide development session for CLT, Cabinet Members, all Directorate Management Teams, and</p>	<p><b>Owner</b></p> <p>Assistant Director – Governance and Democratic Services/Member Services Manager/ Member Development Steering Group.</p>	<p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>- Member Services Manager to schedule training sessions with all DLT</li> </ul>	<p><b>Progress Update (Jul 2023)</b></p> <ul style="list-style-type: none"> <li>- Training sessions have taken place with SFRS, Children’s, Customer and</li> </ul>	<p><b>Status (Sept 2024)</b></p> <p><b>Training sessions delivered to Corporate Leadership Team, Cabinet,</b></p>



<p>motivation of members</p> <ul style="list-style-type: none"> <li>- Speed of decision making and realistic demands</li> <li>- Shared expectations of conduct throughout the organisation</li> <li>- Mutual expectations around roles in decision making</li> </ul>	<p>political groups on member/officer protocol and working together.</p> <ul style="list-style-type: none"> <li>-Refresh offer of officer development on “operating in a political environment” informed by member input from the Member Development Steering Group for a shared understanding of motivation and objectives.</li> <li>-Explore with the CfGS a recommended officer and member development offer with a focus on</li> </ul>		<p>teams and political groups.</p> <ul style="list-style-type: none"> <li>- Member Services Manager to pull together feedback from sessions to review at DS SMT and feedback to CLT.</li> <li>- Member Services Manager to review ongoing staff training offer, to ensure effective Member/Officer relationships are addressed and share with Member Development Steering</li> </ul>	<p>Communities and are scheduled to take place</p> <ul style="list-style-type: none"> <li>- Resources, ETI and Adults Directorates.</li> <li>- Sessions have taken place with the three main political groups.</li> <li>- Feedback from sessions delivered so far has been positive.</li> <li>- Member/Officer relationships now considered at SMT meetings.</li> <li>- Have reached out to LGA to see what we can learn from their training programme.</li> </ul>	<p><b>all political groups and all Directorate Leadership Teams.</b></p> <p><b>Feedback from sessions provided to the Corporate Leadership Team in January 2024.</b></p> <p><b>Following CLT feedback, additional sessions delivered to the next tier of senior management upon request including Planning and Place, Corporate Strategy and Policy and Land and Property.</b></p> <p><b>Refresh of training</b></p>
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	<p>positive cultural behaviours and effective relationship building.</p>		<p>Group for their input.</p> <ul style="list-style-type: none"> <li>- Member Services Manager to contact the LGA to find out more about their new Officer-Member training programme and how we can learn from this.</li> <li>- Regular discussion on Member/Officer relationships at DS SMT.</li> </ul>		<p><b>delivered to the Leadership Team on 'Leading in a Political Environment' in July and August 2024.</b></p> <p><b>With the impending Election in 2025 and the appointment of a new Chief Executive enable the council to undertake a refresh and reset of the member officers relations.</b></p> <p><b>Member/Officer relationships is a regular discussion item at Democratic Services Senior Management Team meetings and issues are</b></p>
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					<p>escalated to the Monitoring Officer as appropriate.</p> <p>A Governance e-learning course has been developed that covers an overview of the Council's governance arrangements and the key elements of the Member Officer Protocol. This is available to all staff through the Learning and Development system. A communications plan is being developed to roll this out to all staff (in particular, targeted at managers) in the autumn.</p>
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					<p><b>Closed - actions complete and ongoing monitoring in place.</b></p>
<p><b>Constitution and scheme of delegation</b>                  - Clarity of roles and evidence required in decision making                  - Levels of delegation and the extent of decision-making authority review                  - Articulation of roles and ownership of finance, performance, and risk</p>	<p><b>Action</b>                  To work with the Centre for Governance and Scrutiny on their recommendations for practical changes to existing work systems and processes (including the constitution and decision-making systems) with specific reference to the clarity of roles and ownership and the scheme of delegation.</p>	<p><b>Owner</b>                  Director of Law and Governance/                  Assistant Director – Governance and Democratic Services</p>	<p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>- Director of Law and Governance to contact CfGS to discuss their detailed recommendations around the constitution.</li> <li>- Constitution Review Group to ensure Member overview of Constitution.</li> </ul>	<p><b>Progress Update (Jul 2023)</b></p> <ul style="list-style-type: none"> <li>- Discussions are taking place with the CfGS around their detailed recommendations.</li> <li>- Constitution Review Group due to report to Council in July.</li> </ul>	<p><b>Status (Sept 2024)</b></p> <p><b>Constitution Review Group reported to Council in July 2023 and amendments to Standing Orders agreed.</b></p> <p><b>Further work has been undertaken in consultation with the new Chief Executive regarding the council’s protocols and procedures including a review of the Scheme of Delegation to ensure that it</b></p>



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					<p>reflects the Council’s operating model.</p> <p>Closed – Constitution is kept under ongoing review as part of business as usual.</p>
<p><b>Whistleblowing</b></p> <ul style="list-style-type: none"> <li>- Reassurance to staff there will be no negative impact on careers</li> </ul>	<p><b>Action</b></p> <p>Incorporate and emphasise in whistleblowing communications to all staff on a regular basis with monitoring through the annual whistleblowing report to the Audit and Governance Committee.</p>	<p><b>Owner</b></p> <p>Director of Law and Governance/ Head of Insights, Programmes &amp; Governance</p>	<p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>- Director and Law of Governance to have meeting with Head of Insights, Programmes and Governance to discuss how whistleblowing communications can be implemented.</li> <li>- Report on whistleblowing to come to Audit</li> </ul>	<p><b>Progress Update (Jul 2023)</b></p> <ul style="list-style-type: none"> <li>- Quarterly whistleblowing meeting has taken place and a whistleblowing communications plan is being implemented.</li> </ul>	<p><b>Status (Sept 2024)</b></p> <p><b>Annual Whistleblowing Report is now a standing item on the Audit &amp; Governance Committee work programme</b></p> <p><b>Work is underway to improve the reporting to A&amp;G Committee on Whistleblowing,</b></p>

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			and Governance Committee.		<p><b>Officer Gifts &amp; Hospitality and sponsorship.</b></p> <p><b>Whistleblowing, Sponsorships and Gifts &amp; Hospitality are reported to the Monitoring Officer and Internal Audit on a quarterly basis, with an Annual Full Year report for the Audit &amp; Governance Committee.</b></p> <p><b>Quarterly communications are released to the organisation to remind them of their obligations with regards to Gifts and Hospitality recording and Whistleblowing Communications</b></p>
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					<p>are released on a regular basis throughout the year.</p> <p>The Code of Conduct is reviewed every year and goes to People, Performance and Development Committee and Full Council each year for approval.</p> <p>Closed – ongoing monitoring is business as usual</p>
<p><b>Scrutiny ongoing improvement</b></p> <ul style="list-style-type: none"> <li>- Use of performance information</li> <li>- Role of challenge in decision making</li> <li>- Evidence to clearly</li> </ul>	<p><b>Action</b></p> <p>Incorporate the points made in the development in the ongoing scrutiny improvement program in</p>	<p><b>Owner</b></p> <p>Assistant Director – Governance and Democratic Services/Scrutiny Business Manager/Scrutiny Chairs.</p>	<p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>- Create link between selection of agenda items and review of performance data.</li> </ul>	<p><b>Progress Update (Jul 2023)</b></p> <ul style="list-style-type: none"> <li>- All Select Committees now receive performance information but there isn't an explicit link</li> </ul>	<p><b>Status (Sept 2024)</b></p> <p><b>Scrutiny improvements are in train with a number of prioritised workstreams.</b></p>

<p>demonstrate that scrutiny makes a difference - Consistency and sustained member oversight of priority areas</p>	<p>consultation with Scrutiny Chairs and Vice Chairs</p>		<ul style="list-style-type: none"> <li>- Review other Council’s approach to their Annual Report to evidence impact.</li> <li>- Planning sessions that re-run induction materials updated for 2023 to help planning/relevancy of forward plans.</li> <li>- Scrutiny Business Manager to speak to Performance colleagues to discuss how use of performance data by Select Committee.</li> <li>- Provide training to Members on use of performance data.</li> </ul>	<p>between reviewing performance information and choosing agenda topics. Scrutiny Manager to add this into item selection criteria.</p> <ul style="list-style-type: none"> <li>- All Select Committee Chairman have agreed to run a mid-term refresher induction. All four Select Committees to do this in June and July.</li> <li>- Scrutiny Manager attended performance training by CfGS.</li> <li>- Business Insights Team developing a performance data training package for Members – coming to MDSG in July.</li> </ul>	<p><b>Protocols drawn up to clarify processes around pre-decision scrutiny and increase awareness of legitimate /statutory role of scrutiny to challenge ahead of decisions being made including the approach to Call in.</b></p> <p><b>Corporate Leadership Team buy in to developing an Executive Scrutiny Protocol and protocol on pre-decision scrutiny.</b></p> <p><b>Improved oversight of</b></p>
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			<ul style="list-style-type: none"> <li>- Work with LGA to improve effectiveness of Children, Families, Lifelong Learning and Culture Select Committee.</li> <li>- Scrutiny protocol due to be agreed between Chief of Staffs and Scrutiny Team prior to approval from CLT/Political Groups.</li> </ul>		<p><b>priority areas through regular strategic updates to Select Committee Chairs on priority issues emerging at Cabinet and Audit &amp; Governance Committee (e.g. Complaints).</b></p> <p><b>Horizon-scanning improvements introduced with more consistent monitoring of Cabinet Forward Plan and regular discussions with Committee Chairman at bilateral meetings.</b></p> <p><b>All Committees receive performance</b></p>
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					<p>data. A further review is planned later in the year to ensure performance data consistently factored into forward planning.</p> <p>Feedback mechanisms to be implemented and Select Committee self-assessments to be undertaken and factored into annual work programme schedule by end May 25.</p>
<p><b>Member development</b> - Briefings and attendance</p>	<p><b>Action</b> Highlight the need to monitor and address attendance as a measure of the quality of briefings and</p>	<p><b>Owner</b> Member Services Manager/Member Development Steering Group</p>	<p><b>Tasks</b></p> <ul style="list-style-type: none"> <li>- Review how performance data is recorded to ensure the amount of Member Development</li> </ul>	<p><b>Progress Update (Jul 2023)</b></p> <ul style="list-style-type: none"> <li>- Collection of attendance and evaluation data has been reviewed.</li> </ul>	<p><b>Status (Sept 2024)</b></p> <p><b>Attendance data recorded for all member development activity and discussed at</b></p>



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	<p>consider as a priority in the annual member development strategy 2023.</p>		<p>training offered/attended is captured.</p> <ul style="list-style-type: none"> <li>- Work across team to ensure that all Member Development activity is recorded accurately.</li> <li>- Create individual training records for each Member.</li> </ul>	<ul style="list-style-type: none"> <li>- Member Services Manager working with People and Change to incorporate Members into a new Learning Management system.</li> </ul>	<p><b>Member Development Steering Group meetings and Group Leaders' meetings.</b></p> <p><b>A Members' Reference Library has been introduced as a secure, organised repository for long-term reference documents for councillors including training and development information.</b></p> <p><b>The Member Development Strategy was refreshed and approved by Council in July 2024.</b></p>
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					<p><b>Links to HR in place regarding new Learning Management System and access for Members.</b></p> <p><b>Closed – incorporated as business as usual.</b></p>
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Audit & Governance Committee  
20 November 2024

**6 Month Complaints Update Report  
2024/25**

**Purpose of the report:**

This report provides a summary and analysis of complaints received during the period 1 April 2024 to 30 September 2024. The report supports the Customer Promise principles in listening to customer feedback and delivering excellent customer service.

**Recommendations:**

It is recommended that:

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

**Introduction:**

1. The Council provides the facility for customers to make a complaint or compliment in relation to Council services in an accessible and consistent way.
2. The Council has a two-stage procedure for complaints about all Council Services except complaints about Adult Social Care and Children's Social Care Services. Adult Social Care operates a single stage statutory complaints procedure. Children's Social Care operates a three-stage statutory complaints procedure.
3. Complaints are managed and handled by three Customer Relations Teams. The complaint teams operate independently, each addressing specific service-related complaints, compliments, and member enquiries. The Adults Social Care Team deals with statutory

complaints about Adult Social Care services. The Children’s and Education Team handles statutory complaints for Children’s Social Care and non-statutory Education complaints. The Customer, Digital and Change (CDC) team manages all other non-statutory complaints except Education, including complaints about Payroll and Pensions.

4. For Education services, the Tribunals team offers a route to appeal decisions. When complaints relate solely to disagreement with the outcome of a decision, the Customer Relations team signpost to the Tribunals team.
5. This report provides an analysis of the number of complaints recorded about Surrey County Council between 1 April 2024 and 30 September 2024, including complaints from the Local Government & Social Care Ombudsman (LGSCO).

**Key Highlights:**

6. Annex 1 and 2 shows the complaints volumes and performance position at the end of Quarter 1 and Quarter 2 for the 2024/25 year. The compliment volumes are also included within those annexes.
7. The table below (figure 1) shows a breakdown of complaints by service and stage for the first six months of this financial year.
8. This includes the number of complaints handled at each stage of the complaints process for statutory and non-statutory complaints.

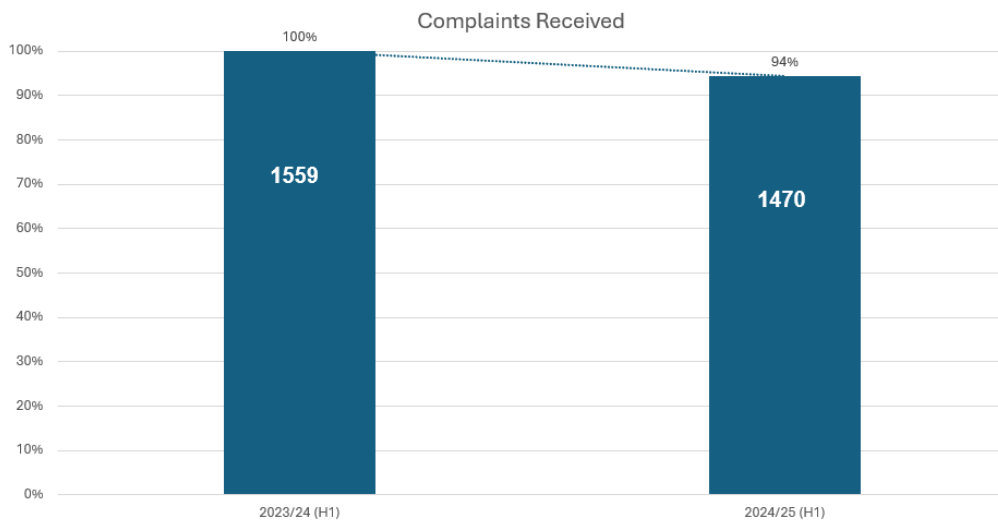
**Figure 1: The number of complaints received at each stage of the complaints process**

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>LGSCO Decisions</b>
Children’s Social Care	291	21	3	1
Education	397	159	0	62
AWHP	188			16
All Council Services	215	106	N/A	17
<b>TOTAL</b>	<b>1129</b>	<b>286</b>	<b>3</b>	<b>86</b>

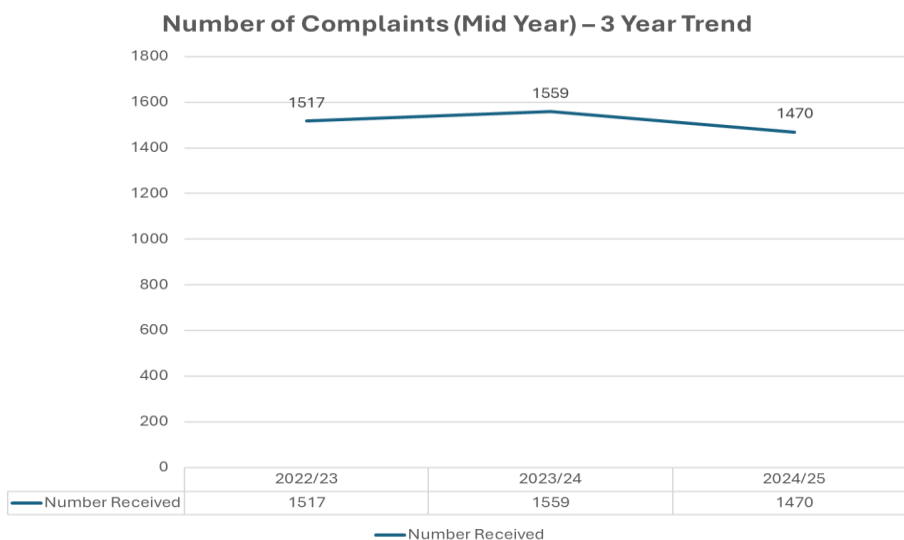
9. The top theme for complaints about Children’s Social Care were in relation to delays with the assessment process.

- 10. The top themes for complaints about the Education service were missed provision and delays in Annual Reviews for Educational Health Care Plans (EHCPs).
- 11. The top themes for complaints for corporate (all other services) were about Highways issues, specifically, grass cutting, vegetation, trees and road works (resurfacing, road signs and potholes).
- 12. The volume of complaints received in the first 6 months has decreased compared to the same period in the last two financial year. There has been a 6% decrease in the number of complaints received. See figure 2 and figure 3.

**Figure 2: A downward movement in the number of complaints received compared to last year**



**Figure 3 - Mid-year volumes for the last 3 years**



13. 26% of complaints raised so far in 2024/25 escalated to Stage Two. The Council recognises that further work is required to understand the quality of investigations at Stage One and to identify reasons for escalations and will review this as part of the ongoing improvement plan.

14. The lower volumes are a positive sign and reflect the efforts made by services across the Council to resolve complaints early on and in the timeliness of responses.

#### Figure 4: Performance against Key Performance Indicators (KPIs)

The table below shows the KPIs for complaints handling for statutory and non-statutory complaints.

Case type	Response timeframes	Target (KPI)
Corporate Stage 1	10 working days	90%
Corporate Stage 2	20 working days	95%
Statutory Children Stage 1	10 working days	80%
Statutory Children Stage 2	25 working days (up to 65 working days)	80%
Statutory Children Stage 3	Within 15 days of review panel's report	80%
Statutory Adult Stage 1	20 working days (internal) 6 months (legislative national statutory timeframe)	90%

15. The summary table below shows the number of complaints responded to on time against complaint KPIs. The data is split into statutory and non-statutory categories.

Non-Statutory	Corporate	Education	Total
<b>Stage One</b>	58% (124/215)	52% (213/408)	54% (337/623)
<b>Stage Two</b>	100% (106/106)	85% (116/137)	91% (222/243)

Statutory	AWHP	Children's Social Care
Stage One	100% (144/144)	62% (190/305)
Stage Two		74% (14/19)
Stage Three		100% (3/3)
<b>Total</b>	<b>100%</b>	<b>63% (207/327)</b>

- 16. Performance at Stage One is generally not meeting KPI targets. The responsibility to investigate and respond to complaints at Stage One sits with the services and work is underway to understand the reasons for underperformance to improve the response rate at Stage One.
- 17. The Complaint Teams investigate and respond to complaints that escalate to Stage Two. The data shows a notable improvement in the response rate at Stage Two for statutory and non-statutory complaints.
- 18. AWP are meeting 100% performance in line with the national statutory timeframe which requires a response within 6-months. The service’s response rate against the Council’s target of 20 working days was 48% (69/144) complaints answered within 20 working days. This is because AWP complaints are often complex and involve multi-agency responses. Where investigations and responses take longer than 20 working days, the complainant is always made aware of the extended response date before the deadline and in line with the legislation and best practice.

**Ombudsman Decisions:**

- 19. The table below shows the Ombudsman Decisions received in the first six months of 2024/25, these include volumes, the number of complaints upheld, and complaints not investigated further by the Ombudsman.
- 20. It is important to note that the number of complaints upheld by the Ombudsman includes complaints that were already investigated by the Council first and where the Council had offered a suitable remedy which the Ombudsman decided was fair and proportionate, with no further investigation undertaken by the Ombudsman. This distinction is reflected in the breakdown of upheld complaints (first two columns).

**Figure 5: Breakdown of Ombudsman Decisions**

Service	Upheld	Upheld with no further action (Council had provided suitable remedy)	Not Upheld	Closed after initial enquiries with no further action
AWP	6		1	9

CFLL Education Service	38	6	1	22
CFLL Children's Social Care	1	0	0	5
Corporate (all other council services)	2		1	14
<b>Total</b>	<b>47</b>	<b>6</b>	<b>3</b>	<b>50</b>

21. Education Services in particular are working to resolve concerns at the earliest stage, providing updates, solutions and appropriate provision as soon as an issue is identified at Stage One of the process.
22. Some of these issues are related to more wide-spread themes requiring system-wide improvements. The EHCP Recovery Plan is one such issue, which is now delivering clear performance improvements in 2024/25. Consequently, Stage One complaints relating to delays in EHC Needs Assessments have decreased, as noted in the recent [LGSCO Report](#).
23. This previous report anticipated that a consequent reduction in the number of investigations upheld by the LGSCO would not be seen until 2025/26 due to the number of complaints already progressing within the complaints procedure. However, both the number and the proportion of LGSCO investigations related to delays in needs assessments have already decreased in the first six months of this year (2024/25), constituting only 39% of upheld investigations as opposed to 64% in the period April to September 2023 and 61% in the period October 2023 to March 2024.
24. The overall number of upheld investigations related to Education Services has not followed the upward trajectory of the past few years, but instead is levelling off following last year's levelling off of complaint volumes at Stage One. Between April and September 2023 there were 45 upheld investigations, and a further 72 between October 2023 and March 2024. In this current financial year (April to September 2024), there have been 44 upheld investigations, 6 of which with no further action as the Council had already acknowledged fault, resolved the issues and fully remedied at an earlier stage of the complaint procedure.
25. In terms of other key themes, there were 9 investigations related to delay in Annual Reviews of EHCPs last year, compared to 7 already in the first six months of this year, which indicates that this issue is

increasing in prevalence, as also noted in the recent LGSCO report. There is an action plan underway to address delays in processing annual reviews with 72% now up to date. We anticipate that this theme will begin to reduce over time as historic LGSCO complaints are finalised.

26. The Council previously reported to the Audit & Governance Committee on the time lag between improvements delivered and realising the impact of these actions on complaint volumes, especially given the historic nature of some complaints currently active in the complaint procedure.

27. The Council agreed at the last Committee meeting to share data on when a complaint, which had now received a final decision from the LGSCO, had first been raised at Stage 1. For 32 of the 38 (84%) LGSCO decisions so far this year related to Education services, the original complaint was raised in the financial year 2023-24. The remaining 6 were initiated during the current financial year.

**Financial Remedies:**

28. When the Council recognises that a person has suffered an injustice, we try to put them back in the position they would have been had the error not occurred.

29. The Council has adopted the Ombudsman’s approach and guidance on remedies as published in Summer 2023. This involves changing procedures to ensure that suitable remedies are provided at an earlier stage of the complaint procedure when more significant fault or injustice is found.

30. The total amount of financial redress paid in the first six months of 2024/25 year is set out in Figure 6 (below):

**Figure 6: Financial Redress breakdown for six months**

Service Area	Local remedy	LGSCO remedy	Total remedy
Adult Wellbeing and Health Partnerships (AWHP)	Nil	£2410.63	£2410.63
Children Families and Lifelong Learning (CFLL) - Children’s social care	£14,835.12	£550.00	£153,85.12
Children Families and Lifelong Learning (CFLL) - Education	£138,190.00	£82,775.00	£220,965.00
Corporate (all other services)	£200.00	£550.00	£750.00

<b>TOTAL</b>	<b>£153,225.12</b>	<b>£85,735.63</b>	<b>£239,510.75</b>
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31. During the first six months of this year the Council has paid **£239,510.75** in financial remedies.
32. The majority of financial redress payments relate to Education services, with the largest individual payments arising from complaints about missed education or missed provision. This is where a child is unable to attend school because appropriate or alternative support has not been provided, or where the provision agreed in an Educational Health Care Plan (EHCP) has not been put in place. Missed education and missed provision is a factor in 20 of the 38 LGSCO investigations this year.
33. The three largest individual remedies so far this year (of £11,650, £8,900 and £8,353) were each issued primarily to recognise periods of missed educational provision.
34. So far this year, there has only been one significant payment for Children's Social Care, of £8,325.12, which related to errors and omissions in the application of a Special Guardianship Order.

### **Complaints Learning & Analysis:**

#### **Children's Families and Lifelong Learning**

35. The data so far this year provides evidence that the year-on-year increase in Stage 1 complaint volumes in CFLL (Children's, Families & Lifelong Learning) Directorate continues to taper off and slightly decrease.
36. The increase in recent years in upheld LGSCO investigations can be attributed both to the nature of complaints about delays in the EHCP process (these can continue to be progressed through the complaint procedure even when they are appropriately upheld and remedied at an earlier stage), and to the changes in LGSCO practice around financial remedies.
37. The data above indicates that the number of upheld investigations is levelling off but not yet reducing, and also that the impact of the EHCP recovery plan is already starting to be seen at LGSCO investigation stage.
38. CFLL services are issuing more financial remedies at an early stage where this is justified, as shown in the percentages graph under paragraph 26. Although this means that the total payments for this year will likely be at a similar level to last year, this does need to take into account the change in Ombudsman guidance and practice. Were we not to take this approach, the overall remedy total would almost certainly be higher.



39. Communication is still a key theme in 30-40% of all complaints about CPLL services with a number of these, but not all, relating to Special Educational Needs (SEN) communications. There is a range of activity underway in response to this as part of the End-to-End Review of the EHCP process and in the Additional Needs & Disabilities Partnership Strategy. A Service Manager has been appointed to embed relational working across Education Services and training has already begun to build the skills and confidence of staff in using a restorative approach to resolve issues at the earliest stage possible.
40. Regarding the larger financial payments relating to periods of missed provision, these are often instances where a child is not attending school but has not yet been assessed as needing alternative provision or additional support. A planned restructure of Education Services with a greater focus on prevention, attendance and inclusion should see improvements in this area, and a more detailed update on the review of Section 19 duties was provided in September for the Audit & Governance Committee workplan under action A14/24.
41. The increase in complaints related to delays in Annual Reviews of EHCP has been addressed by the service deploying staff from the EHCP Recovery Plan to support on a short-term basis with outstanding reviews.
42. Additional posts that were recruited to SEND services and to the CPLL Customer Relations team have led to a gradual improvement in timeliness as evidenced when comparing this year's data in paragraph 13 to the [Annual Complaints Report](#) for last year.
43. Of particular note is the improvement in response time to enquiries that residents send via MPs and Councillors. A new dedicated mailbox, additional staff resource, and an increase in signposting families to the complaint procedure has led to less duplication of work and a much-improved service. Average response time has come down from over 20 working days in 2023-24 to 8 working days in 2024-25, with 96% of enquiries responded to on time.
44. More detail on the points above, and on other aspects of the improvements underway in CPLL services is described in more detail in Annex 2 of the recent LGSCO report.

### **Adult Wellbeing and Health Partnerships**

45. In AWWP (Adults, Wellbeing & Health Partnership) Directorate over the last half year, the volumes of complaints recorded has continued to be around 90-100 complaints per quarter. This has now levelled after an increase of 25% in previous years.

46. The directorate is offering staff the opportunity to attend the LGSCO 'Effective Complaint Handling' online training workshops covering skills in investigating complaints. This course is aimed at staff dealing with complaints at the later stages of the process, such as managers and complaints officers.
47. As part of the Council's commitment to equality, diversity, and inclusion (EDI), AWHP analyse complaints through an EDI lens to understand if complaints received from residents with protected characteristics (age, ethnicity, disability) are relative to the number of open cases and therefore how accessible our complaints process is.
48. The AWHP Customer Relations team are also working on an internal 'Learning from Complaints' report to share with the Practice Assurance Board to ensure any learning is being embedded into practice.

### **Corporate - Other Council Services**

49. The Corporate Customer Relations Team has focused on delivering effective complaints handling training to support front line services drafting Stage One complaint responses. The service has seen an improvement in performance against timescales and continues develop good complaints handling practices to improve the customers complaints journey and experience. The improvement is also notable from fewer Ombudsman decision about corporate service complaints. This is indicative of improvements implemented locally to the Council's complaints process and in providing comprehensive responses to complainants.
50. From April 2024, the Customer Relations Team has streamlined processes and now carries out an initial assessment on new complaints, with a focus on early resolution. This has positively impacted customer service and improved working relationships between the Customer Relations Officers and operational colleagues. Further work is under way with services to improve complaints handling at Stage One to provide high quality responses early thereby preventing unnecessary escalation. The team are also working to improve complaints information on the Council's website so that residents can self-serve more easily and have access to the right information and processes rather than make a complaint.
51. The Customer Relations Team has adopted the latest advice, guidance and best practice from the Ombudsman's complaint handling code. In applying this new approach to complaints handling, the team are focusing on early resolution and achieving an excellent

response rate to complaints considered at the final stage of the complaint procedure.

52. In August 2024, Anitha Pillai joined the Council as our Senior Complaints Practice Lead in the Council's Customer Services team and is leading the cross-Council improvement works summarised below.

### **Summary of improvement work underway**

53. The Committee asked for an update on the improvement actions and details of progress made. We have introduced a number of enhancements which include changing the frequency of performance reporting to provide an update to leadership team on key complaint volumes, timeliness and escalation rates, with breakdown by services and graphs showing year-to-date.

54. Further work is ongoing to improve the report format to refine and improve clarity and impact.

55. Work is underway to stabilise and improve the complaint IT system and reporting functionalities. This includes addressing current system challenges in the short term; and designing technology requirements to inform better ways of working in the medium term.

56. All tasks remain on track for completion by March 2025. Please find further details at Annex 3.

### **Financial and value for money implications**

57. Complaints are an integral component of any customer facing service. Payment of financial redress (as shown in figure 4) is the financial implication of complaint handling. Responding to complaints quickly and resolving concerns as early as possible ensures complaints do not escalate unnecessarily through the process and minimises the requirement to pay financial redress.

### **Equalities and Diversity Implications**

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

## **Risk Management Implications**

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

## **Legal Implications:**

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

## **Next steps:**

61. The operational review undertaken in Q4 2023/24 recommended a number of improvement actions. Some of these actions have been implemented and others are underway. Services will continue to work together to deliver on the improvement actions and a further update on progress will be provided as well as a report on this financial year's complaints performance as per the Audit and Governance workplan for 2025/26.

62. The Customer Transformation Programme is underway in Surrey County Council to deliver better outcomes for customers. The review on complaints handling process and technology has commenced and offers an excellent opportunity to take a one council approach to improving complaints performance.

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**Report authors:** Anitha Pillai, Senior Complaints Practice Lead,  
Customer Services, Digital and Change Directorate

**Contact details:** [anitha.pillai@surreycc.gov.uk](mailto:anitha.pillai@surreycc.gov.uk)

**Sources/background papers:**




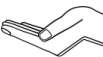
- None

**Annexes/Appendices:**

- Annex 1 – Summary report for first quarter (1 April to 30 June 2024)
  - Annex 2 – Summary report for second quarter (1 July to September 2024/25)
  - Annex 3 – Progress update on Improvement Actions
- 







## Annex 1: Summary Quarter One Complaints Data

Customer Relations Council wide		SUMMARY			April – June 2024
<b>COMPLIMENTS</b> 	<b>CFLL</b>	<b>AWHP</b>	<b>Corporate</b>	<b>TOTAL</b>	
	34	142	97	273	
<b>TOTAL COMPLAINTS</b> 	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Ombudsman decisions</b>	
	CFLL - 360 AWHP - 92 Corporate - 113	CFLL 100 Corporate - 49	CFLL - 3	CFLL - 32 AWHP - 11 Corporate - 10	
<b>RESPONSE TO TIMESCALE (AVERAGE)</b> 	<b>Stage 1</b> <b>(CFLL, AWHP, Corp)</b>	<b>Stage 2</b> <b>(CFLL &amp; Corp)</b>	<b>Stage 3</b> <b>(CSC only)</b>		
	CFLL - 57% AWHP - 100% Corporate - 62%	CFLL - 87% Corporate - 100%	100%		
<b>UPHELD BY OMBUDSMAN</b> 	<b>CFLL</b>	<b>AWHP</b>	<b>Corporate</b>	<b>TOTAL</b>	
	20	5	2	27	

B: AWHP on time response KPI = legislative statutory time frame (6 months), not SCC internal KPI target (20 working days).

## Annex 2: Summary Quarter Two Complaints Data

Customer Relations Council wide SUMMARY				July - September 2024
<b>COMPLIMENTS</b> 	<b>CFL</b>	<b>AWHP</b>	<b>Corporate</b>	<b>TOTAL</b>
	77	116	67	285
<b>TOTAL COMPLAINTS</b> 	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Ombudsman decisions</b>
	CFL - 403 AWHP - 96 Corporate - 92	CFL 105 Corporate - 57	CFL - 0	CFL - 39 AWHP - 5 Corporate - 8
<b>RESPONSE TO TIMESCALE (AVERAGE)</b> 	<b>Stage 1 (CFL, AWHP, Corp)</b>	<b>Stage 2 (CFL &amp; Corp)</b>	<b>Stage 3 (CSC only)</b>	
	Children - 62% Education - 48% AWHP - 100% Corporate - 75%	Children - 50% Education 85% Corporate - 100%	Nil due	
<b>UPHELD BY OMBUDSMAN</b> 	<b>CFL</b>	<b>AWHP</b>	<b>Corporate</b>	<b>TOTAL</b>
	19	0	0	20

NB: AWHP on time response KPI = legislative statutory time frame (6 months), not SCC internal KPI target (20 working days).

### Annex 3 – An update on Service Improvement Actions

Improvement Actions	Progress Update	Status /Target Date
The EHCP Recovery Plan	<ul style="list-style-type: none"> <li>- The EHCP Recovery Plan has led to ongoing improvements in issuing EHCPs within statutory timescales, from 16% in September 2023 to 64% issued on time in September 2024</li> </ul>	KPIs with targets for 31 December 2024 can be found in Appendix 5 – Table 7 (Page 185) in the CFLLC Select Committee papers dated 12 September 2024.
To carry out an evaluation of SCC’s existing complaints case management system (in progress)	<ul style="list-style-type: none"> <li>- A working group set up to look at system requirements and options for a new case management system. This includes understanding existing systems in SCC</li> </ul>	Ongoing - on target to be completed by November 2024
To review complaints reporting (content and frequency) along with key performance indicators to ensure they are fit-for-purpose and provide the right insight (in progress – included as part of a wider review of customer experience performance reporting)	<ul style="list-style-type: none"> <li>- The frequency and format of performance reporting from weekly to monthly reports to give Senior Leadership team month on month data and insight.</li> <li>- To standardise the format of the monthly and quarterly reports (Work in progress)</li> </ul>	Ongoing - on target to be completed by December 2024
To design and roll out a comprehensive training programme for staff in complaint handling	<ul style="list-style-type: none"> <li>- This includes a full review on policy and process and delivery of training for staff across all services.</li> </ul>	Work in progress – completion by March 2025
To establish a community of practice (CoP) within Customer Relations to share best practice, address performance challenges and create consistency in approach	<ul style="list-style-type: none"> <li>- Identified core members who are responsible for complaints management and created an online platform for communication and collaboration.</li> <li>- Organised regular meetings to share knowledge and experiences.</li> </ul>	In development – completion by December 2024
To set up a framework for continuous improvement to manage the learning from complaints and support ongoing service improvement	<ul style="list-style-type: none"> <li>- This framework will be developed as part of the new case management system which will support learning and continuous improvement to systemically learn from complaints</li> </ul>	In design – completion by March 2025

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Audit & Governance Committee  
20 November 2024

**Annual Governance Statement - Half Year Update**

**Purpose of the report:**

This report provides an update on progress on the improvement areas identified in the 2023/24 Annual Governance Statement for monitoring purposes.

**Recommendations:**

It is recommended that the Committee confirm whether it is satisfied with the progress made so far.

**Half year update**

1. The 2023/24 Annual Governance Statement identified a number of governance issues which were detailed in a 2024/25 improvement plan. The Annual Governance Statement is attached at Annex 1 for ease of reference. Updates on many different areas of governance are continuously reported to senior management and members through various groups, boards and committees. Annex 2 provides a summary of progress to date on the key governance risks identified in the Annual Governance Statement 2023/24 approved by the Audit and Governance Committee.
2. The report has been discussed with the Governance Panel and the Corporate Leadership Team and their comments are incorporated.

**Financial and value for money implications:**

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

**Equalities and Diversity Implications:**

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

**Risk Management Implications:**

5. Strong governance arrangements support the council in the effective delivery of services and achievement of objectives.

**Legal Implications – Monitoring Officer:**

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

**Next steps:**

7. Continued progress on the areas within the AGS action plan will be reviewed as part of the annual review of governance and the development of the 2024/25 Annual Governance Statement.

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**Report authors:** Asmat Hussain, Director of Law and Governance and Monitoring Officer; Chair of Governance Panel

**Contact details:** [asmat.hussain@surreycc.gov.uk](mailto:asmat.hussain@surreycc.gov.uk)

**Sources/background papers:**

2023/24 Annual Governance Statement, Code of Corporate Governance, CIPFA/SOLACE framework *Delivering Good Governance in Local Government*.

**Annexes/Appendices:**

- Annex 1 - Annual Governance Statement 2023/24
  - Annex 2 - Annual Governance Statement - 2024/25 Action Plan progress update
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# ANNUAL GOVERNANCE STATEMENT 2023/24

## Introduction

Surrey County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It needs to ensure that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. To achieve this the council must ensure that it has a governance framework that supports a culture of transparent decision making.

The Accounts and Audit Regulations (2015), as amended by the Accounts and Audit (Amendment) Regulations 2021, require the council to conduct a review, at least once a year, on the effectiveness of its system of internal control and include an Annual Governance Statement reporting on the review with the Statement of Accounts.

The Annual Governance Statement describes significant organisational and service activities during 2023/24, progress against key issues raised in last year's governance review and identifies key areas of focus for 2024/25 and provides assurance the Council is complying with its Code of Governance and the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government" (2016).

Core Governance Principles:

1	We will focus on <b>our purpose</b> to optimise the achievement of intended outcomes for Surrey and its local communities
2	Members and officers will behave with integrity and demonstrate a strong <b>commitment to ethical values</b>
3	We will ensure <b>openness</b> and effectively engage with our stakeholders
4	We will develop the <b>capacity and capability</b> of members and officers to continue to be effective
5	We will manage <b>risks and performance</b> through robust internal control and strong public financial management
6	We will implement good practice in <b>transparency and reporting</b> to deliver effective accountability

## Organisational Governance

### Organisation Strategy 2023 - 2028

The Council's Organisation Strategy sets out four Strategic Priorities in the context of ongoing significant challenges including the cost-of-living crisis, high inflation, global financial uncertainty, and government policy changes. It also enhances the clarity and centrality of 'No One Left Behind' as the guiding principle in tackling inequality and the existing four priority objectives.



Much of the Council's work is undertaken in partnership. At a strategic level, the governance of this work is dealt with through a number of strategic partnership boards, that bring a range of partner representatives together. These include, for instance, the Health and Wellbeing Board and Integrated Care Partnership, One Surrey Growth Board, and the Greener Futures Board. These are in turn supported by a number of themed and more operationally focused partnership structures, including statutory Adults and Childrens' Safeguarding Boards.

## Corporate Leadership Team (CLT)

During 2023/24, the Corporate Leadership Team (CLT) has experienced a number of changes following the previous Chief Executive's departure and some CLT posts are currently filled on an interim basis. An interim Head of Paid Service is in place until the new permanent Chief Executive joins the Council in August 2024. There are currently interim arrangements for the statutory s151 role and the Monitoring Officer roles.

The interim arrangements ensure all key corporate roles in the CLT are covered, whilst the Council undergoes the permanent recruitment for the vacant posts of Executive Director Adults, Wellbeing and Health Partnerships, Executive Director Finance and Corporate Services (Section 151), Executive Director of Customer, Digital and Change and the Director of Law and Governance (Monitoring Officer). The Executive Director of Environment, Infrastructure and Growth will become vacant in July 2024 so the directorate structure will be temporarily changing for 12 months to refocus the department and to ensure interim arrangements are put in place to cover the vast area of Waste, Land and Property, Economy and Growth, Highways, Infrastructure and Planning.

## Executive Director Assurance Statement 2023/2024

This is the first year the council has requested Assurance Statements from the CLT. The statement covers 10 areas of Constitution of the Council and the Scheme of Delegation, Risk Management, Financial Management, Internal Controls, Counter Fraud Arrangements, Major Projects, Performance Management, HR Management, Information Governance and External Audits and Inspection. The statements provided a good level of assurance across all areas and the identified actions will be implemented by the relevant Executive Directors during 2024/25 as part of business as usual. Further guidance and support on the Council approach around the assurance will be developed to strengthen the approach to the statements.

## Financial Management

The Council has worked diligently over recent years to improve its financial resilience, ensuring a stronger financial base from which to deliver services and putting in place robust financial management arrangements. We have reduced our financial risk, delivered service improvement, ambitious capital investment and transformation programmes and built back depleted reserves.

Despite this strong position, the 2023/24 financial year featured some of the most severe pressures faced for many years. In line with the national picture, public services are under significant strain, with ongoing funding uncertainty, further compounded by increased demands for vital services and the highest inflation in four decades. Price and demand pressures specifically in Home to School Travel Assistance, Adults Social Care and Children's Social Care Placements all contributed to a budget overspend being forecast for the majority of the financial year. The use of the council's risk contingency budget early in the financial year reflects this challenging environment.

The medium-term financial and economic outlook beyond 2024/25 remains uncertain and the challenges are set to continue, as a national election ushers in a new Government in July 2024. With no clarity on central government funding in the medium term, and changes to the political landscape, our working assumption is that financial resources will continue to be constrained, as they have been for the majority of the past decade. This places an onus on the Council to continue to consider issues of financial sustainability as a priority, in order to ensure the stable provision of services in the medium term.

During 2023/24, in recognition of the financial pressures being experienced and the expectation that these will continue into 2024/25, a number of cost control mechanisms were put in place, including recruitment and procurement controls. Building on the work undertaken as part of the Finance Improvement Programme, a refresh of the Partnership Agreement for Excellent Financial Management was undertaken, in consultation with representatives from across the organisation. The Partnership Agreement sets out the respective roles and responsibilities of the Finance Service and Budget Holders to ensure clear financial management responsibilities and mutual expectations. We continue to be committed to the Finance Academy, developing financial management capabilities for finance business partners, budget holders, councillors and all those engaged in financial activity. Budget Accountability Statements were issued to all Accountable Budget Owners in respect of both capital and revenue budgets.

We have strong governance arrangements in place whereby the financial position, (revenue and capital) including financial risks and associated mitigations are discussed monthly at Departmental Leadership Teams, Corporate Leadership Team and Cabinet. Capital has its own robust governance arrangements in place. All capital programmes of work undertaken by the Council form part of one of three Strategic Capital Groups (SCG) which meet on a monthly basis to discuss and approve business cases within their delegation (up to £250k) and project and programme delivery. Programmes outside of SCG delegation (over £250k and up to £1m) are discussed at the Council-wide monthly Capital Programme Panel which contains representation from each SCG and specific project/programme managers to discuss topics of relevance. Business cases over £1m are discussed and agreed by Cabinet.

The Council has a robust financial platform to build on, having taken difficult decisions in the past. Our focus will continue to be on protecting vital services, we need to maintain a persistent focus on both transformation and improved service delivery, with an ongoing need to be forward looking as well as delivering the efficiencies required to achieve a balanced budget position each year. The Council will need to continue to demonstrate a commitment to strong financial management in the years to come to ensure that the Council's finances are an enabler of our mission to ensure 'No One Left Behind.'

### **Transformation**

The Council has been on a transformation journey since 2018, delivering significant financial efficiencies and improving services for residents. Due to the ongoing financial challenges and requirement for change, the Council has recognised a need for a new approach to delivering financial efficiencies and ways of working to support a balanced Medium-Term Financial Strategy.

Work to prioritise the key transformation priorities and governance approach was undertaken during the year and five top priority programmes have now been agreed by Cabinet and Corporate Leadership Team (Children's Social Care transformation, Special Education Needs (SEND), Adult Social Care transformation, Customer transformation, Core Function Redesign). Revised transformation governance arrangements have been implemented with a new Strategic Transformation, Improvement and Assurance Board (STIAB) to oversee and assure our key top level transformation programmes, chaired by the Leader, and includes relevant Cabinet Members.

Business cases for the five priority programmes have either been developed or are in development and clearly set out the relevant investment and benefits the programmes will deliver. Savings are monitored through the Medium-Term Financial Strategy budget monitoring process, are tracked monthly and reported to Corporate Leadership Team and STIAB, as well as quarterly to Resources and Performance Select Committee. There continue to be significant risks associated with delivery of the programmes which are regularly monitored and reported through the governance arrangements.

## Workforce

The People Strategy Delivery Plan for 2023 was reviewed quarterly by the People Strategy Performance Board and programmes of work had Senior Sponsors to ensure that work was kept on track and delivered. The People Strategy was audited internally in December 2023 with a Reasonable Assurance opinion confirming there are clear strategic priorities addressing how the Council plans to develop both the capacity and capability of the workforce to achieve its strategic priorities. This is supported by a flexible plan setting out the action the Council will take to ensure the delivery of the strategy, which can be adjusted if required, enabling the Council to react as workforce priorities change. It also found that an appropriate governance structure is in place allowing for effective oversight of the work being conducted to deliver the People Strategy. The Delivery Plan is being refreshed for 2024/25 and will be reviewed and measured by the People Strategy Performance Board bi-monthly.

In 2023/24 there was a key focus on under-represented groups within the workforce and three major reviews were undertaken by external experts with regards to the lived experience of colleagues from the LGBTQ+ community, disabled colleagues, and minority ethnic group colleagues. These reviews have been assessed by the Equality, Diversity and Inclusion Board Members and an action plan has been created to ensure the working environment and experience of colleagues within these specific groupings is improved and equitable to those across the organisation.

The Employee Pulse Survey showed us that the majority (85%), of the workforce are proud to work for Surrey and are trusted to perform their roles effectively. The majority of people know how to report bullying, harassment or discrimination and have regular open conversations with their line manager. A 'You Said...We Did' Forum was established to review the results and discuss areas for improvement, which are overseen by the People Strategy Performance Board for consideration and approval.

The emphasis on quarterly Performance Conversations was endorsed by the Chief Executive in November 2023, with the roll out across the organisation of a new approach throughout the 24/25 financial year, which includes a final performance rating to reflect the individual's annual performance. This new approach will be supported by cross-organisational training for 1,700 line managers to ensure the performance of their teams is maximised.

The Council has introduced recruitment controls to minimise the number of roles that are advertised unnecessarily and to encourage teams to look at different ways of covering the work that is needed. The recruitment controls are not applied to public-facing roles. In addition, a Mutually Agreed Resignation Scheme (MARS), has been applied to some services as part of a range of options for those who are seeking to leave the Council. A blanket approach has not been applied, but the option for some to apply via a business case will be considered in those services where significant function re-design is taking place.

## Digital Business and Insights (DB&I) Programme and MySurrey

The DBI Programme went live on 6<sup>th</sup> June 2023 to deliver the MySurrey ERP system, integrating Finance, Procurement and HR. All elements expected to go-live (corporate and schools) did, as planned on 6<sup>th</sup> June. The Programme was governed by a Programme Board chaired by the Deputy Chief Executive and Executive Director of Resources with representation from senior officers across all Directorates, our Technology Partners and programme representatives until its closure on 15<sup>th</sup> December 2023. Closure was decided by the Board against a set of exit criteria; a process established to enter or exit each critical stage of the process. During this period a Sponsors Group was also part of the governance with representation from the Council and the Technology Partners where issues and blockages were escalated. Given the scale and complexity of a Council the size of Surrey, there were some issues upon go-live as expected, especially around payroll and pensions. Given their criticality, a rapid response team was pulled together to stabilise the programme from October 2023 for a period of about three months and then moved into a transition period to the end of the financial year. The

stabilisation period was governed by a Transition to Business As Usual Steering Group chaired by the Director of Finance, Corporate and Commercial and Chief Digital & Information Officer deputising. As at the start of 2024/25 there are still a pipeline of technical fixes outstanding which are impacting on a several areas within the system, including payroll and pensions services affecting Council employees and external customers. These are being prioritised for completion with oversight by the MySurrey Board.

### **SCC company governance**

The Council has four wholly owned LATCOs; Hendeca Group Ltd, Surrey Choices Ltd, Halsey Garton Residential Ltd and Halsey Garton Property Ltd. Oversight of these companies is provided through the officer-led Shareholder and Investment Panel (SHIP) and Member-led Strategic Investment Board (SIB) (Cabinet Sub Committee). The SIB is responsible for appointing and removing directors, approving annual business plans, and also reviewing the overall performance of the trading companies, including their financial performance. The SIB also provides an annual mid-year report to Cabinet.

The Select Committee Resources and Performance committee has recently reviewed the areas of risk, returns to the council, and any changes in strategy. Risk within the largest investment (Halsey Garton Property Ltd), has been a particular focus, in light of a volatile commercial property market and macro-economic factors. As a contingency in the event of an adverse event impacting the Company's ability to service all its debt to the Council, a Revolving Investment and Infrastructure Fund is already in place to mitigate any resulting revenue impact, with an amount of £11.1m.

The Halsey Garton Property Ltd exit strategy (should the Government legislate to prevent Council's holding commercial investments) was also reviewed. The committee was advised that legislative changes in recent years have been aimed at restricting new investment for commercial gain and it is thought unlikely by our advisors that Government would take legislative steps that impact existing investments. The Council ensures it is not overly reliant on investment income and that its overall debt level, including investments, is affordable.

Halsey Garton Property Ltd and Halsey Garton Residential Ltd both underwent major strategic reviews that were presented to the Strategic Investment Board during the year. Two further subsidiaries, Surrey Choices Ltd and Hendeca Group Ltd, either underwent or commenced financial sustainability reviews to test their viability in the medium term, with results also having been or to be provided to the Strategic Investment Board.

The Council also has minority shareholding in the companies of TRICS Consortium Ltd and UK Municipal Bonds Agency plc and during the 2024/2025 financial year the Council will undertake a review of the governance in terms of oversight companies and report to SIB.

## **Service-specific governance considerations**

### **Children's Services**

Improvement work across children's services has continued at pace. The number of children subject to a statutory plan has decreased in 2023/24 in line with expectations around a more consistent application of the Family Safeguarding practice model. Frontline practice has continued to improve in many areas, and we have made a fundamental shift in approach to early support and prevention, establishing our 'continuum of support'



model to ensure that children and families receive the right support, at the right time by the right service. The children's social care transformation programme has delivered its full financial benefits in the 2023/24 financial year. Ofsted registrations were received for two of three new purpose-built children's homes, which will ensure that more of Surrey's children are placed closer to home. The property market has remained challenging, both in terms of supply and the length of the purchasing process, which has subsequently impacted timescales and milestones for the delivery of some capital projects.

Work to recruit and retain staff in areas of skills shortage has accelerated, with a number of new initiatives implemented including targeted market supplements and 'grow our own' workforce approaches, which have helped to reduce voluntary turnover. However, social work recruitment remained a national and local challenge and continued to impact our target of 80% permanent social worker workforce, which we have not been able to meet.

The report letter following a focussed visit by Ofsted in April 2024, in relation to our Child in Need and Child Protection work, was generally positive. Following its publication on 17 May, the service is incorporating the two recommendations into our ongoing improvement programme.

### **Special Educational Needs (SEND)**

The 2023 Local Area SEND Inspection found that the local area partnership's arrangements "lead to inconsistent experiences and outcomes for children and young people with special educational needs and/or disabilities (SEND)" and made four recommendations for areas for improvement. Since the inspection, work has continued to deliver these and our already planned improvements, including creating more state-maintained specialist places; decreasing reliance on costly independent sector provision; promoting greater inclusion of children and young people (CYP) in mainstream settings; establishing an early identification and support offer; and enhancing relationships to reduce overall demand for statutory support whilst improving the timeliness of education, health and care plans (EHCPs) and reviews. A total of 43 capital projects have now been delivered, providing 920 additional specialist places increasing the state-maintained specialist education estate by 28%. Concurrently, the EHCP accelerated recovery plan has been successfully implemented, with work on track to achieve at least 58% EHCP timeliness by the end of May 2024. The discovery phase of the end-to-end review of the 20 week statutory EHCP process has been completed and the service is working closely with partners to implement findings. This includes work to improve the consistency and coordination of services, increase staff capacity across AN&D services, improve supervision and development of staff, and strengthen communications and engagement with families.

Delivery of the Safety Valve agreement has remained on track, with further work on cost containment mapping a priority. Ongoing construction market volatility also remains a key risk for the programme.

### **Home to School Travel Assistance**

Significant transformation and improvement activity has been delivered in the home to school transport service in 2023/24. In the last 12 months, 97% of applications were processed within the 20 working day target. Service efficiency savings have been made this year of approximately £3m. The savings have been realised through the extension of Personal Travel Budgets, a review of safe routes, cost recoupment, and re-optimisation of routes. Other key service developments include: a strengthened appeals function that ensures stringent application of policy, implementation of a robust communication strategy with families and providers, and technological developments undertaken with the Council's robotics team to automate laborious back-office processes. Despite these improvements, expenditure has been significantly affected by inflationary pressures in the market and by growth in demand for services. Applications for home to school travel assistance were 17% higher in



January 2024 than at the same point in 2023. In the light of these ongoing challenges the service will implement an oversight board in 2024/25 to assure members that all possible efficiencies are being made.

### **Adult Social Care**

There have been significant changes with the creation of a new directorate Adults, Wellbeing and Health Partnerships (AWHP), which has brought Adult Social Care, Public Health, Transformation and Health Integration, and some Community functions for example our Local Area Coordination. Care Quality Commission (CQC) regulation of Local Authorities Care Act responsibilities has now been introduced nationally, and Surrey County Council is now in the process of assessment, with this to be completed during the next 4 months.

In Surrey, like other areas, the complexity of need and demand for adult social care continues, and to respond effectively and support continuous improvement, the adult social care leadership structure has been refreshed, alongside refreshing governance arrangements. This has driven a restructure of adult social care leadership which was implemented on 1 May 2024. This includes additional capacity to support transformation, together with capacity and capability to deliver on the directorate's strategic ambitions, and increased capacity and focus on safeguarding adults and quality assurance.

### **Surrey Fire and Rescue Service**

In Spring of 2023, His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) undertook a third full inspection of Surrey Fire and Rescue Service (SFRS), and in September 2023, we received our inspection report. One Cause of Concern (CoC) regarding the effectiveness of the Risk-Based Inspection Programme (RBIP) was highlighted. Following significant efforts to address this concern, with a comprehensive review and update of our RBIP in line with the National Fire Chief Council's methodology, the CoC was discharged in April 2024.

The inspection report also identified 24 Areas for Improvement (AFIs) and the service has developed an Inspection Improvement Plan (IIP) to address each recommendation. The IIP is updated on a quarterly basis and shared with the Service Leadership Team (SLT), the Cabinet Portfolio Holder and the HMICFRS Service Liaison Lead. Progress against the IIP is reported via the Transformation Programme Board. The IIP is also scrutinised by the Communities, Highways and Environment Select Committee twice a year, along with the performance of the service against its key performance indicators.

### **River Thames Scheme**

The River Thames Scheme (RTS) is an integrated scheme which delivers both blue and green infrastructure, with each element supporting the other, to deliver this important scheme. A river channel will be built in two sections in Spelthorne and Runnymede with access to open green spaces and connections with wildlife. In addition, it will support a more sustainable travel network and a network of high-quality habitat to achieve biodiversity net gain.

RTS governance arrangements are formalised on the basis that both the Environment Agency (EA) and Surrey County Council (SCC) are joint clients for the scheme and are secured by a bespoke Collaboration Agreement 1 (CA1) between the EA and SCC, which outlines responsibilities for funding and delivering the scheme. The CA principles were approved by SCC Cabinet in 2021 to establish governance and decision making on RTS and terms for investment.

The key principles of the governance are:

- A scheme of delegation, with Project Sponsors empowered to act on behalf of their respective organisations.

- A Strategic Delivery Board (SDB) to enable joint decision making by the EA and SCC. Membership consists of SCC officers and EA equivalents including the Executive Director of Environment, Infrastructure and Growth, Director of Infrastructure and Major Projects, Director of Environment.
- Delegation from the SDB to the project team via Senior Client representatives and Senior Users to a Project Director to enable the project to deliver in an agile and efficient way.
- A single integrated delivery team and scheme Project Management Office (PMO) on behalf of both the EA and SCC.

As well as the above, there is a staged approach to delivery, with clear Gateways to control delivery, regular briefings with SCC lead Councillors, along with scheduled meetings with district and borough partners, and reports to Cabinet when an appropriate decision is required from Members. Our partners (amongst others) include; Runnymede Borough Council, Spelthorne Borough Council and Thames Water.

## **Governance Systems Assurance**

### **Corporate governance systems**

The annual review of corporate governance policies and process was carried out by the Council's Governance Panel, and Internal Audit completed a review of corporate governance. Both reviews concluded that governance systems are in place with many being updated and communicated throughout the year. The reviews recommended that further work could improve awareness and signposting of key governance systems, including through induction, to aid understanding and embedding across the organisation. Consequently, a review of Corporate and Directorate Induction Arrangements has been included within the Annual Internal Audit Plan for 2024/25.

The Council's Risk Management Strategy has been reviewed during the year and was approved by the Audit and Governance Committee in September 2023. The Corporate Risk Register is reviewed monthly by the Corporate Leadership Team and quarterly by Cabinet. There is also a 6-monthly review of the risk management arrangements by the Audit and Governance Committee.

The council's External Auditor's report on value for money published in January 2024, which looked at the year 2022/23, reported improvements have been made in the areas of Children's services, Pensions Administration and risk management. Further recommendations were made to continue to embed good governance and monitor progress in Children's Services.

The Council's financial management arrangements during 2023/24 fully complied with CIPFA's Statement on "The Role of the Chief Finance Officer" (CIPFA, 2010). The Deputy Chief Executive and Executive Director of Resources (s151) met his financial responsibilities during the year and ensured financial management arrangements were in place. Up until March 2024 he reported directly to the Chief Executive and had regular contact with the Leader and key Members, Monitoring Officer, Chief Internal Auditor and other Executive Directors. From March 2024, the Director of Finance – Corporate and Commercial became interim s151 officer and reports directly to the Interim Chief Executive.

An assessment of compliance with the CIPFA Financial Management Code was undertaken during the year. The review concluded that the Council demonstrated overall compliance with the standards, but evidence could be strengthened in some areas including capital training and guidance. There are also several areas where, as a result of the focus on financial management capabilities over the last few years, the Council's arrangements exceed the expected standards.

The Department for Levelling Up, Housing & Communities (DLUHC) have recently consulted on a new set of statutory guidance 'Best Value Standards and Intervention.' These have been developed to provide greater clarity to the local government sector on how to fulfil the Best Value Duty, by describing what constitutes best value, the standards expected and the models of intervention available to the Secretary of State in the event of a failure to uphold these standards. The guidance sets out seven best value themes, including characteristics of

a well-functioning local authority and indicators used to identify challenges that could indicate potential failure. Pending publication of the final guidance, an initial self-assessment of the principles was undertaken which provided assurance.

The Chief Internal Auditor has provided Reasonable Assurance that the council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2023 to 31 March 2024. Overall, whilst the majority of audit opinions issued in the year were generally positive, internal audit activity identified a number of significant areas where the operation of internal controls has not been fully effective, as reflected by the eight partial assurance opinions issues in the year (excluding schools audits). In addition, a further four audits of partial assurance were in draft report stage at the year-end, and two audits with fieldwork largely completed also likely to be of partial assurance. Again, some of these reviews fell into areas of significance in terms of financial materiality to the Council, or in areas of significant service delivery. No minimal assurance audits were issued in the past year and all audits of partial assurance will be subject to follow-up audits in 2024/25 to ensure the expected improvements have occurred.

The Council's governance arrangements for 2023/24 are regarded as fit for purpose and are in accordance with the governance framework shown in Annex A. The Council is committed to maintaining these arrangements and ensuring that the improvements required are prioritised and sufficiently resourced. The action plans below show progress on the improvement areas identified last year and the areas for improvement this year.

#### 2022/23 Annual Governance Statement Action Plan – Follow Up

Issue identified during 2022/23	Action taken during 2023/24
<p><b>DB&amp;I programme - MySurrey</b></p> <p>To ensure MySurrey is implemented effectively and embedded during 2023/24</p>	<p>DB&amp;I go-live on 6<sup>th</sup> June 2023 against established set of exit criteria as agreed by the Board</p> <p>Closure of the DB&amp;I programme at the Board on 15<sup>th</sup> December, against an established set of exit criteria as agreed by the Board</p> <p>Rapid Response team established in October 2023 for a period of c3 months to stabilise the programme (especially in the areas of payroll and pensions) and move towards Transition to BAU</p> <p>Established Transition to BAU Steering Group to govern the transition of activity to functional areas</p> <p>Established a Client Engagement &amp; Development Function to manage change programmes to optimise the system and manage contracts and client relationships on 18<sup>th</sup> March 2024</p>
<p><b>Special Educational Needs</b></p>	<p>Continued to deliver special educational needs and/or disabilities (SEND) areas for improvement.</p> <p>Delivered 43 capital projects, providing 920 additional specialist places.</p> <p>Implemented the education, health and care plans (EHCP) accelerated recovery plan.</p> <p>Delivery of the Safety Valve agreement has remained on track.</p>
<p><b>Home to School Travel Assistance</b></p>	<p>Service efficiency savings have been made this year and 97% of applications were processed within the 20 working day target.</p> <p>The appeals function has been strengthened.</p>

Issue identified during 2022/23	Action taken during 2023/24
	A robust communication strategy with families and providers has been implemented. Technological developments undertaken to automate back-office processes.
<b>Subject Access Requests</b> Improved SARs performance against statutory targets	Following implementation of the actions set out performance has risen and continues to be monitored. The Office of the Information Commissioner (ICO), confirmed in October 2023 that they were satisfied by the steps taken by the Council and no longer required regular progress updates.
<b>Planning Committee procedures</b> To implement improvements recommended by the Planning Advisory Service.	At its meeting on 27 September 2023, the Planning & Regulatory Committee approved the proposed changes recommended by the Planning Advisory Service, which Council approved on 10 October 2023. The changes are now embedded, and the Planning Committee is operating effectively.
<b>Adult Social Care</b>	Creation of a new directorate Adults, Wellbeing and Health Partnerships (AWHP). The adult social care leadership structure has been refreshed, alongside refreshing governance arrangements and a restructure of adult social care leadership which was implemented on 1 May 2024.

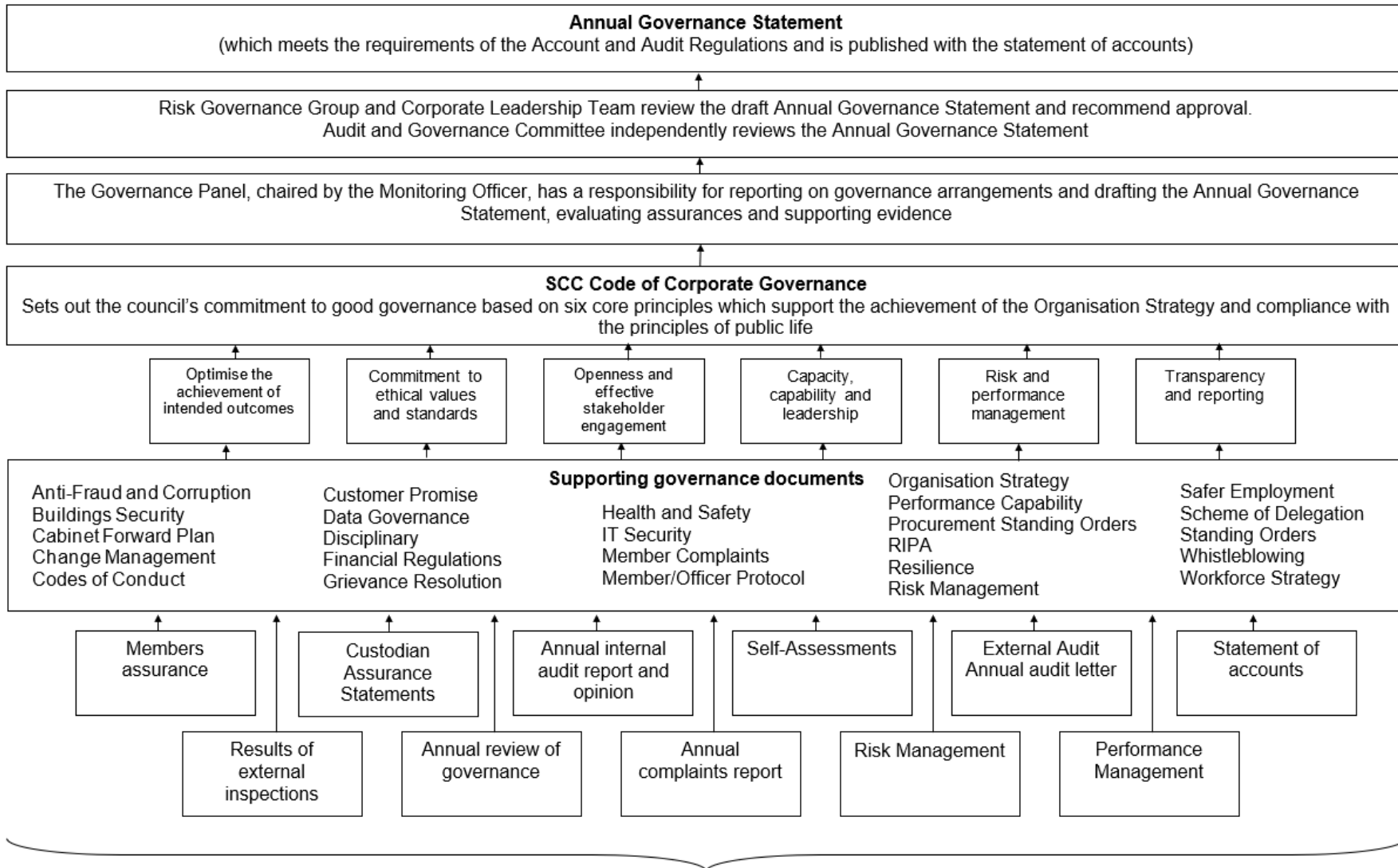
### 2023/24 Annual Governance Statement Action Plan

Issue identified during 2023/24	Action to be taken during 2024/25
<b>Childrens Services</b>	<ul style="list-style-type: none"> <li>• Pursue the DfE-sponsored Family Justice 'Trailblazer' programme, to reduce time taken in family court proceedings.</li> <li>• Deliver a new Adolescent Service, providing wrap around and 'Edge of Care' services to support children to live at home wherever safe and appropriate.</li> <li>• Embed a new Intensive Family Support Service (IFSS), providing intensive support for families in Surrey where there are interconnecting needs affecting the whole family.</li> <li>• Implement Foster Carers' Charter and launch a new foster care portal to enable communication between the council and its Foster Carers. Engage in the DfE-sponsored, South East Regional Foster Care Recruitment Programme.</li> <li>• Continue work to expand the in-house children's residential estate.</li> <li>• Continue work to strengthen our partnership front-door, to improve coordination and information sharing between agencies.</li> <li>• Develop an Early Help service specifically for Children with Disabilities.</li> <li>• Improve the quality of letters before proceedings and the quality and consistency of direct work with children.</li> </ul>
<b>Special Educational Needs</b> To improve SEND service	<ul style="list-style-type: none"> <li>• Complete the implementation of findings from the End to End review.</li> <li>• Continue to deliver the accelerated EHCP recovery plan.</li> <li>• Deliver planned capital projects and a refreshed capital programme scope and financial proposals to Cabinet in June.</li> <li>• With sponsors, review and implement an updated All Age Autism Strategy.</li> </ul>

Issue identified during 2023/24	Action to be taken during 2024/25
	<ul style="list-style-type: none"> <li>• Deliver an impact and outcomes evaluation framework, to be agreed with families and children and young people.</li> <li>• Embed a new Executive Leadership Group to provide assurance to the AND Partnership Board.</li> <li>• Launch a Continuum Of Provision (COP) Programme to provide a focus for a more inclusive system in Surrey.</li> </ul>
<b>Home to School Travel Assistance</b>	<ul style="list-style-type: none"> <li>• Implement an oversight board to provide members with assurance and oversight of the continuing delivery of efficiencies.</li> </ul>
<b>Adult Social Care</b>	<ul style="list-style-type: none"> <li>• Ensuring that within available resource continuing to improve the delivery of our Care Act Duties and outcomes for Surrey people.</li> <li>• Refocusing our workforce strategy and implementation plans to include our responsibilities for the wider sector adult social care workforce.</li> <li>• Responding to areas that might arise following completion of the Care Quality Commission (CQC) assurance process.</li> <li>• Continuing to work with our health partners, and people who use services, and informal carers.</li> </ul>
<b>MySurrey</b>	<p>Ensure effective transition of activities to all functional areas and close down of Transition to BAU Steering Group by end of May 2024.</p> <p>Complete procurement and implementation of a Managed Services support model to deal with technical fixes .</p>

Tim Oliver  
 Leader of the Council  
 July 2024

Michael Coughlin  
 Head of Paid Service  
 July 2024



All these sources and others provide assurance on the adequacy and effectiveness of our controls over key risks

Annual Governance Statement - 2024/25 Action Plan progress update

Issue identified during 2023/24	Action to be taken during 2024/25	Update as at October 2024
<p><b>Childrens Services</b></p>	<ul style="list-style-type: none"> <li>• Pursue the DfE-sponsored Family Justice ‘Trailblazer’ programme, to reduce time taken in family court proceedings.</li> <li>• Deliver a new Adolescent Service, providing wrap around and ‘Edge of Care’ services to support children to live at home wherever safe and appropriate.</li> <li>• Embed a new Intensive Family Support Service (IFSS), providing intensive support for families in Surrey where there are interconnecting needs affecting the whole family.</li> <li>• Implement Foster Carers’ Charter and launch a new foster care portal to enable communication between the council and its Foster Carers. Engage in the DfE-sponsored, South East Regional Foster Care Recruitment Programme.</li> <li>• Continue work to expand the in-house children’s residential estate.</li> <li>• Continue work to strengthen our partnership front-door, to improve coordination and information sharing between agencies.</li> <li>• Develop an Early Help service specifically for Children with Disabilities.</li> <li>• Improve the quality of letters before proceedings and the quality and consistency of direct work with children.</li> </ul>	<p><b>Family Justice Trailblazer:</b></p> <ul style="list-style-type: none"> <li>• SCC were successful in our bid for grant funding to deliver a 12-month project focused on tackling the root cause of delays in court proceedings.</li> <li>• This project is well underway and progressing well with a dedicated team in place, a network of other local authorities involved in the Trailblazer programme and good support from the DfE.</li> <li>• Priorities have been on improving data and the monitoring of children’s progress through the Public Law Outline (PLO), delivering training for practitioners, improving internal and partnership processes and collaboration, tackling recording issues and amending the case management system as needed.</li> </ul> <p><b>Adolescent Service:</b></p> <ul style="list-style-type: none"> <li>• A project has been underway since January 2024 and expected to close in December 2024 which is taking a phased approach to delivering a new Adolescence Service.</li> <li>• The new service was formally launched in June 2024 and focused recruitment activity to the new roles taken place. There have been some challenges but staffing for the service is now in a much improved position.</li> <li>• This has now entered the partnerships and pathways development phase with work leading towards a large partnership launch for the service in November 2024.</li> <li>• Development of the new edge-of-care part of the service is ongoing with a need to confirm budget for these teams. The edge-of-care provision already in place has continued so far within the new service.</li> </ul> <p><b>Intensive Family Support Service (IFSS):</b></p> <ul style="list-style-type: none"> <li>• The Families First project to develop the new IFSS has been underway since December 2023 and will conclude in December 2024.</li> <li>• The IFSS had a ‘soft launch’ in Spring 2024 with the new structure in place and recruitment commencing. The Families First model was formally launched in July 2024 through a series of events and comms initiatives.</li> <li>• Training, new process development, team members taking on casework and liaison with</li> </ul>







Annex 2

Issue identified during 2023/24	Action to be taken during 2024/25	Update as at October 2024
		<p>partner organisations has all been progressing this year.</p> <p><b>Foster Carer Initiatives:</b></p> <ul style="list-style-type: none"> <li>• A draft of the new Foster Carer's Charter was prepared for launch in Foster Care Fortnight in May 2024. Subsequent discussions about the detailed commitments in the charter have been ongoing with the Foster Carers' Association in order to ensure there are appropriate monitoring arrangements for all the commitments in the charter. We expect both the charter and monitoring arrangements to be in place by the year end.</li> <li>• We have joined forces with other councils from across the South East to form the Fostering South East Hub. Funded by the Department for Education (DfE), Fostering South East brings together the collective expertise and resources of councils from across the region and ensures that prospective foster carers have access to a centralised platform for enquiries, training and support, making it easier to get involved in fostering.</li> <li>• A Foster Carer Portal is being developed to integrate with our existing Children's Case Management system enabling carers to access part of the system and their records to improve communication and information sharing. Following some delays, the testing phase is commencing in October 2024 with the Portal expected to go live in January 2025.</li> </ul> <p><b>Children's Residential Homes Estate:</b></p> <ul style="list-style-type: none"> <li>• The Capital programme was developed in response to the number of children looked after in Surrey and the strategic goal 'Surrey Homes for Surrey Children'. In November 2022 Cabinet approved £18m of capital spend for seven to nine new homes, creating up to an additional 30 beds.</li> <li>• Three new children's homes are all up and running with five children placed and further work underway to place children in the remaining five vacant beds. Refurbishment work at another children's home has been completed, with the launch taking place in October 2024.</li> <li>• In addition, a DfE capital funded programme to open a further two children's homes providing six further beds in Dorking remain on track with the homes anticipated to be operational by April 2025.</li> <li>• SCC is well underway with the delivery of a replacement for an existing 5-bed children's home in Cobham, following the blueprint of the Dorking provision to create six-beds across two</li> </ul>



Issue identified during 2023/24	Action to be taken during 2024/25	Update as at October 2024
		<p>homes. It has been through planning and work is underway, with delivery expected in Autumn 2025.</p> <ul style="list-style-type: none"> <li>• The capital programme has slipped from the original timelines in the business case due to the availability of suitable properties, extended timelines for planning applications relating to change of use, agreeing the scope of adaptations and delays from internal approvals. The financial and operational implications of the delays are currently being explored.</li> </ul> <p><b>Children’s Services Front Door:</b></p> <ul style="list-style-type: none"> <li>• The Children’s Single Point of Access (CSPA) project aims to strengthen a sustainable and effective front-door service that ensures children and families always receive the right support at the right time. The project began in August 2023 and is due to finish in October 2025.</li> <li>• Social worker oversight at all critical junctions within CSPA is now in place which should ensure that children and families are always directed to the right place first time.</li> <li>• Open events have been hosted with key stakeholders to strengthen partnership working and improve understanding of the model to ensure that appropriate referrals are being made.</li> <li>• Back-office system improvements have been implemented to improve the timeliness of processing contacts and referrals.</li> <li>• Further work is under way investigating a potential portal or other technology solution to improve the referrals process.</li> </ul> <p><b>Early Help for Children with Disabilities (CWD):</b></p> <ul style="list-style-type: none"> <li>• An improved early help offer is being developed in the CWD service aiming to decrease social worker caseloads and transfer families that are being over-serviced to level 2 Family Support Teams. This project has progressed well with children being stepped down to the Family Support Team.</li> <li>• This is now moving into the closing stages, with procedures being finalised, systems development work being finalised and benefits being tracked.</li> <li>• More children remaining with the Family Safeguarding service that are due to be stepped down to the CWD Family Support Team when ready.</li> </ul>





Annex 2

Issue identified during 2023/24	Action to be taken during 2024/25	Update as at October 2024
<p><b>Special Educational Needs</b></p> <p>To improve SEND service</p>	<ul style="list-style-type: none"> <li>• Complete the implementation of findings from the End-to-End review.</li> <li>• Continue to deliver the accelerated EHCP recovery plan.</li> <li>• Deliver planned capital projects and a refreshed capital programme scope and financial proposals to Cabinet in June.</li> <li>• With sponsors, review and implement an updated All Age Autism Strategy.</li> <li>• Deliver an impact and outcomes evaluation framework, to be agreed with families and children and young people.</li> <li>• Embed a new Executive Leadership Group to provide assurance to the AND Partnership Board.</li> <li>• Launch a Continuum Of Provision (COP) Programme to provide a focus for a more inclusive system in Surrey.</li> </ul>	<p><b>End to End Review implementation:</b></p> <ul style="list-style-type: none"> <li>• The End-to-End review consisted of stakeholder and staff engagement, involving over 720 interactions with participants, to explore the issues relating to the statutory EHCP process and design improvements.</li> <li>• The review found the statutory EHCP process needed streamlining; SEND team structure was fragmented across different teams and quadrants and needed to be reorganised to support consistent practice; the capacity in the SEND service is not sufficient to offer a person-centred approach; and staff induction and supervision needed strengthening.</li> <li>• Changes implemented since the review began in May 2023 include updated decision-making process and recording; revised standard operating procedures, strengthened quality assurance processes for EHCPs; county-wide leadership for SEND; increased SEND staffing from 81 to 126 full time equivalent.</li> <li>• Next steps include further streamlining the statutory EHCP process using digital technology; further develop annual review and transition processes; focus on early dispute resolution; workforce development; improved working with families through relational working.</li> </ul> <p><b>EHCP recovery plan:</b></p> <ul style="list-style-type: none"> <li>• The EHCP recovery plan led to an improvement from 16% of EHCPs issued on time in September 2023 to 72% timeliness in July 2024. Over 900 out of date Education, Health and Care Needs Assessments (EHCNAs) were completed through additional capacity from external educational psychologists (EPs) and enhanced staffing in the SEND service.</li> <li>• Health and social care colleagues delivered improvements to the timeliness of their statutory advice.</li> <li>• Early intervention measures led to reduced EHCNA requests making demand more manageable. Projections indicate that this good progress will be maintained for the remainder of the Autumn 2024 Term.</li> <li>• Additional SEND staff have improved the completion of annual reviews resulting in a rise from 25% in July 2023 to 60% in August 2024, with over 4,420 overdue reviews finalised through this work. Work is on track to reach 75% completion by the end of December 2024.</li> </ul>

Issue identified during 2023/24	Action to be taken during 2024/25	Update as at October 2024
		<p><b>SEND and AP Capital programme:</b></p> <ul style="list-style-type: none"> <li>On 25 June 2024, Cabinet approved proposed changes to the planned use of the remaining £189m combined SEND capital funding and AP capital funding for 2024/25 to 2027/28. This means we can conclude delivery of 33 remaining committed SEND and AP construction projects by August 2028.</li> <li>Overall investment of £260m enables the creation of more than 2,400 permanent additional specialist places in mainstream and specialist schools across Surrey, increasing capacity locally by 74% from 2019/20 when the capital programmes started, to a total of just over 5,760 places by 2031/32.</li> </ul> <p><b>Updated All Age Autism Strategy:</b></p> <ul style="list-style-type: none"> <li>A 'You Said We Did' document is being developed to capture achievements from years 1-3 of the AAA Strategy, to include planned activity for years 4&amp;5.</li> </ul> <p><b>Outcomes framework:</b></p> <ul style="list-style-type: none"> <li>The Partnership Board received an outcomes framework for measuring the impact of the improvement plan in September 2024.</li> </ul> <p><b>AND Partnership Executive Leadership Group:</b></p> <ul style="list-style-type: none"> <li>An Executive Leadership Group has been introduced to the governance structure, which ensures the Improvement Plan and IAN (Inclusion and Additional Needs) Strategy are being delivered with the desired impact and outcomes.</li> <li>This group provides assurance to the Partnership Board, ensures work is delivered at pace and challenges off-track delivery.</li> </ul> <p><b>Continuum of Provision programme:</b></p> <ul style="list-style-type: none"> <li>A COP programme project initiation document has been developed setting out the programme's objectives and timeline.</li> <li>Key activities include the launch of a new Early Intervention and Support Service in Autumn 2024, strengthening capacity in resourced specialist provision in mainstream schools by</li> </ul>





Annex 2

Issue identified during 2023/24	Action to be taken during 2024/25	Update as at October 2024
		March 2025, and improved pathways for Alternative Provision with simplified communication to parents and young people by December 2024.
<b>Home to School Travel Assistance</b>	Implement an oversight board to provide members with assurance and oversight of the continuing delivery of efficiencies.	<b>Home to School Travel Oversight Board:</b> A member-led Oversight Group has been established to specifically give assurances at member level about the ongoing efficiency work. In addition, a new CFL Finance and Opportunities Board has been established with Director of Commissioning for Transformation as SRO. This will specifically look at the budget for HTSTA and how costs can be reduced.
<b>Adult Social Care</b>	<ul style="list-style-type: none"> <li>• Ensuring that within available resource continuing to improve the delivery of our Care Act Duties and outcomes for Surrey people.</li> <li>• Refocusing our workforce strategy and implementation plans to include our responsibilities for the wider sector adult social care workforce.</li> <li>• Responding to areas that might arise following completion of the Care Quality Commission (CQC) assurance process.</li> <li>• Continuing to work with our health partners, and people who use services, and informal carers.</li> </ul>	<ul style="list-style-type: none"> <li>• A diagnostic has been carried out which reviewed activity in adult social care. Methodology and plan developed to deliver the opportunities identified which includes enhancing reablement services; significant progress made on the Right Homes Right Support programme; work is underway to develop a Technology Enabled Care and Homes strategy; continued focus on prevention.</li> <li>• Early work has started to review the AWP workforce operating model and workforce strategy; phase 1 of culture programme has been delivered and phase 2 is planned.</li> <li>• AWP is continuing to focus on the areas for development identified in our CQC self-assessment ie safeguarding, assurance, technology enabled care, co-production etc.</li> <li>• The Cabinet Member for Adults Social Care and the Adults &amp; Health Select Committee are provided with updates on CQC.</li> <li>• Continued focus at front door in all teams to reduce demand and waiting times for allocation; partnership working with health in the Care Transfer Hubs is improving the flow from hospitals; ongoing work to improve services to informal carers including use of online tools.</li> </ul>
<b>MySurrey</b>	Ensure effective transition of activities to all functional areas and close down of Transition to BAU Steering Group by end of May 2024.	<b>Stabilisation Phase</b> Following a review of transition arrangements, outstanding stabilisation issues and emerging audit findings, a decision was taken to establish a MySurrey Stabilisation Board (the Board) in early September 2024. The Board has a formally agreed Terms of Reference, includes cross organisation representation to provide support and challenge to delivery and is chaired by the

**Annex 2**

Issue identified during 2023/24	Action to be taken during 2024/25	Update as at October 2024
	<p>Complete procurement and implementation of a Managed Services support model to deal with technical fixes.</p>	<p>Strategic Director for Customer Service Transformation and meets fortnightly. The new Deputy Chief Executive has recently joined the Board as the S151 officer and other members include the Director of People and Change, Chief Digital Officer (Senior Responsible Officer for the system), Chief Internal Auditor, Director for Procurement, Programme Manager and other corporate team members. The Lead Cabinet Member for Finance and Resources receives the full Board pack and meets fortnightly with the Chair and Programme Manager to ensure delivery is on track.</p> <p>The programme will undertake the work needed to create a stable system environment and will complete its work by 31 March 2024. It will establish a resourcing model and governance structure to continue into the developmental phase of the implementation and ensure business as usual is maintained proactively.</p> <p>Contract Management arrangements are being reviewed and strengthened with support from the Director of Procurement. A review of the existing contract against delivery and the original specification against outstanding issues will provide a clear framework for management. Unit 4 have been identified as a key contract and will have enhanced contract management.</p> <p><b>Scope</b> The scope of the programme has been well defined and prioritised based on four criteria:</p> <ol style="list-style-type: none"> <li>1) Internal audit risks</li> <li>2) Operation risks</li> <li>3) Organisational and Regulatory risks</li> <li>4) Staff impact</li> </ol> <p>The workstreams and scope includes:</p> <ol style="list-style-type: none"> <li>1) Fixes and system development required including payroll, pensions, forms and workflow issues, statutory reporting, finance accounts payable and wider finance process.</li> <li>2) IT faults and outstanding support including the management of Vision ERP our external technical provider delivering expert capacity.</li> </ol>





Annex 2

Issue identified during 2023/24	Action to be taken during 2024/25	Update as at October 2024
		<p>3) System Upgrades and technical improvements – two upgrades are required before the end of March 2025, and will help to resolve outstanding issues. This workstream will also resolve outstanding system access and security issues.</p> <p>4) Governance and Contract Management.</p> <p>5) Processes and data including data structures, clear data and process owners, standard operating procedures, data cleansing and data retention.</p> <p>6) Communication and engagement.</p> <p>All outstanding internal audit recommendations are included within these workstreams and internal audit will be engaged to review the progress as each action on the audit action plan is completed to ensure progress can be marked over time. Internal Audit will commence reviews post go live of the next upgrade week commencing 25 November 2024.</p> <p><b>Procurement and Managed Services</b>  Vision ERP have been contracted to facilitate technical fixes and expert advice and support to Surrey County Council. This contract is working well, and Vision ERP have expanded the staffing capacity available to them to support the Stabilisation Phase. Outstanding technical fixes have reduced from 87 to 56 over the last 3 months.</p> <p>In addition to this, the council have put to market commissions targeted at specific technical fixes required. The providers will be coordinated and work in concert with Vision ERP and SCC to deliver the change required at pace.</p> <p>The contract with Vision ERP will move beyond this stabilisation phase and continue into the developmental phase from 1 April 2025 onwards.</p> <p>Internal capacity is being developed and Unit 4 expertise built over time into the IT &amp; Digital team to provide resilience and expertise without relying exclusively on external providers.</p>

Audit & Governance Committee  
20 November 2024

**External Audit Progress Report**

**Purpose of the report:**

To update the Audit & Governance Committee on the progress of the external audit of both the County Council's and the Surrey Pension Fund's Statement of Accounts for 2023/24.

**Recommendations:**

It is recommended that the Committee:

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

**Introduction:**

1. The Draft Statement of Accounts for 2023/24 for Surrey County Council, and Surrey Pension Fund were published on 4 July 2024. The Council's external auditors, Ernst & Young (EY), commenced the audit in June 2024.
2. The accounts for both Surrey County Council and Surrey Pension Fund are the first set of annual accounts being produced from the new accounting system and are the first sets of accounts of the authority that EY have audited, following their appointment as the Council's auditors on 1 April 2023.
3. Whilst good progress has been made, the external audit of the 2023/24 accounts is ongoing. This report provides an update on progress to the Audit & Governance Committee (Annexes 1 & 2).
4. The progress report for Surrey County Council (Annex 1) outlines progress to date and also sets out the outcomes of the Value for Money (VFM) work. No risks of significant weakness have been identified. The draft VFM commentary is in Section 3 of Annex 1.
5. The progress report for Surrey Pension Fund (Annex 2) outlines progress to date and confirms EY is working to complete all field work by the end of November.

**Conclusions:**

6. The committee is asked to note the progress update provided by EY and the target date of January 2025 for the Final Audit Findings Report to be presented to this Committee.

**Financial and value for money implications:**

7. All financial implications in the accounts have been made in line with the Code of Practice and any impact on the Council's 2024/25 budget was contained in the outturn report to Cabinet.

**Equalities and Diversity Implications:**

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

**Risk Management Implications:**

9. Risk management implications are included in the Draft Statement of Accounts and areas of identified audit risk are set out in the Annexes.

**Legal Implications – Monitoring Officer:**

10. Section 151 of the Local Government Act 1972 provides that 'every local authority shall make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs.'
11. The proper administration of the Council's financial affairs includes the obligation on the Council to have its accounts audited in accordance with the Audit Commission Act 1998.
12. The Council's Constitution delegated responsibility for external audit matters to the Audit and Governance Committee, including supporting the independent of external audit, considering reports from the Council's external auditors, and commenting on the scope and depth of external audit work to ensure it gives value for money.
13. Consideration of this report by the Audit and Governance Committee is in pursuance of the above mentioned obligations and is part of the Council's fulfilment of its duties.

**Next steps:**

14. The external audit is due to complete in December 2024 with the audited statement of accounts and audit findings report scheduled to be presented to this committee in January 2025.

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

**Contact details:** [Nicola.oconnor@surreycc.gov.uk](mailto:Nicola.oconnor@surreycc.gov.uk)



**Annexes/Appendices:**

- Annex 1 – Surrey County Council – Progress report November 2023/24
  - Annex 2 – Surrey Pension Fund – Progress report November 2023/24
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# Surrey County Council Audit progress update

5 November 2024



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

5 November 2024

Dear Audit and Governance Committee Members

Audit Progress Report

We are pleased to attach our Audit Progress Report.

The purpose of this report is to provide the Audit and Governance Committee with an overview of the current status of the Council's 2023/24 audit.

Our audits are undertaken 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.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audits.

Yours faithfully

Janet Dawson

For and on behalf of Ernst & Young LLP

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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/audit-quality/statement-of-responsibilities/> ). 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 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 in accordance with the statement of responsibilities. 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

# Progress Update – Financial Statements of the Council





# Status of the 2023/24 audit

## 2023/24 financial statements

Our Provisional Audit Planning Report identified the audit risks and areas of focus for our audit of the Council's 2023/24 financial statements, which have not changed as of the date of this progress report. This page sets out our progress and observations on work to date on these areas. We will provide a further verbal update to the 20 November 2024 Audit and Governance Committee meeting. We plan to complete all field work by 18 December 2024. Please note that, until all our audit procedures are completed, further observations and issues may arise that may affect the findings of the audit, its outcome and our reporting to you.

Our audit has been progressing with the support of the Council's finance team, who have been providing us with timely responses and have been available throughout the audit process to answer our queries. However, we have encountered challenges with the quality of the audit evidence received in some areas of sample testing, resulting in the need for more detailed consideration and explanation by both teams of the nature of evidence requested and provided. In addition, a number of areas of the financial statements (e.g. exit packages, officers remuneration and financial instruments) have been reworked by the finance team as a result of initial audit queries raised in those areas. We acknowledge this is a first-year audit and we are working with the Council to understand the specific information available to deliver the audit.

Risk / area of focus	Risk identified	Progress to date
Misstatement due to fraud or error	<i>Fraud</i>	We are carrying out our audit work in respect of journal entries, estimates and unusual transactions. We have not identified any indications of management overriding controls from our work to date.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	<i>Fraud</i>	Our work in this area is generally well progressed. We are continuing to wait for some evidence from the finance team to conclude in this area. There are no issues that we wish to draw to your attention at the date of this report.
Completeness of year end payables accruals below £25k de minimus	<i>Significant</i>	Our work in this area is substantially complete and subject to internal review. We are awaiting some payroll information to conclude on this. There are no issues that we wish to draw to your attention at the date of this report.



# Status of the 2023/24 audit

## 2023/24 financial statements

Risk / area of focus	Risk identified	Progress to date
Valuation of land and buildings in Plant, Property and Equipment, and Investment Properties	<i>Significant</i>	We selected a sample for review of PPE and IP valuations, including a sample for our EY Real Estate (EYRE) valuations team review. We shared the sample with the Council, along with the audit evidence requirements. The Council has prepared the valuation supporting evidence. We have engaged our specialists to review the detailed valuation of the Council's waste facility and will report the outcome of this work once it is concluded. We are continuing to work with the Council and its valuers to conclude our work in this area.
Pension Liability Valuation	<i>Inherent</i>	<p>We are awaiting the draft letter to support our work from the audit of Surrey Pension Fund to enable us to conclude on this area – this is from the EY Surrey Pension Fund team.</p> <p>We engaged EY Pensions to create an auditor's estimate for the pension liability. The estimated liability fell inside the expected range of 2%. This area of work is complete and we have no findings to report in this regard.</p> <p>We are in the process of reviewing responses to queries raised on Pensions transactions and disclosures.</p>
Private Finance Initiative	<i>Inherent</i>	The County Council have been working on their support of the PFI scheme in light of an updated contract signed in 2023. We have now received the working papers and our specialist is working through this. Based on information provided by the client, we are anticipating an in year adjustment of circa £20.7m.
Existence of Plant, Property and Equipment	<i>Inherent</i>	<p>Our identification of Existence of Plant, Property and Equipment has been lowered since our audit plan and we are undertaking standard procedures in this area.</p> <p>We have no matters to report at this stage.</p>
Data migration onto new Enterprise Resource Planning system	Area of audit focus	<p>The Council 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. We have consulted with our IT specialists and determined our work programme based on undertaking a fully substantive audit.</p> <p>We have focussed on agreeing the opening balances position for all balances transferred into the new system. The Council have been able to support differences identified.</p> <p>We have no matters to report to the Committee at this time.</p>



# Status of the 2023/24 audit

## 2023/24 financial statements

### Prior Period Adjustments

Two prior period adjustments have been identified to date. We set out some further details on these below:

#### Reserves

Surrey County Council identified that the General Fund ('GF') and Capital Receipts Reserves ('CRR') were not correctly disclosed in the 2022/23 accounts. Management posted closing manual entries to the CRR and the GF which resulted in a disclosure overstatement of the CRR by £18.746m and an understatement of the GF in the same amount. Furthermore, the Revenue Usable Reserve was not split between the Earmarked Reserves and General Fund balance in the 2022/23 statement of accounts, as required by the CIPFA standard. We will include the detail of the impact in our final Audit Results Report. We have agreed with the proposed restatement.

#### Net Pension Interest Cost

We identified that in preparing the 2022/23 accounts, management incorrectly disclosed "interest income on plan assets" and "interest cost on defined benefit obligation" on a gross basis in its Comprehensive Income and Expenditure Statement and related disclosure notes. The CIPFA code states that an authority shall determine and disclose the net interest on the net defined benefit liability in its Comprehensive Income and Expenditure Statement, specifically under Financing and investment income and expenditure line item.

Thus, pensions interest income and expenditure was disclosed as interest of the Council resulting in an overstatement of both Gross Expenditure and Income on "Financing & Investment (Income) & Expenditure (note 11)" in the CIES for the year ended 31 March 2023 by £66.067m. We have agreed the restatement with the finance team.

### Mapping Issues

As this is a first year audit, we have encountered some difficulties in mapping of the underlying data to the accounts provided by management. We have worked closely with the Council to resolve the differences and will continue to do this through into 2024/25 to ensure these initial issues are resolved.

### Misstatements

We have identified an overstatement of cash of £29.9m, due to a mapping issue that should be categorised as Debtors.

We are working with the Council on several other amendments which will be reported in our final Audit Results Report.

### Objection

We received correspondence from an elector raising an objection to the arrangements in place to achieve value for money associated with the Pension Fund. A similar issue has been raised at a number of other authorities in relation to the 2023/24 audit year. We are consulting with the National Audit Office on the scope of the issue raised in relation to our responsibilities and will update the committee when we have further to report.



02

## Progress Update – Value for Money





# Value for money

## Responding to identified risks

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 and Governance 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

In our Provisional Audit Planning Report presented to the June 2024 meeting of the Audit and Governance Committee, we reported that we were yet to complete our detailed VFM planning. However, one area of focus would be on the arrangements that the Council has in place in relation to financial sustainability.

We have completed our VFM work and no risks of significant weakness have been identified. We are required to continue to review the arrangements to achieve Value for Money in place through to the completion of the audit.

Please see Section 03 for our Draft VFM commentary for 2023/24.





03

## Draft Value for Money Commentary



## Section 03 – Summary of arrangements

### Financial Sustainability

Reporting Sub-Criteria	Findings
<p>How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them</p>	<p>The Council identifies all the significant financial pressures that are relevant to its medium term plans through its Medium Term Financial Strategy ('MTFS'), which is the financial plan for the Council and it contains the funding strategy for delivering the Council's objectives for a forward looking period of five years.</p> <p>The latest published MTFS is for 2024/25 – 2028/29 and it contains the position approved by the Full Council in February 2024. Management is currently developing the MTFS for 2025/26 – 2029/30. Monthly iterations of the MTFS are discussed with the Corporate Leadership Team ('CLT'), which includes the Chief Executive, and the Executive Directors of the Council's directorates. Regular updates are also taken to Cabinet and Select Committees.</p> <p>This forecast enables emerging risks and issues to be reflected in the Council's financial planning in a timely manner. Financial pressures and identified efficiencies are described in the MTFS of the Council.</p>
<p>How the body plans to bridge its funding gaps and identifies achievable savings</p>	<p>The Council identifies financial efficiencies at directorate level as part of the MTFS setting process. Efficiencies are only budgeted for future years depending on the predictability of government direction about the future of the ringfenced grants.</p> <p>Alongside the goal of achieving efficiencies, to bridge its funding gaps, the Council approved the following recommendations to full Council on Council Tax and the Adults Social Care Precept;</p> <ul style="list-style-type: none"> <li>• 2.99% increase in core Council Tax for 2024/25 and proposed increase of 1.99% from 2025/26</li> <li>• 2% increase in the Adults Social Care Precept for 2024/25.</li> </ul> <p>Nevertheless, the gap is expected to continue to grow over the medium term, based on current projections, to the order of £271m. The Council recognises that tackling this gap will require a medium-term focus and a fundamentally different approach over the medium-term horizon.</p> <p>The Council set up a transformation programme led by the Strategic Transformation, Improvement and Assurance Board ('STIAB'), which has been tasked with noting the budgeted MTFS efficiencies for 2024/25 across the directorates and dealing with the care package pressures. The STIAB also monitors delivery of all transformation-based efficiencies, which are monitored on a monthly basis and progress reported to the CLT as part of the monthly budget monitoring reporting. While the financial environment is very challenging, the Council has established a strong track record in recent years of delivering efficiencies and transformation and taking financial management responsibilities seriously.</p>
<p>How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities</p>	<p>The Council uses the MTFS process to direct its resources using the most efficient means possible towards achieving its purpose and priorities, while ensuring that core services are delivered to residents.</p> <p>There is a Strategic and Integrated Planning Group which brings together the key activities of Budget Planning, Business Planning, Workforce Planning, Performance Management, Organisational priority setting and Transformation.</p>

## Section 03 – Summary of arrangements (continued)

### Financial Sustainability

#### Reporting Sub-Criteria

#### Findings

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The MTFS is based on clear integration with the organisation strategy, the transformation programme and corporate priorities; developed in partnership across the organisation through the Strategic and Integrated Planning Group.

In addition, Surrey's local authorities have developed a Local Strategic Statement ('LSS') to facilitate cooperation on key strategic planning issues. It sets out shared objectives around spatial, infrastructure and economic issues and a broad direction for spatial planning on strategic priorities. The Council's LSS for Surrey sets out a consensus around common objectives and priorities through an overarching spatial planning vision for the county covering the period 2016 - 2031. It is informed by existing and new evidence developed to support local plans preparation by the borough, district and county councils. The LSS provides an important high level statement which articulates the growth ambitions and spatial priorities of Surrey authorities for the short to medium term and forms the basis of engagement on strategic issues as authorities progress local plans.

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The Council holds a risk contingency budget of £20m in the annual base budget. In addition, the level of financial reserves has been increased consciously over recent years to reflect the assessment of the risk environment.

From a revenue budget perspective, the Council also sets a minimum level of general fund reserves proportionate to the assessed risk environment and specific pressures to ensure continued financial resilience despite an increasingly volatile and uncertain external environment.

From a capital budget perspective, the Council undertook additional work in developing the proposed capital programme for 2024/25 - 2028/29 to assess the impact of borrowing costs on the revenue budget in the short, medium and long-term. It also established a borrowing limit for schemes that will be funded centrally and set out an improved framework to ensure prudent decisions are taken in the approval of capital schemes with "unfunded" borrowing, to prioritise those that provide the best value for money.

## Section 03 – Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

#### Findings

The Council has a risk management strategy in place. Surrey County Council operates a three lines of defence approach. The first line of defence being the Risk Owner who manages the risk. The second line of defence is the expertise, support, monitoring and assurance undertaken principally by the Risk Manager along with the Audit and Governance Committee. The third line of defence provides more independent assurance (outside of the scope of the formal risk processes) undertaken through internal and external audit.

Risk assessment categorises risks according to likelihood of occurrence and impact on the organisation using a scoring-based system. By methodically working through the risk event and identifying the causes and effects, it encourages a better understanding of the risk and a more structured definition of the risk.

A strategic risk register is in place to help manage and monitor the most significant risks which continues to be updated as a 'live' document. In addition, risk registers are also in place for each of the Directorates who, in turn, update their risks. The Corporate Leadership Team review the strategic risks as a standing agenda item every month. In addition, strategic risks are reviewed with Cabinet Members on a quarterly bases with a focus on the key changes over the period. Further, the Audit and Governance Committee review the risk management policy every six months to ensure it is fit for purpose and also receive a copy of the corporate risk register.

The Chief Internal Auditor provided Reasonable Assurance that Surrey County Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2023 to 31 March 2024.

The Council has a Counter Fraud Strategy and Framework covering 2021 – 2024, which follows the principles set out in Fighting Fraud and Corruption Locally Strategy (2020) – the Local Government blueprint for tackling fraud in Local Government.

The Chief Internal Auditor is responsible for the delivery of internal audit and counter fraud services to Surrey County Council, East Sussex County Council and Brighton & Hove City Council as part of the Orbis Partnership. Within the Orbis Internal Audit Service, the Counter Fraud partnership team provides resource and experience to support the Council with both proactive and responsive support relating to any instances of financial irregularities and fraud related risks.

An annual Internal Audit Counter Fraud Report is presented to the Audit and Governance Committee, which provides a summary of the investigation and advisory activity completed by the Internal Audit Counter Fraud Team within the year.

The Council's strategy against fraud and corruption encompasses the following steps:  
acknowledge the threat of fraud;  
encourage prevention;  
promote detection;  
identify a clear pathway for investigation; and  
set out the appropriate sanctions, including the recovery of losses



## Section 03 – Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

How the body approaches and carries out its annual budget setting process

#### Findings

With regards to the revenue budget setting, the Council develops a set of Core Planning Assumptions to help manage uncertainties (i.e. inflation forecasts, Government leadership and policy changes and funding), setting out assumptions about the council's most likely operating context. The assumptions are developed from emerging policy trends and predictions drawn from government messaging, strategies, policy think tanks and other influential institutions to build an expectation of future conditions. They are not intended to define a specific future, but list important factors that may affect the Council's resources and services to inform strategic and financial planning in the short to medium term.

Throughout the planning process, the Council follows the budget envelope principle where Directorates are challenged with producing a budget that matches available funding. This entailed Directorate identifying efficiencies to offset pressures from demographic growth, inflation and new responsibilities. In setting the budget, pay, contract and price inflation is calculated by Directorates, informed by corporate assumptions.

The Council incurs two types of capital expenditure:

- the service delivery Capital Programme
- the Capital Investment Programme

Strategic Capital Groups ('SCGs') for Infrastructure, Property and IT develop capital projects throughout the budget setting process which are scrutinised and approved by the Capital Programme Panel ('CPP'); a group of senior officers from across the organisation, including the Council's Deputy S151 officer and senior service representatives. Projects approved by CPP are then included in the budget when approved by Cabinet and Council.

As part of the budget-setting process, Directorate budget envelopes are set to provide targets and monthly iterations are reviewed. Cabinet and CLT have at least two budget focused Away Days a year. A draft budget is presented to Cabinet in November each year in advance of Final budget proposals being presented in January and then to Full Council in February. The Council assesses itself against the key hallmarks of good budgeting.

The Corporate Leadership Team agreed a budget planning approach for 2025/26, which presents a high-level timeline for the budget planning process in 2025/26, as well as lessons learnt from prior year and proposed approach going forward.



## Section 03 – Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

#### Findings

An integrated approach to setting the MTFS is undertaken starting early each year (e.g. Feb 24 marked the beginning of the 2025/26 - 2029/30) process. Monthly iterations of the MTFS are taken to the Council Leadership Team, with regular Member consultation through information briefings to Cabinet, three rounds of Select Committee engagements (June, Sept & Dec each year). All Members' briefings are carried out two to three times a year and Opposition Party Briefings are also provided. This ensures timely communication of management information that supports budgetary control and statutory financial reporting requirements.

Management prepares an annual financial performance outturn report for revenue and capital, including the year-end Treasury Management and debt outturn position. This is taken to Cabinet for discussion and identification of corrective actions going forward, where needed.

## Section 03 – Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

#### Findings

Surrey County Council has agreed a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

The Leader of the Council is responsible for most day-to-day decisions. These decisions can be delegated to a Cabinet, individual Cabinet Members, Local Committees, individual local Members, or officers. The Council appoints the Leader from the 81 elected county councillors for a four year term. The Leader appoints a Deputy Leader and a Cabinet. The Cabinet is made up of the Leader, Deputy Leader and between one and eight other elected councillors. When major decisions are to be discussed or made, these are published in the Leader's Cabinet forward plan in so far as they can be anticipated. The Cabinet meets in public except where personal or confidential matters are being discussed. Decisions have to be made in line with the Council's overall policies and budget. If a decision which is outside the budget or policy framework is required, this must be referred to the Council as a whole to decide.

#### Overview and scrutiny

There are a number of select committees which between them support the work of the Leader/Cabinet and the Council as a whole. These are: Adults & Health Select Committee; Communities, Environment and Highways Select Committee; Children, Families, Lifelong Learning & Culture Select Committee; and Resources & Performance Select Committee. They are responsible for advice and policy development, and for the scrutiny of decisions on executive functions. These committees both research policy options for the Leader/Cabinet and review and scrutinise policy, practice and performance. They can 'call-in' a decision which has been made but not yet implemented. This enables them to consider whether the decision is appropriate. They may recommend that the decision is reconsidered by the decision maker.

The select committees may be consulted by the Leader/Cabinet or the Council on forthcoming decisions and the development of policy and shall be consulted on proposals forming part of the policy framework.

The Council's constitution sets out the following principles of decision making by or on the Council's behalf, both in the general public interest and in the interests of ensuring that the Council is able to defend its actions against legal challenge:

- That Members are fully and effectively advised by officers in exercising both executive and non-executive functions;
- That decisions by Members are only taken after the submission of written reports;
- That decisions have clear aims and desired outcomes;
- That relevant matters are fully taken into account in decision making;
- That nothing irrelevant is taken into account;
- That decisions are proportionate to the desired outcome

## Section 03 – Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee

#### Findings

Contd....

##### Group oversight

The Council invests money in its subsidiaries and other organisations to support local public services and stimulate local economic growth. The Council's main wholly owned operational subsidiaries are :

- Halsey Garton Property Ltd ('HGP') which has a portfolio of national investment properties used to generate a return to the Council and
- Halsey Garton Residential Ltd ('HGR'), which holds a portfolio of Surrey-based residential properties.

The financial return from both companies takes the form of interest on the outstanding loan and dividend payments (where possible). HGP holds the majority of the investment assets across all the subsidiaries.

The Capital, Investment and Treasury Management Strategy sets out the principles for governing and managing the Council's group activities.

In previous financial years, alongside the equity shares, the Council borrowed money and lent it to Halsey Garton Property, who invested in property to generate a revenue income for the Council to support service delivery. The value of property owned by Halsey Garton Property Ltd has decreased in value (approximately 25% reduction) largely due to pressures on the retail environment. The subsidiary is holding the assets for long-term rental income and the Council considers that short-term variations in fair value do not affect the value of the Council's investment. Over the long term, the Council expects asset values to recover.

The Council holds monthly Shareholder & Investment Panels ('SHIP') attended inclusively by the Section 151 officer. The Council's senior team reviews the business updates and risks related to these main subsidiaries. The Annual Business Plan for each subsidiary is also reviewed and performance assessed against targets.

## Section 03 – Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)

#### Findings

The Council operates within a constitution that includes a Governance Framework which sets out how the council conducts its business, how decisions are made and the procedures to be followed to ensure that these are lawful, efficient, transparent and accountable to the local community. The Constitution is reviewed regularly, and this was last undertaken in 2023-24.

Decisions taken by the Council are supported by a Legal Officer commentary that sets out the authority for and legal implications of decisions.

The inhouse legal team receive training and frameworks are in place to secure the provision of specialist legal advice where that expertise is required. The inhouse legal team is Lexcel accredited and holds a risk register of current legal matters.

The monitoring officer is responsible for ensuring that the authority complies with all applicable laws and is involved in providing an opinion on all decisions that are made by the authority and its various committees as to whether there is an issue with non-compliance.

The monitoring officer attends Cabinet, full Council, Audit and Governance Committee and is sighted on the Cabinet Forward Plan. There are also regular diarised meetings between the monitoring officer and the Chief Executive and the Leader of the Council. Additionally, there is a regular risk governance meeting where the Head of Paid Service, Section 151 Officer and the Chief Auditor meet with the monitoring officer to review the position of the Council.

In terms of officer or member behaviour, all members are required to submit a register of interest that is published on the council's website. The Audit and Governance Committee have a role in reviewing member behaviour and standards of conduct and gifts and hospitality. The member gifts and hospitality register is kept by Democratic Services and members are sent six monthly reminders on the requirement to declare gifts and hospitality and also to keep their register of interest up to date. The Audit and Governance Committee receive regular reports on ethical standards and these can be found on the Council's website.

## Section 03 – Summary of arrangements (continued)

### Improving economy, efficiency and effectiveness

#### Reporting Sub-Criteria

#### Findings

How financial and performance information has been used to assess performance to identify areas for improvement

The Council sets up select committees who have responsibility for performance, finance and risk monitoring for service areas within their remit. The number of select committees vary from time to time as agreed by the Council.

Financial, performance, workforce and risk data is reported monthly to the Corporate Leadership Team. We reviewed an example of such reporting from March 2024 and noted that items covered include performance and organisational effectiveness, budget monitoring and future planning, the Council's Transformation Programme and community impact.

Actual and forecasted financial performance is measured against the budget and reported monthly to Cabinet in the form of a financial report under the supervision and direction of the S151 officer. This is discussed with the Cabinet Member for finance and resources to identify areas for improvement.

How the body evaluates the services it provides to assess performance and identify areas for improvement

The Council has a Corporate Performance & Insights Team, which contributes to the assessment of organisational effectiveness of the Council. This results in a report which describes what is working well against organisational targets, the ongoing challenges and plans for the next quarter.

Performance information is also reported regularly to a dedicated meeting of the Performance & Resources Select Committee, which meets on a quarterly basis and is attended by elected members who challenge various performance indicators reported by the Council ([Committee details - Resources and Performance Select Committee - Surrey County Council \(surreycc.gov.uk\)](#)).

## Section 03 – Summary of arrangements (continued)

### Improving economy, efficiency and effectiveness

#### Reporting Sub-Criteria

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

#### Findings

The 'Surrey Community Vision 2030' was developed in 2018 with residents, communities, and partners, to establish a shared vision for the county. A number of strategic partnership boards have been established to enable joint discussions, alignment of priorities, collaboration and partnership working in order to deliver against the ambitions set out in the 2030 Community Vision and Organisation Strategy.

A number of delivery focused partnership groups sit under these key strategic partnership boards, including: Surrey Adults' and Surrey Childrens' Safeguarding boards, the Skills Leadership Forum, the Innovation Leaders Group, the Greener Futures Steering Board and the Climate Change Board. These groups play an instrumental role in helping to translate the strategic discussions that take place in the overarching strategic boards into partnership activities.

The Surrey Forum:

The Surrey Forum complements other, specifically focused partnership boards, and being cross-cutting in nature, enables partners to better co-ordinate, align and collaborate on longer-term issues.

The Forum acts in effect as an informal sounding/advisory board for leaders of Surrey organisations by bringing together senior stakeholders from different organisations to hold discussions and propose action on cross-cutting issues impacting residents, the economy and/or environment. The nature of the meetings does not require them to be held in public.

The Forum is non-statutory, voluntary-based group in which constituent members have an active role in identifying and developing areas for discussion, action and improvement. Where conclusions reached in discussions require decisions, these are taken by individual members' organisations in line with their usual governance and reporting processes.

In parallel with the Forum, Surrey Leaders meet regularly together, often with the Police and Crime Commissioner, the Chief Constable, Health Partners, and LGA Principal Adviser to promote Surrey's interests, collaborate across projects and discuss items of business where agreements need to be made in a collective forum.

## Section 03 – Summary of arrangements (continued)

### Improving economy, efficiency and effectiveness

#### Reporting Sub-Criteria

#### Findings

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

As per the Council's constitution, all procurement and purchasing undertaken must adhere to the specified processes as agreed by the Corporate Leadership Team and follow the requirements of the Procurement Standing Orders. The Section 151 Officer may authorise the use of Purchasing Cards for Council staff for the purposes of defraying petty cash and other minor or urgent expenses. All material assumptions and risks inherent in evaluations of proposed contracts must be fully disclosed to those officers and members making decisions on the award of the contract, before the contract award is made.

Long term strategic contracts must include provision to secure continuous improvement, improved efficiency and value for money. All partnership arrangements and pooled budgets must be agreed under written terms appropriate to the extent of the financial risk to the Council and may only be entered into following appropriate consultation with and approval from the Section 151 Officer and the Monitoring Officer. Where the Council's contribution to, or financial risk from such arrangements, exceeds £100,000, Cabinet's approval is required. Appropriate approval must be obtained before entering into any proposed partnership.

Commissioning and procurement activities are led through the Strategic Commissioning Team and Procurement who provide advice, support and ensure adherence to legislation and professional standards.

We held an interview with the Chief of Staff on procurement and confirmed our understanding of the procurement process as described in the Council's constitution. In addition, we were informed that since June 2024, the Council set up a designated procurement Board that adds an additional level of scrutiny on value for money and this looks to have oversight over all spend of more than £25k. The Board meets approximately weekly, and it has representation from legal, procurement, and transformation teams. The aim of the Board is to provide scrutiny upfront to ensure value for money will be achieved before any work starts on it.

In assessing the value for money of a procurement case, management assesses the price, quality, including social value, and chooses the most economically advantageous solution.

Once the services/goods have been delivered, they are subject to a contract management process that applies scrutiny and review against key performance indicators. We are informed that the Council is currently working on strengthening this process.

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# Surrey Pension Fund Audit progress update

November 2024

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

November 2024

Dear Audit and Governance Committee Members

Audit Progress Report

We are pleased to attach our Audit Progress Report.

The purpose of this report is to provide the Audit and Governance Committee with an overview of the current status of the Pension Fund's 2023/24 audit.

Our audits are undertaken 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.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audits.

Yours faithfully

Hassan Rohimun

For and on behalf of Ernst & Young LLP

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# Status of the 2023/24 audit

## 2023/24 Financial Statements

Our Provisional Audit Planning Report identified the audit risks and areas of focus for our audit of the Pension Fund's 2023/24 financial statements, which have not changed as of the date of this progress report. This page sets out our progress and observations on work to date on these areas. We will provide a further verbal update to the 20 November 2024 Audit and Governance Committee meeting. We plan to complete all field work by the end of November 2024. Please note that, until all our audit procedures are completed, further observations and issues may arise that may affect the findings of the audit, its outcome and our reporting to you.

Our audit has been progressing with the support of the Pension Fund's finance team, who have been providing us with responses to answer our queries. However, we have encountered initial challenges in relation to the delays in the production of the draft account due to the new system implemented and the clearing of the legacy items in current assets and liabilities. We acknowledge this is a first-year audit and we are working with the Pension Fund's finance team to understand the specific information available to deliver the audit.

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Risk / area of focus	Risk identified	Progress to date
Misstatement due to fraud or error	<i>Fraud</i>	We are undertaking our audit procedures in respect of journal entries; estimates; and unusual transactions. We are currently in the process of reviewing management responses for 36 journals which we selected for testing. We have not identified any issues that we wish to draw to you attention at the date of this report.
Risk of inappropriate posting of investment journals.	<i>Fraud</i>	Our work in this area is in progress. Management post an investment journal at the end of the financial year, we detailing the purchases, sales and changes in market value for investments with fund managers. We are performing our review of the transactions recorded within the year end investment journal alongside our review of the information we receive from individual fund managers.
Valuation of Level 3 complex investment	<i>Significant</i>	We have reviewed a sample of level 3 investments (11 pooled property and 20 private equity investments) and raised queries with fund managers regarding the basis of year end valuations. We are in the process of reviewing the responses to the queries which we raised and performing indexation calculations on the balances recorded in the latest audited account for the level 3 investment funds to the end of the reporting period.

## Status of the 2023/24 audit

### 2023/24 Financial Statements (continued)

Risk / area of focus	Risk identified	Progress to date
Data migration issue from SAP to Significant risk Unit 4 ERP system	<i>Significant</i>	<p>We are in the process of:</p> <ul style="list-style-type: none"> <li>• reviewing the assessment made by the management in relation to the outcome of the data migration exercise;</li> <li>• reconciliation performed between the SAP system and the Unit 4 ERP, and</li> <li>• assessing the impact of data migration on each of the individual account balances.</li> </ul>
Estimates involved in the disclosures of IAS26	<i>Inherent</i>	Our internal actuarial specialist (EY Pensions Advisory Group) as part of our Surrey County Council 2023/24 external audit undertook an assessment of the estimation of the IAS19 liability. The estimated liability fell inside their expected range of 2%. We are relying on this review for the purposes of the IAS26 disclosures within the Pension Fund's financial statements and we have no findings to report in this regard.
Valuation of investments under Inherent risk Level 2 complex investments	<i>Fraud</i>	We have reviewed a sample of level 2 investments (11 pooled investments). We compared the reported balances to our internal valuation sources and raised queries with fund managers regarding the basis of year end valuations for 9 of the investments. We are in the process of reviewing the responses from fund managers to the queries which we raised.

The status of the other areas in the financial statements of the pension is as follows:

- The work performed on cash held by the fund, benefits payable and contribution is complete and subject to review. We will communicate any further queries that would arise as part of the review.
- The work on non-investment related disclosures is substantially complete.
- The work on current assets and current liabilities is in progress. The pension fund's accounting team have recently provided the information for our review.
- The work on annual report is in progress. We are finalising the remaining section of the review, and we will communicate if there are any matters that will arise as part of the review.
- We plan to provide IAS19 assurances to the auditors of the scheduled bodies by the 30<sup>th</sup> November.

Audit & Governance Committee  
20 November 2024

**Treasury Management Mid-Year Report 2024/25**

**Purpose of the report:**

This report summarises the Council's treasury management activity during the first half of 2024/25, as required to ensure compliance with CIPFA's Code of Practice for Treasury Management.

**Recommendations:**

The Audit & Governance Committee is asked to note the content of the Treasury Management Mid-Year Report for 2024/25.

**Introduction:**

1. The Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in Public Services: Code of Practice (the CIPFA Code) which requires the Council to produce treasury management mid-year and annual reports.
2. The Council's Treasury Management Strategy Statement for 2024/25 was approved at the Audit and Governance Committee meeting on 17 January 2024. The investing and borrowing of cash potentially expose the Council to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's Treasury Management Strategy.
3. This report includes the requirement in the 2021 Code, mandatory from 1 April 2023, of quarterly reporting of the treasury management prudential indicators, which are also included in quarterly budget monitoring reports to Cabinet.

**External Context**

4. The Bank of England's Monetary Policy Committee (MPC) cut Bank Rate from 5.25% to 5.00% at the August meeting. The decision was finely balanced, voted by a 5-4 majority with four members preferring to hold at 5.25%. At the September MPC meeting, committee members voted 8-1



for no change at 5.00%, with the lone dissenter preferring Bank Rate to be cut again to 4.75%.

5. Following the September MPC meeting, Arlingclose, the Council's treasury adviser, maintained its central view that Bank Rate would steadily fall from the 5.25% peak, with the first cut in August being followed by a series of further cuts, with November 2024 the likely next one, taking Bank Rate down to around 3% by the end of 2025.
6. UK headline consumer price inflation remained around the Bank of England (BoE) target later in the period, falling from an annual rate of 3.2% in March to 2.0% in May and then rebounding marginally to June to 2.2% in July and August, as was expected, due to base effects from energy prices.
7. The UK economy continued to expand over the period, albeit slowing from the 0.7% gain in the first calendar quarter to 0.5% (downwardly revised from 0.6%) in the second. Of the monthly figures, the economy was estimated to have registered no growth in July.
8. Annex 1 contains commentary from Arlingclose, our Treasury Management advisors, on the external context for Treasury Management activity and Annex 2 provides interest rate market projections.

<b>Mid-Year Treasury Management Report 2024/25</b>
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9. The Treasury Management Strategy for 2024/25, approved by Audit and Governance Committee in January 2024, continued the policy of internal borrowing. This maintains borrowing below its underlying level by utilising available cash balances on a temporary basis (i.e. working capital and useable reserves) which are not required in the short to medium term. This approach reduces market and credit risk for the investment portfolio and reduces borrowing costs.
10. The Council held a net borrowing position of £701m on 31 March 2024 arising from its revenue and capital income and expenditure, as shown in Table 1. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). Useable reserves and working capital are the underlying resources available for use in the short term to reduce the gross borrowing requirement.

Table 1: Balance Sheet Summary

	<b>31/03/24 Actual £m</b>	<b>31/03/25 Forecast £m</b>
General fund CFR	1,503	1,700
Less: Other long-term liabilities	(82)	(77)
<b>Borrowing CFR</b>	<b>1,421</b>	<b>1,623</b>
Less: Balance sheet resources	(720)	(693)
<b>Net Borrowing</b>	<b>701</b>	<b>930</b>

11. The treasury management position as at 30 September 2024 and the change over the six months is summarised in Table 2.

**Table 2: Treasury Management Strategy**

	<b>31/03/24 Balance £m</b>	<b>Movement £m</b>	<b>30/09/24 Balance £m</b>
Long-term borrowing	461	(3)	458
Short-term borrowing	246	156	402
Surrey Police	35	16	51
<b>Total Borrowing</b>	<b>742</b>	<b>169</b>	<b>911</b>
Money Market Funds	(41)	26	(15)
<b>Net Borrowing</b>	<b>701</b>	<b>195</b>	<b>896</b>

\*The Council manages cash on behalf of Surrey Police and Crime Commissioner, the balance of which was £51m as at 30 September 2024. The Council accounts for this as short-term borrowing.

### **Borrowing Strategy**

12. The Council's main objective when borrowing has been to strike a balance between securing low interest rates and achieving cost certainty over a period for which funds are required. This position provides short term savings with the flexibility to secure longer dated loans as and when the level of funds available for internal borrowing reduces, or financial forecasts indicate that external borrowing rates may increase.
13. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. The Council actively manages the borrowing position, especially in time of interest rate fluctuations, to ensure we are managing risks.
14. At 30 September 2024 the Council held £911m of loans (an increase of £169m since 31 March 2024). Outstanding loans on 30 September 2024 are summarised in Table 3 below:

**Table 3: Borrowing Position**

	<b>31/03/24 Balance £m</b>	<b>Net change £m</b>	<b>30/09/24 Balance £m</b>	<b>30/09/24 Weighted average rate %</b>	<b>30/09/23 Weighted average maturity (years)</b>
Public Works Loan Board	451	(3)	448	3.65	27 years
Banks (fixed-term)	10	-	10	5.00	30 years
Local Authorities (short-term)	246	156	402	5.13	< 1 year
Surrey Police & Crime Commissioner	35	16	51	5.10	0 days
<b>Total Borrowing</b>	<b>742</b>	<b>169</b>	<b>911</b>		

15. CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Council.

16. The increase in short-term borrowing of £169m is as a result of the Council's significant capital investment in line with the approved capital programme. Borrowing balances are expected to continue to increase in the second half of the year to support expected cash outflows. The Council will look to convert some of the short-term balances into longer term borrowing if interest rates reduce as forecast.
17. No new long-term borrowing was undertaken in the first half of 2024/25; internal borrowing was maximised, and short-term borrowing was utilised to manage cash flow. Monthly discussions are undertaken with Arlingclose, immediately after the Bank of England's Monetary Policy Committee meetings, to review interest rate forecasts, assess the cost of carry and review the need to undertake further borrowing in advance for future years' planned expenditure
18. After substantial rises in interest rates since 2021 many central banks have now begun to reduce rates, albeit slowly. Gilt yields were volatile over the 6-month period and have reduced slightly between April and September 2024. Much of the downward pressure from lower inflation figures was counteracted by upward pressure from positive economic data. Data from the US continues to impact global bond markets including UK gilt yields.
19. The PWLB certainty rate for 10-year maturity loans was 4.80% at the beginning of the half year and 4.79% at the end. The lowest available 10-year maturity rate was 4.52% and the highest was 5.18%. Rates for 20-year maturity loans ranged from 5.01% to 5.57% during the half year, and 50-year maturity loans from 4.88% to 5.40%.
20. Whilst the cost of short-term borrowing from other local authorities spiked to around 7% in late March 2024, primarily due to high demand in Local Authority inter lending/borrowing activity during the month, as expected shorter-term rates reverted to a more normal range and were generally around 5.00% - 5.25%.

### **Treasury Investment Activity**

21. The CIPFA Treasury Management Code defines treasury management investments as those investments which arise from the Council's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
22. The Council holds invested funds, representing income received in advance for expenditure plus balances and reserves held. During the first half of 2024/25 the Council's average daily level of investments was £67m compared to £68m for the first 6 months of 2023/24.
23. The Council can place cash on deposit on the money market through brokers, directly with counterparties, through the use of call accounts, money market funds or direct deal facilities, or with the Debt Management Office (DMO). No new fixed term deposits have been agreed during the first half of 2024/25. All investments have been made through overnight money market funds.



24. The weighted average return on all investments the council received in the quarter to 30 September 2024 is 5.14%. This compares to the average Bank of England (BoE) base rate of 5.17% for the same period.

**Table 4: Investment Benchmarking BoE**

	<b>BoE base rate (average)</b>	<b>Weighted return on Investments</b>
2024/25 Quarter 2	5.08%	5.10%
2024/25 Quarter 1	5.25%	5.23%
2023/24 Total	5.00%	4.99%
2022/23 Total	2.30%	1.83%

25. The progression of risk and return metrics are shown in the extracts from Arlingclose’s quarterly investment benchmarking in table 5 below.

**Table 5: Investment Benchmarking – Security**

	<b>Average Credit Score</b>	<b>Average Credit Rating</b>	<b>Bail-in Exposure</b>
2024/25 Quarter 2	4.87	A+	100%

10

26. Both the CIPFA Code and the government’s Investment Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council’s objective when investing money, in line with these codes of practice, is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. In furtherance of these objectives, the Council’s strategy of maximising internal borrowing has reduced the cash available for investment and reduced the scope of creating longer-term investment deposits.

**Non-Treasury Investments**

27. The definition of investments in the Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) or for commercial purposes (made primarily for financial return).
28. The Council holds the following non-treasury investments:
- £98m of directly owned investment property
  - £234m of loans to Halsey Garton Property Ltd
  - £7m of loans to Halsey Garton Residential Ltd
  - £27m of equity investments in Halsey Garton Property Ltd
  - £4m of equity investments in Halsey Garton Residential Ltd
  - £2m of loans to other subsidiaries

29. It is projected that these non-treasury investments will generate £6.5m net investment income for the Council in 2024/25 after taking into account direct costs, notional interest and Minimum Revenue Provision (MRP).

### Treasury Performance

30. The Council measures the financial performance of its treasury management activities in terms of its impact on the revenue budget. Table 6 outlines the forecast for the interest payable and interest receivable budget for the full year of 2024/25.

Table 6: Revenue implications of treasury management activity

	Budget £m	Full Year Forecast £m	Variance £m
Interest Payable	29.7	29.7	-
Interest Receivable	(2.5)	(3.0)	(0.5)

31. The Council are currently forecasting a balanced position in relation to interest payable. There is a forecast over recovery on interest receivable due to continued high interest rates.

### Treasury Advisors

32. The Council's current contract for treasury advisory services is with Arlingclose and runs for a four-year period which commenced on 1st January 2022. Arlingclose provide the Council with specific advice on investments, debt and capital finance matters.

### Compliance Advisors

33. All treasury management activities undertaken during the first half of 2024/25 comply fully with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy. Compliance with specific investment limits, the authorised borrowing limit and operational boundary for external debt, is demonstrated in tables 7 and 8 below.

Table 7: Debt Limits

	01/04/24 to 30/09/23 Maximum £m	30/09/24 Actual £m	2024/25 Operational Boundary £m	2024/25 Authorised Limit £m	Complied?
Total debt			1,277	1,492	
Less: Other long-term liabilities			(77)	(77)	
<b>Underlying Borrowing</b>	<b>911</b>	<b>911</b>	<b>1,200</b>	<b>1,415</b>	<b>✓</b>

34. Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not considered a

compliance failure. Total debt did not exceed the operational boundary in any period during the first half of 2024/25.

**Table 8: Investment Limits**

	<b>01/04/24 – 30/09/24 Maximum £m</b>	<b>30/09/24 Actual £m</b>	<b>2024/25 Limit £m</b>	<b>Complied?</b>
UK Central Government	-	-	Unlimited	✓
Money Market Funds	152	15	Unlimited	✓
Any group of pooled funds under the same management	-	-	25	✓
Any group of organisations under the same ownership	-	-	20	✓
Any single organisation, except the UK Central Government	-	-	20	✓
Unsecured Investments with Building Societies	-	-	10	✓

**Treasury Management Indicators**

- 35. The Council measures and manages its exposures to treasury management risks using the following indicators:
- 36. Maturity Structure of Borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

**Table 9: Maturity Structure Borrowing**

	<b>30/09/24 Actual</b>	<b>Upper Limit</b>	<b>Lower Limit</b>	<b>Complied?</b>
Under 12 months	49%	60%	0%	✓
12 months and within 24 months	0%	50%	0%	✓
24 months and within 5 years	0%	50%	0%	✓
5 years and within 10 years	3%	75%	0%	✓
10 years and above	48%	100%	25%	✓

- 37. Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.
- 38. Long-term Treasury Management Investments: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments are:

Table 10: Long-term Treasury Management Investments

	2024/25 £m	2025/26 £m	2026/27 £m	No fixed date £m
Limit on principal invested beyond year end	40	20	10	40
Actual principal invested beyond year end	-	-	-	-
Complied?	✓	✓	✓	✓

39. Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity, but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

### Other Implications

#### Financial and value for money implications

40. The direct financial implications of this report are highlighted in table 6 and form part of the monthly budget monitoring report to Cabinet.

#### Equalities and Diversity Implications

41. There are no direct implications of this report.

#### Risk Management Implications

42. The noteworthy risks posed by Treasury management are outlined in the body of the report and are monitored through the Council's compliance with the approved Prudential and Treasury Management Indicators.
43. The Council engages regularly with its treasury advisors to assess the risk environment and actively manage our portfolio of borrowing, including the balance of short and long term debt. In addition, the Council holds an interest rate risk reserve to protect against unanticipated fluctuations in interest rates.

#### Legal Implications – Monitoring Officer:

44. The Accounts and Audit Regulations 2015 place obligations on the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which includes arrangements for management of risk.
45. In addition, the Council within its Annual Treasury Management Strategy has agreed to comply with the CIPFA Code of Practice on Treasury Management. This report sets out the work that Treasury Management is undertaking to ensure that it is meeting these requirements and adapting to changes as they arise.
46. There are no immediate legal implications arising from the report.

## Next Steps

47. The Treasury Team will continue to monitor the UK and overseas economy and banking sector and will continue to update this Committee as appropriate.
48. In line with the requirements of CIPFA's Code of Practice for Treasury Management, a full-year report for 2024/25 will be brought to the Committee after financial year end.
49. Corporate Finance will prepare the annual Treasury Management Strategy for 2025/26, which will be presented to this Committee in January 2025 for approval.

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**Report authors:** Joe Stockwell (Strategic Capital Accountant)

**Contact details:** [joseph.stockwell@surreycc.gov.uk](mailto:joseph.stockwell@surreycc.gov.uk)

**Sources/background papers:**

- Capital, Investment and Treasury Management Strategy 2024/25
- CIPFA Code of Practice for Treasury Management (2021 Edition)
- CIPFA Prudential Code for Capital Finance in Local Authorities (2021 Edition)

**Annexes/Appendices:**

Annex 1 - Arlingclose commentary on the External Context for Treasury Management activity

Annex 2 - Arlingclose and Market Projection

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## **Annex 1**

### **Arlingclose commentary on the External Context for Treasury Management activity**

#### **Economic background**

UK headline consumer price inflation remained around the Bank of England (BoE) target later in the period, falling from an annual rate of 3.2% in March to 2.0% in May and then rebounding marginally to June to 2.2% in July and August, as was expected, due to base effects from energy prices. Core and services price inflation remained higher at 3.6% and 5.6% respectively in August.

The UK economy continued to expand over the period, albeit slowing from the 0.7% gain in the first calendar quarter to 0.5% (downwardly revised from 0.6%) in the second. Of the monthly figures, the economy was estimated to have registered no growth in July.

Labour market data was slightly better from a policymaker perspective, showing an easing in the tightness of the job market, with inactivity rates and vacancies declining. However, a degree of uncertainty remains given ongoing issues around the data collected for the labour force survey by the Office for National Statistics. Figures for the three months to July showed the unemployment rate fell to 4.1% (3mth/year) from 4.4% in the previous three-month period while the employment rate rose to 74.8% from 74.3%.

Over the same period average regular earnings (excluding bonuses) was 5.1%, down from 5.4% in the earlier period, and total earnings (including bonuses) was 4.0% (this figure was impacted by one-off payments made to NHS staff and civil servants in June and July 2023). Adjusting for inflation, real regular pay rose by 2.2% in May to July and total pay by 1.1%.

With headline inflation lower, the BoE cut Bank Rate from 5.25% to 5.00% at the August Monetary Policy Committee (MPC) meeting. The decision was finely balanced, voted by a 5-4 majority with four members preferring to hold at 5.25%. At the September MPC meeting, committee members voted 8-1 for no change at 5.00%, with the lone dissenter preferring Bank Rate to be cut again to 4.75%. The meeting minutes and vote suggested a reasonably hawkish tilt to rates, with sticky inflation remaining a concern among policymakers.

The latest BoE Monetary Policy Report, published in August, showed policymakers expected GDP growth to continue expanding during 2024 before falling back and moderating from 2025 to 2027. Unemployment was forecast to stay around 4.5% while inflation was shown picking up in the latter part of 2024 as the previous years' energy price declines fell out of the figures before slipping below the 2% target in 2025 and remaining there until early 2027.

Arlingclose, the authority's treasury adviser, maintained its central view that Bank Rate would steadily fall from the 5.25% peak, with the first cut in August being followed by a series of further cuts, with November 2024 the likely next one, taking Bank Rate down to around 3% by the end of 2025.

The US Federal Reserve (the Fed) also cut interest rates during the period, reducing the Federal Funds Rate by 0.50% to a range of 4.75%-5.00% at its policy meeting in September. The forecasts released at the same time by the central bank suggested a further 1.00% of easing is expected by the end of the calendar year, followed by the same amount in 2025 and then a final 0.50% of cuts during 2026.



Having first reduced interest rates in June, the European Central Bank (ECB) held steady in July before cutting again in September, reducing its main refinancing rate to 3.65% and its deposit rate to 3.50%. Unlike the Fed, the ECB has not outlined a likely future path of rates, but inflation projections remain in line with the central bank's previous forecasts where it will remain above its 2% target until 2026 on an annual basis.

### Financial markets

Sentiment in financial markets continued to mostly improve over the period, but the ongoing trend of bond yield volatility remained. The general upward trend in yields in the early part of the period was reversed in the later part, and yields ended the half-year not too far from where they started. However, the volatility in response to economic, financial and geopolitical issues meant it was a bumpy ride for bond investors during that time.

Over the period, the 10-year UK benchmark gilt yield started at 3.94% and ended at 4.00% but hit a high of 4.41% in May and a low of 3.76% in mid-September. While the 20-year gilt started at 4.40% and ended at 4.51% but hit a high of 4.82% in May and a low of 4.27% in mid-September. The Sterling Overnight Rate (SONIA) averaged 5.12% over the period to 30th September.

### Credit review

Arlingclose maintained its advised recommended maximum unsecured duration limit on all banks on its counterparty list at 100 days.

Having had its outlook increased by Fitch and ratings by S&P earlier in the period, Moody's upgraded Transport for London's rating to A2 from A3 in July.

Moody's also placed National Bank of Canada on Rating Watch for a possible upgrade, revising the outlook on Standard Chartered to Positive, the outlook to Negative on Toronto Dominion Bank, and downgrading the rating on Close Brothers to A1 from Aa3.

S&P upgraded the rating on National Bank of Canada to A+ from A, and together with Fitch, the two rating agencies assigned Lancashire County Council with a rating of AA- and A+ respectively.

Credit default swap prices were generally lower at the end of the period compared to the beginning for the vast majority of the names on UK and non-UK lists. Price volatility over the period was also generally more muted compared to previous periods.

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

## **Annex 2**

### **Arlingclose's Economic Outlook for the remainder of 2024/25 (based on 23 September 2024 interest rate forecast)**

	Current	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Central Case	5.00	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Downside risk	0.00	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50

Per Arlingclose expectations, the MPC held Bank Rate at 5.0% in September. This is in-line with their long-held view that Bank Rate will reduce gradually before a more rapid decline in 2025 as services inflation eases.

It is expected that the MPC will continue to cut rates to stimulate the UK economy but will initially be cautious given lingering domestic inflationary pressure. We expect to see another rate cut in 2024(Q4), but more significant monetary easing in 2025, with Bank Rate falling to a low of around 3%.

CPI inflation is expected to increase to around 2¾% in the second half of this year as declines in energy prices last year fall out of the annual comparison and revealing more clearly the prevailing persistence of domestic inflationary pressures. The Committee expects second-round effects in domestic prices and wages to take longer to unwind than they did to emerge. There is a range of views on the MPC about the extent to which persistent pressures prove more enduring or continue to unwind as external cost pressures and inflation expectations normalise.

Long-term gilt yields have fallen alongside US monetary policy expectations. The central case is for yields to be volatile around a relatively narrow range, reflecting the likelihood for monetary policy loosening in the Eurozone, UK and US.

UK GDP growth has been relatively strong in H1 2024, although this partly reflects a rebound from the H2 2023 technical recession. Underlying growth is weaker, but risks around domestic demand lie to the upside due to recovering consumer demand (although the announcement of higher taxes in the upcoming Budget could damage confidence). Stronger economic activity amid a continued tight, albeit easing, labour market could leave wage growth and inflation persistently higher.

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Audit & Governance Committee  
20 November 2024

**Internal Audit Progress Report – Quarter 2 (01/07/24 – 30/09/24)**

**Purpose of the report:**

The purpose of this progress report is to inform Members of the work completed by Internal Audit between 1 July 2024 and 30 September 2024.

The current annual plan for Internal Audit is contained within the Internal Audit Strategy and Annual Plan 2024-25, which was approved by this Committee on 13 March 2024.

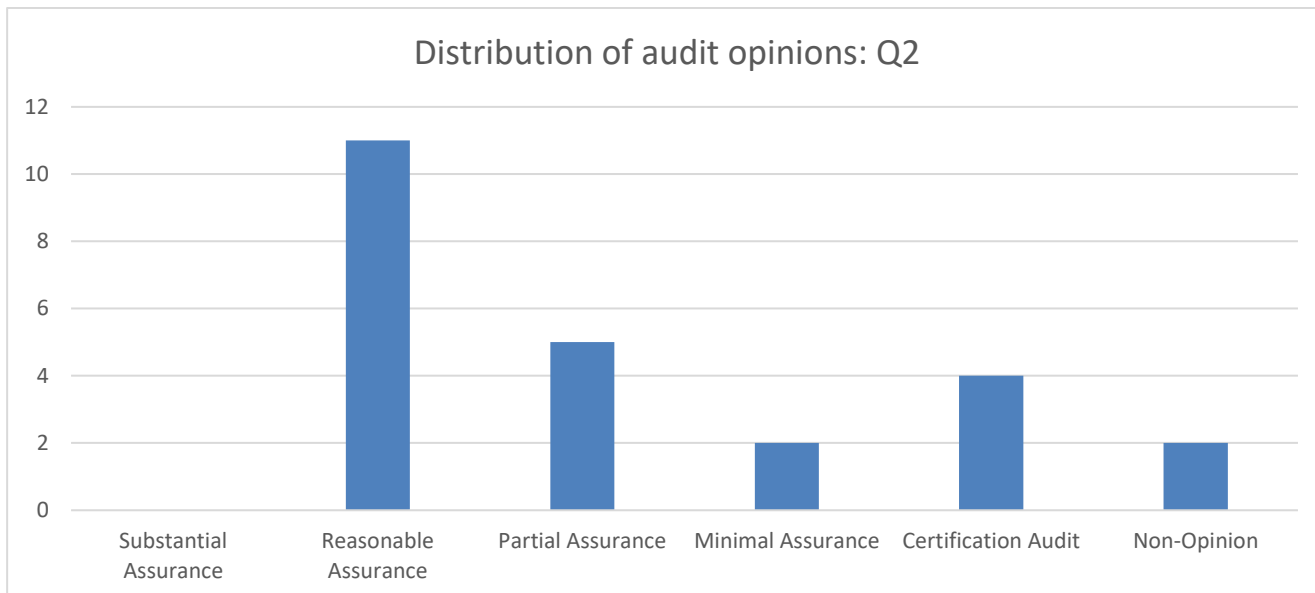
**Recommendations:**

It is recommended that the Committee:

Notes the report and consider any further action required in their response to issues raised.

**Details:**

1. Key audit findings from final reports issued during Quarter 2 are summarised in Appendix A.
2. Reviews completed in this quarter included a mixture of planned and unplanned audits, schools audit, grant certification work, and irregularity work. Overall, of the 24 formal assignments finalised during the quarter (excluding Counter Fraud and Investigation Activities), 11 received 'Reasonable Assurance' (including 5 schools), 5 received 'Partial Assurance' (including 3 schools), 2 received 'Minimal Assurance', and 4 were grant certifications. There were also 2 assignments in the period without an opinion. Non-opinion activities tend to relate to advisory type work where Internal Audit provides input and support to development initiatives or projects and programmes as they are progressing.
3. Amongst those areas receiving partial and minimal assurance opinions during the quarter were some that related to MySurrey systems and activities. Issues associated with the MySurrey control environment have been clearly recognised by management and urgent action is being taken to strengthen this area through the establishment of the new MySurrey Stabilisation Board. Internal Audit are working closely with the Board to support improvement activity and to schedule follow up reviews at the earliest opportunity. This is commented on further within Appendix A.



Wherein our four levels of audit opinion are defined as follows:

Opinion	Definition
<b>Substantial Assurance</b>	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Reasonable Assurance</b>	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Partial Assurance</b>	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
<b>Minimal Assurance</b>	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

4. Members will recall that flexibility is built into the audit plan to allow resources to be directed to any new and emerging risks.
5. Appendix A to the report also provides details of counter fraud investigations completed, audits added and removed from the plan in the period, information on the tracking of high priority actions, and progress against our performance targets.

#### Conclusions:

6. The Q2 Internal Audit Progress Report is presented to this Committee for noting and to consider whether any further action is required.

#### Financial and value for money implications:

7. There are no direct financial and value for money implications of this report.

**Equalities and Diversity Implications:**

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

**Risk Management Implications:**

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

**Legal Implications – Monitoring Officer:**

10. There are no legal implications of this report.

**Next steps:**

11. See recommendations above.

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**Report authors:** Russell Banks, Orbis Chief Internal Auditor  
David John, Audit Manager (Surrey County Council)

**Contact details:** 07824 362739; [russell.banks@eastsussex.gov.uk](mailto:russell.banks@eastsussex.gov.uk)  
07768 235586; [david.john@surreycc.gov.uk](mailto:david.john@surreycc.gov.uk)

**Sources/background papers:**  
Internal Audit Strategy and Annual Audit Plan 2024/25

**Annexes/Appendices:**

- Appendix A - Internal Audit and Counter Fraud Quarter 2 Progress Report 2024/25

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# Internal Audit and Counter Fraud Quarter 2 Progress Report 2024/25

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1. Summary of Completed Audits
2. Counter Fraud and Investigation Activities
3. Action Tracking
4. Amendments to the Audit Plan
5. Internal Audit Performance

## 1. Summary of Completed Audits

### Corporate Payroll

- 1.1 Payroll processes within MySurrey were significantly disrupted in the early months after go-live (June 2023) and system issues were experienced for a variety of technical reasons, with elements of the system not working as expected. This led to problems that affected many Council employees, especially those on variable pay.
- 1.2 Whilst we acknowledge the resource and significant human effort that has been invested by the Council to attempt to fix these issues, our audit of the control environment showed that fundamental weaknesses still exist, and there remains a need for significant manual intervention in what should be automated processes.
- 1.3 The scope of this review focussed on corporate payroll with the purpose of providing assurance that controls were in place to meet the following objectives:
- Only genuine starters are set up and approved, and paid from the correct date;
  - Leavers are removed from the payroll in a timely manner and paid correctly;
  - Permanent variations to pay accurately reflect employees' grades and/or changes to their contracts, and are calculated and paid from the correct date;
  - Payruns, including deductions and BACS transmissions, are correct and authorised;
  - Effective assurance arrangements have been implemented to detect errors, unusual, or irregular payments;
  - Payroll data is accurately reflected in the General Ledger;
  - Temporary payments (including additional hours, expense claims and payment to casual staff) are only made for hours worked and expenses incurred legitimately; and
  - Data held in MySurrey is secure and any changes made by employees through self-service are updated in a timely manner.
- 1.4 Key findings from our audit were that:
- Key functionality within the system did not work as designed, leading to an absence of automated control in key areas and a need for manual workarounds;
  - Attempts by Unit 4 to fix known issues in system functionality have been ongoing since go-live, but with only limited success;
  - The reporting capabilities within the system are weak, and do not allow management proper oversight. For example, we cannot provide assurance that all leavers since April 2023 have been processed correctly due to this deficiency;
  - Significant issues remain in calculating salary for employees on variable pay (e.g. in receipt of overtime, additional hours, et al) and require a supplementary payroll to be undertaken monthly to enable this cohort of employees to effectively check their own provisional pay for accuracy ahead of the final pay-run;

- There is no regular reconciliation of staff employed to monthly payroll payments;
- Monthly reconciliations of third-party payments (for example, to HMRC or the Local Government Pension Fund) had not been completed since March 2024; and
- There are weaknesses in control over access to employee standing data with no audit log effective within the system.

- 1.5 Based on our findings, we were only able to provide an opinion of **Minimal Assurance**. We have agreed 14 actions with management (13 of high priority, 1 of medium priority) to address the weaknesses identified. We have ensured that our work feeds into the MySurrey Stabilisation Board in order to facilitate the most effective corporate response to our findings.
- 1.6 Given the timetable proposed for remedial action by the Stabilisation Board, we plan undertake a follow-up audit in this area later in this financial year to ensure that the expected improvements in control have been implemented.

### Payroll (Pensions Enrolment)

- 1.7 As an addendum to the Payroll audit above, we undertook a second piece of work to examine the control environment around enrolment of employees into the Local Government Pension Scheme (LGPS). To comply with the regulations set out by the Pensions Regulator, all employers are required, by law, to automatically enrol all eligible jobholders into a pension scheme, and enforcement action by the Pensions Regulator may follow for non-compliance.
- 1.8 Our review only considered the enrolment of Surrey County Council employees and not any of the other c.360 employers in the Surrey Pension Fund. The purpose of this audit was to provide assurance that controls were in place to meet the following objectives:
- The Council complies with all requirements set out by the Pension Regulator for enrolment of staff to the Surrey Pension Fund;
  - Processes are in place to ensure all employee enrolments and contributions are efficiently and effectively processed and staff are enrolled correctly into the Pension Fund with contributions collected accurately;
  - Errors in enrolment are identified immediately and resolved effectively;
  - Retrospective payment contributions (where applicable) are efficiently and effectively collected without the employee experiencing financial hardship; and
  - Surrey Pension Fund are notified in a timely manner of new Council employees.
- 1.9 Based on the work carried out, we were unable to provide assurance that these key controls were operating effectively, further supporting the minimal assurance opinion over Corporate Payroll referenced above. Key findings from our audit were that:
- To comply with regulations, employers must automatically enrol all eligible employees into a pension scheme at the commencement of employment.

However, we found that as a result of technical issues with MySurrey there are significant delays in this process;

- We identified that there are data quality issues within data being transferred, which is further delaying the process;
- Existing enrolled employees within the scheme are having issues with their contributions not being collected - or being collected incorrectly - when changes had been made to employees' roles or pay rates;
- New members have not been notified of basic information such as their benefits, and how employee and employer contributions are calculated;
- On behalf of affected members, the Council made payments to the Fund to cover missed contributions for the period of May 2023 to March 2024. A recovery process for employees to repay these funds to the Council commenced in June 2024. However, the Payroll Team have recently questioned the quality of data analysis that was used in these calculations and are working to rectify this;
- Since the original work to identify employees experiencing issues, there has been no further review to identify if other employees are experiencing issues with their pension contributions. Consequently other issues may be going undetected, which may pose both financial risks to scheme members and reputational risk to the Council. It also increases the risk of non-compliant Fund administration.

- 1.10 As explained above, this review was an addendum to the Corporate Payroll audit and therefore shared that opinion of Minimal Assurance. We have agreed 6 actions with management, 2 of which were high priority, 3 of medium priority, and 1 of low priority, to address weaknesses identified. As described previously, our findings and agreed actions have been shared with the MySurrey Stabilisation Board to ensure a comprehensive corporate response.
- 1.11 As with the Payroll audit, given the timetable proposed for remedial action by the Stabilisation Board we plan undertake a follow-up audit in this area later in this financial year to ensure that the expected improvements in control have been implemented.

### **MySurrey User Access and Security Review**

- 1.12 Since MySurrey went live in June 2023 data breaches have been identified where officers accessed data that was not required to fulfil their roles. Access to the system is set through Role-Based Access Control which, considering the size of the Council and the modularity of the system, increases the complexity of access and permissions setting.
- 1.13 The purpose of our audit was to provide assurance that controls were in place to meet the following key objectives:
- An effective governance framework for system access is in place to prevent unauthorised access and to safeguard personal and sensitive information;



- Effective access controls are in place to ensure that users are granted appropriate permissions aligned with their roles and responsibilities;
- System access is effectively logged and monitored to ensure timely detection and response to unauthorised access or suspicious activity; and
- There is adequate training for staff that establishes fundamental access and permission concepts.

1.14 The scope of our audit was limited at this stage to the corporate implementation of MySurrey and did not include the build that encompasses the Surrey schools implementation.

1.15 Key findings from our audit identified that actual controls were not effective in that:

- Guidance and procedures to specify roles and responsibilities, approval processes, and governance over access and user accounts did not exist;
- Key functionality to prevent, or monitor for, the accidental or malicious use of the MySurrey system is not currently available, nor has it been since go-live. This includes audit trails of logins, and detailed amendment logs for all users;
- Although we were informed that amendment logs were properly considered during implementation and switched on, evidence as part of our review indicates that this is not the case as not all logs are available. Of those that are, they are not produced in a format that allows for effective analysis of data;
- We were therefore unable to test and provide assurance that controls are in place to ensure that roles and permissions have been assigned appropriately and that activity, including amendments to standing data, has been undertaken in line with the Council's policies and procedures;
- There are no defined permissions for more complex users that utilise MySurrey actively to complete business, financial, and HR tasks for their roles, including those with privileged accounts who manage functionality (including access permissions). It is these privileged accounts that pose the greatest risk as they have access to business-critical parts of the system; and
- The lack of system governance documentation risks the Council being non-compliant with data protection policies, as there is no clear structure of responsibility over the maintenance and monitoring of access and security.

1.16 Due to these key control weaknesses we were unable to provide a level of assurance higher than **Minimal Assurance**. Our audit identified and agreed 8 actions with management, 4 of which were high priority, and 4 of medium priority. These actions are incorporated within the overall action plan for the MySurrey Stabilisation Board to ensure that a coordinated corporate response to them is taken in a timely manner and to enable a follow-up audit to be undertaken as soon as possible.

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## MySurrey - Integrations

- 1.17 MySurrey has been configured to integrate with other key corporate systems, which involves the transfer transactional data to be posted to the general ledger, as well as financial information to allow payments to be made. Core systems currently integrated to MySurrey include (but are not limited to):
- Controcc (Adult Social Care);
  - Planon (Property);
  - Confirm (Highways);
  - LACHS (Customer Service - Claims); and
  - LIFT (Children Services)
- 1.18 The purpose of our audit was to provide assurance that controls were in place to meet the following key objectives:
- A master list of integrations was available to ensure accountability and ownership;
  - Documentation existed for all integrations requiring manual processes and was accessible to required staff;
  - Procedures and schedules of support existed, with an escalation to specialists if/when required;
  - Data transferred between integrated systems was accurate and complete, with reconciliations performed; and
  - Error logs were monitored with a rapid response process for issues arising.
- 1.19 We were unable to provide assurance that all the expected controls were in place. Of particular significance:
- Current integrations from key systems did not have any meaningful value reconciliation. Without this there is a risk of inaccuracy in financial reporting;
  - The governance arrangements around integrations with MySurrey lacked clarity;
  - There was an absence of a single master list containing all active integrations;
  - It was not possible to identify owners for each integration process or their responsibilities;
  - Few of the data transfer processes were documented, creating risk of error; and
  - In some areas the data transfer process was only known to a single officer, creating a 'single point of failure.'
- 1.20 We note that the structure and delivery of integrations within this space continues to evolve with active steps being taken to address known issues. Responsibilities for support transitioned from the DB&I Programme Team to IT&D in June 2024, which led to a push in corrective actions. Governance has further been strengthened through the creation of the MySurrey Stabilisation Board.

1.21 We formed a final opinion of **Partial Assurance** and agreed 6 actions with management (1 of which has high priority, 4 of medium priority and 1 of low priority) to address these findings and to improve the control environment. A follow-up audit of this area will be undertaken in due course to assess the implementation of these actions.

### **Surrey Fire & Rescue Service (SFRS) Safe and Well Visits**

1.22 SFRS provide prevention services that include Safe and Well Visits as part of its wider remit. These provide the most vulnerable residents with personalised fire prevention advice to mitigate fire risks to their home and improve outcomes should a fire occur.

1.23 With this being highlighted as a weakness in their recent inspection report from His Majesty's Inspectorate of Constabulary and Fire & Rescue Services, we were asked to undertake assurance work in this area to support the service's Improvement Plan. The purpose of the audit was to provide assurance that controls were in place to meet the following key objectives:

- Referrals for Safe & Well Visits are processed and followed-up in a timely manner;
- Pathways for raising a concern are documented and distributed via appropriate channels, ensuring that risk areas and vulnerable residents are captured;
- There is adequate training in place for staff which is monitored to ensure a consistent approach to visits; and
- There are effective reporting arrangements in place to ensure oversight.

1.24 Key findings from our review were that:

- SFRS is underperforming by approximately one Safe & Well Visit per week on its target of one visit per Fire Station, per day;
- Although SFRS has proactively created a plan to increase its performance, it is not able to fully implement this until additional roles are recruited to;
- Beyond the target for number of visits, there are other related service targets for which the data collection for is not sufficient to report on, or monitor;
- Some referrals come in via routes not accounted for in the Standard Operating Procedure, and there are no formal processes for how they should be handled;
- It was unclear when contacts are attempted and to what extent visits are occurring in a timely manner due forms not being filled in consistently; and
- Communication with, and training of, third-party referring agencies could be improved to raise awareness of the process and reduce inaccurate data capture.

1.25 Overall, we formed a final opinion of **Partial Assurance**. We agreed 5 actions with management (3 of high priority actions, and 2 of medium) to address these findings and to improve the control environment. A follow-up audit of this area will be undertaken in due course to assess the implementation of these actions.

### **Planning Follow-Up**



- 1.26 An audit of Planning was completed as part of our 2023/24 plan which resulted in an audit opinion of Partial Assurance. In line with our protocol, and as part of our planned work for 2024/25, we undertook a follow-up review of this audit.
- 1.27 Within the nine previously agreed actions was one relating to Section 106 funding arrangements: that area will be subject to a separate follow-up audit of its own, which will be reported to Committee in due course. It was therefore excluded from this audit.
- 1.28 Our review identified that seven of the remaining eight agreed actions have now been fully implemented, addressing previously identified control weaknesses. In particular:
- Processes and procedures have now been documented and these are stored in a centralised SharePoint site;
  - Complaint handling has moved from spreadsheet to a case management system;
  - A service level agreement is now in place between Land & Property and Planning, and notes from meetings between the two areas are recorded;
  - Guidance for submitting Regulation 3 applications has been updated; and
  - Committee training has been completed and an independent review by the Planning Advisory Service of the Committee's performance has been undertaken.
- 1.29 One action – to create a forward plan for the Committee – was only part-implemented. Whilst such a plan has now been created, we noted that it could provide more of the detail agreed in the original action, such as if there are any relevant issues or missing information for the Committee to consider.
- 1.30 Overall, we formed a final opinion of **Reasonable Assurance** for this follow-up review, and agreed 4 actions with management (2 of medium priority, 2 of low) to further strengthen the control environment.

### Cyber Security – Response and Resilience

- 1.31 Cyber resilience is the term for an organisation to protect, detect, respond, and recover from cyber-attack. Through being resilient, organisations have the ability to reduce the impact of an attack and ensure that they are able to continue to operate effectively.
- 1.32 The purpose of our audit was to provide assurance that controls are in place to meet the following key objectives:
- Incident Response and Disaster Recovery processes and procedures are embedded and maintained;
  - The Council understands the risk to operational activities and mitigates them accordingly; and
  - Response and recovery activities are improved through the incorporation of lessons learned for future incidents.

- 1.33 A summary of key findings identified that:
- Whilst the Cyber Incident Response Plan is updated annually in line with the business continuity planning cycle, the Major Incident and Incident Response Plans were last updated in 2021;
  - Each of the Council's response plans define clear roles and responsibilities;
  - Records are maintained, with reports being written after all major incidents; and
  - The Emergency Management team help test service area Business Impact Analysis (BIA) - each BIA includes a list of key and critical activities which are vital to the respective service, including identifying critical IT systems.
- 1.34 Overall, we concluded a final opinion of **Reasonable Assurance** following this review, agreeing 3 actions with management (2 of medium priority, 1 of low) around the areas of training, and updating key policies.

### Information Technology (IT) Asset Records Management

- 1.35 IT asset records management is the systematic process of acquiring, monitoring, maintaining, and documenting IT assets throughout their lifecycle. This process is crucial for efficient IT asset management and covers laptops, mobile devices, software licences and servers. The Council uses several third-party systems to manage assets, such as Cherwell and Microsoft's System Centre Configuration Manager.
- 1.36 This audit was an addition to our plan, coming as a request from IT&D following issues highlighted by their own internal review.
- 1.37 The audit did not seek to provide assurance over non-tangible assets (software), network assets (servers), but rather the purpose of the review was to provide assurance that controls were in place to meet the following objectives:
- The Council has a formal documented asset management policy in place;
  - Roles and responsibilities for IT asset records management are known, with a clear understanding in relation to ownership of the process; and
  - Adequate procedures exist to monitor and safeguard Council IT assets.
- 1.38 Overall we were able to verify that controls within existing processes were sufficiently robust. In particular we noted that:
- There was an Asset Management Database policy in place for managing assets throughout their life cycle; and
  - Existing processes around issue, delivery, return and disposal of assets clearly identify roles and responsibilities within the service.
- 1.39 However, we also identified a number of improvements that could be made to the control environment:

- Although some ad hoc review occurred, there was no formal record of a process for the monitoring of assets once they had been issued to staff (although compensating controls bring the risk down to an acceptable level);
- The Asset Management Database policy had not been updated since 2014; and
- A list of officers with access to the secure rooms in which assets are stored could not be produced.

1.40 Overall, we provided an opinion of **Reasonable Assurance**, agreeing 3 actions with management (2 of medium priority, and 1 of low) to address the issues identified.

### On-Street Parking Arrangements

- 1.41 The 'Civil Enforcement of Moving Traffic Contraventions Designations and Miscellaneous Amendments Order 2022' allowed the Council to adopt moving traffic enforcement (MTE) powers, following which a countywide model for parking and MTE was adopted.
- 1.42 Following a tender process, a seven-year contract with NSL, the UK's largest provider of parking enforcement services, commenced on 1 April 2023. The contract is extensive, covering both parking enforcement and MTE. Per annum, the contract costs c.£5m and generates income of around £6m.
- 1.43 The purpose of the audit was to provide assurance that controls were in place to ensure that the contract is successfully delivered in accordance with contractual terms and conditions, with specific focus on the following key objectives:
- To evaluate the effectiveness of current contract management processes and procedures including:
    - contract monitoring and performance measurement;
    - invoice processing and payment verification;
    - financial information robustness (income and expenditure);
    - communication and relationship management;
    - delivery of required service improvements; and
    - documentation and record keeping arrangements.
  - Assess compliance with key contractual terms and conditions;
  - Identify risks associated with contract management arrangements; and
  - Determine the adequacy of controls in place to prevent fraud and waste.
- 1.44 We identified the following key findings as part of our review:
- At the outset of the contract, NSL were understaffed in respect of civil enforcement officers, and enforcement activities were subsequently reduced. NSL has now successfully recruited to vacancies and the contract is operating as expected;

- Contract monitoring and performance measurement are based around a series of monthly key performance indicator (KPI) targets, which are validated by the Council's Parking and Traffic Enforcement Team; and
- Reporting to Members and other stakeholders is effective, and are produced on a county-wide, and districts and borough, basis.

1.45 As part of the review, we also identified a number of areas in which further improvement could be made, including:

- Increased automation of KPI calculations;
- Development of a Service Improvement Plan;
- Implementation of a formal risk register;
- Beginning discussions around contract innovations (a contractual requirement) with NSL; and
- More formally document contractual meetings.

1.46 Overall, we provided an opinion of **Reasonable Assurance**, agreeing 5 actions with management (4 of medium priority, and 1 of low) to address the issues identified.

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### Project Indigo Follow-Up

1.47 In October 2022 we were asked to explore the process for the appointment of a firm of independent property consultants who provided services in relation to Project Indigo. At the time, the service had been provided 'at risk' without a valid purchase order in place.

1.48 We identified a number of control weaknesses at key stages of the procurement process, which had led to expenditure being committed to a budget without the knowledge or approval of the budget holder.

1.49 The purpose of this follow-up audit was to provide assurance that the three agreed actions from the original audit had been fully implemented. Our follow-up audit had been delayed following the implementation of a new control environment within MySurrey.

1.50 We were able to confirm that since the implementation of MySurrey:

- An additional control has been implemented to prevent any changes to the value of a purchase order, and any change in value now goes through an authorisation and validation process in accordance with the scheme of delegation; and
- Additional training to re-emphasise the need for compliance with the Council's Procurement and Contract Standing Orders (PCSOs) has been undertaken.

1.51 However, controls within MySurrey cannot actually prevent an officer engaging services or procuring goods without a purchase order or contract. A mitigating control comes through the Surrey Procurement Board, whose objective is to provide overview and control for all new proposed revenue spend in situations above £30k.



1.52 Overall we were able to provide a final opinion of **Reasonable Assurance**, with no agreed actions being identified.

### **Corporate Governance (Declarations of Interest)**

1.53 In order to support the work of the Governance Panel in overseeing the Council's Annual Governance Statement, we undertook an audit of the awareness of management to obtain declarations of interest from off-payroll staff. This cohort of staff were defined as non-permanent employees in an interim, bank, or temporary contract of employment.

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

- All off-payroll staff are directed to read and comply with the Code of Conduct;
- Managers obtain declarations of interest from off-payroll staff as appropriate; and
- Declarations are recorded and assessed, and where conflicts or potential conflicts exist, controls to mitigate them are in place.

1.55 Surveys of managers showed that there was high awareness of this requirement, and the contract provided to off-payroll staff when starting signposted the requirement. However, there remains no requirement for any staff to formally acknowledge their understanding and agreement to the Code, either in writing or via MySurrey.

1.56 There were some areas where we identified that controls could be enhanced to produce an improvement in compliance:

- There was some belief that an initial declarations of interest exercise would be completed by Connect2Surrey as part of the onboarding process alongside DBS and right to work checks, rather than by local line management;
- We identified that issues with accessing MySurrey had prevented the recording of supporting evidence behind some completed Declarations of Interest; and
- We identified evidence of managers being unaware that temporary staff would need to be re-included in the annual exercise for seeking declarations where a contract had been extended over twelve months.

1.57 We were able to give an opinion of **Reasonable Assurance**, agreeing 3 medium priority actions with management to address the above findings.

### **Other Audit Activity**

#### *Corporate Governance (Member Registers)*

1.58 During the course of a planned audit it was noted that a declaration of interest made by a Member was unclear and not in line with the principles of transparency and openness.

- 1.59 With the agreement of the Monitoring Officer, we undertook a brief review of both the Member Register of Interests and the Register of Gifts and Hospitality to gain assurance that entries were in line with the Localism Act (2011), and The Relevant Authorities (Disclosable Pecuniary Interests) Regulations (2012).
- 1.60 With regard to the Register of Interests, we identified two further instances where Members had made declarations that lacked sufficient clarity or detail, and 17 occasions where Members had not declared their membership to their political party as required.
- 1.61 In terms of the Gifts and Hospitality Register, we noted that the register was in line with the expected format, including the date of receipt of the gift or hospitality and the date of entry onto the register. However, six of the entries fell short of the timeline of 28 days to be declared within. We also noted that there were fewer entries on the register than might reasonably have been expected over the last twelve months.
- 1.62 The results of this review have been scheduled for the Governance Panel agenda, and for discussion between the Monitoring Officer and Democratic Services officers.

#### *Local Government Pension Scheme Banking Controls Follow-Up*

- 1.63 Our original audit report in this area reported in March 2022 with an opinion of Partial Assurance. A subsequent interim follow-up review in May 2023 determined that certain actions could not be progressed at that time as they were reliant upon the implementation of MySurrey.
- 1.64 We had scheduled another follow-up into our quarter two programme, but ongoing issues within the MySurrey space had prevented significant progress in key areas. We have now linked our assurance activity with that of the Stabilisation Board, and will continue to keep this area under review in line with the Board's programme of improvement activity.

#### *Grant Claim Certification*

- 1.65 During quarter one we successfully certified and returned four grant claims in accordance with Central Government auditing requirements:
- Local Transportation Capital Grants - £32,032,000
  - Bus Subsidy Operators Grant - £1,125,405
  - Supporting Families (second claim of 2024/25) - £224,000
  - A31 Major Capital Project (funding for business case) - £85,000

#### **School Audits**

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

- 1.67 We have a standard audit programme for all school audits, designed to provide assurance over key aspects within the control environment, including:
- Good governance ensures oversight and challenge by the Governing Board;
  - Decision-making is transparent, well documented and free from bias;
  - The school is able to operate within its budget through effective financial planning;
  - Unauthorised people do not have access to pupils, systems or the site;
  - Staff are paid in accordance with the schools pay policy;
  - All unofficial funds are held securely and used in appropriately;
  - All income due to the school is collected, recorded, and banked promptly.
  - Expenditure is controlled and funds used for an educational purpose; and
  - Security arrangements keep data and assets secure.
- 1.68 Audits continue to be carried out through a combination of remote working and visits.
- 1.69 A total of eight school audits were delivered in quarter two, and the table below shows a summary of the final level of assurance reported to them.

Name of School	Audit Opinion
Send Primary School	<b>Partial Assurance</b>
St James Primary School (Elstead)	<b>Partial Assurance</b>
Lyne and Longcross C of E Primary School follow-up	<b>Partial Assurance</b>
Leatherhead Trinity School and Nursery	<b>Reasonable Assurance</b>
Shawfield Primary School (Ash)	<b>Reasonable Assurance</b>
St Bede's Secondary School (Redhill)	<b>Reasonable Assurance</b>
St Peter and St Paul Church Primary School (Caterham)	<b>Reasonable Assurance</b>
Tadworth Primary School	<b>Reasonable Assurance</b>

- 1.70 We aim to undertake follow-up audits at all schools with Minimal and most schools with Partial Assurance opinions. Only one such opinion was delivered in this quarter. A further audit at Lyne and Longcross Church of England Primary School is being planned given that our follow-up audit (above) was unable to raise the level of assurance above Partial Assurance for a second time.



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

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

## 2. Counter Fraud and Investigation Activities

### *Counter Fraud Activities*

- 2.1 The team continue to monitor intelligence alerts and share information with relevant services when appropriate.
- 2.2 In addition, we are currently working with services to ensure that the relevant data extracts are uploaded for the 2024 National Fraud Initiative (NFI) data matching exercise. The matches from the exercise will be available to review from late January 2025.

### *Summary of Completed Investigations*

#### *Multiple Employment (case 1)*

- 2.3 Following an external referral from a central government department about an employee having made a false application for employment, we undertook an investigation and confirmed both multiple employment and a false application. The contract of employment was terminated in the probationary period. The Council has provided a witness statement and is supporting a criminal prosecution against the individual.

#### *Multiple Employment (case 2)*

- 2.4 Following an enquiry from a London Borough Council, we undertook an investigation into a case of potential multiple employment. We confirmed that a member of staff had been working for the Council through a temporary agency contact and had not sought approval for secondary employment. The member of staff resigned pending disciplinary action.

### *Parking Enforcement Whistleblowing*

2.5 An allegation was received in relation to operational standards during the mobilisation of the Parking Enforcement Contract. An investigation was undertaken and found that decisions regarding the deployment of Parking Enforcement Officers during the mobilisation phase were made with the knowledge and consent of Parking Services, and the complaint was not upheld. The investigation did identify a small number of data anomalies that Parking Services queried and resolved with the contractor.

*Allegation of Nepotism*

2.6 An allegation was received that a member of staff had employed their spouse under a bank contract and was awarding work unfairly. We undertook an investigation and found no case to answer. Our investigation did identify some areas of control weakness and actions were agreed with management to improve the control environment.

**3. Action Tracking**

3.1 As part of our quarterly progress reports, we seek written confirmation from services that all high priority actions due for implementation are complete. Where follow-up audits are undertaken, we reassess the progress of all agreed actions (low, medium and high priority). Periodically we may also carry out random sample checks against all priorities of actions.

3.2 At the end of the second quarter of 2024/25, 100% of high priority actions due had been fully implemented (or rescheduled dates for their implementation had been agreed).

**4. Amendments to the Annual Audit Plan**

4.1 In accordance with proper professional practice, the Internal Audit plan for the year is kept under regular review to ensure that the service continues to focus its resources in the highest priority areas based on an assessment of risk. After discussions with management, the reviews below were added to the original audit plan during this quarter:

Additional Audit	Rationale for Addition
Facilities Management (FM) Contract Mobilisation Plans	A review to assess the impact of mobilising the Council’s FM contract with Macro, to ensure risks around service delivery, budget overspends, reduced staff morale, and reputational damage to the Council are being mitigated.
Health & Safety Wellbeing Plan	A piece of advice work requested by the Head of Health & Safety to review and critique the newly drafted Health & Safety Wellbeing Plan.

All of the new additions to the plan have been resourced through available contingencies. Two have been removed or deferred from the plan in this second quarter:

Additional Audit	Rationale for Addition
Payroll	The planned full audit of Payroll has been deferred until early 2025/26, with the focus for later in this financial year being a follow-up of the agreed actions from the recently reported Minimal Assurance Payroll audit.
Surveillance Cameras	This was a low-risk audit area that was intended to review compliance against new legislation. However, with priorities on audit time arising in other areas of Council business, this has been deferred for the time being.

4.2 We will continue to keep the resources available under review as the year progresses.

## 5. Internal Audit Performance

- 5.1 In November 2023, we updated our self-assessment against the PSIAS standards. We concluded we were fully compliant with 319 of the standards and partially compliant with the other 2 standards (in both cases proportionate arrangements remain in place).
- 5.2 We also completed our Quality Review exercise in November 2023, with no major areas of non-conformance being identified. The need to ensure consistency in the quality of the evidence contained within a small number of audit working papers was identified, and this will be addressed at service development days we will be running during 2024/25.
- 5.3 In addition to the annual self-assessment of internal audit effectiveness against Public Sector Internal Audit Standards (PSIAS), the performance of the service is monitored on an ongoing basis against a set of agreed key performance indicators as set out in the following table:

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April 2024	G	Approved by Audit Committee on 13 March 2024
	Annual Audit Report and Opinion	By end July 2024	G	2023/24 Annual Report and Opinion approved by Committee on 5 June 2024

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
	Customer Satisfaction Levels	90% satisfied	G	95.2% satisfaction for surveys received in the period
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	Annual: 90% Q2 end: 45%	A	At the end of Q2 we have delivered 42.9% of the annual plan to draft report stage. Given the level of work in progress we remain confident of achieving the overall target by year-end.
	Audit Plan – percentage of audit plan days delivered	Annual: 90% Q2 end: 45%	G	At the end of Q2 we have delivered 51.5% of the annual plan days.
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	Dec 2022 - External Quality Assurance completed by the Institute of Internal Auditors (IIA). Orbis Internal Audit assessed as achieving the highest level of conformance available against professional standards with no areas of non-compliance identified, and therefore no formal recommendations for improvement arising. In summary the service was assessed as: <ul style="list-style-type: none"> <li>• Excellent in: Reflection of the Standards Focus on performance, risk and adding value</li> <li>• Good in: Operating with efficiency Quality Assurance and Improvement Programme</li> <li>• Satisfactory in: Coordinating and maximising assurance</li> </ul>

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Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
				<p>November 2023 - Updated self-assessment against the Public Sector Internal Audit Standards completed, the service was found to be fully complying with 319 of the standards and partially complying with 2 of the standards, in both cases proportionate arrangements remain in place.</p> <p>November 2023 - Quality Review exercised completed, no major areas of non-conformance identified. The need to ensure consistency in the quality of the evidence contained within a small number of audit working papers was identified; this will be addressed at auditor development days during 2024/25.</p>
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	<b>G</b>	No evidence of non-compliance identified
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions	<b>G</b>	100%

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Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Our staff	Professionally Qualified/Accredited	80%	G	88% <sup>1</sup>

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<sup>1</sup> Includes staff who are part-qualified and those in professional training. Performance has dipped slightly compared to previous months as a result of new starters in this quarter who have yet to commence any professional training.

## Audit Opinions and Definitions

Opinion	Definition
<b>Substantial Assurance</b>	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Reasonable Assurance</b>	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Partial Assurance</b>	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
<b>Minimal Assurance</b>	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

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