

Audit & Governance Committee
11 September 2024

Audit and Governance Committee - Annual Report 2023/24

Purpose of the report:

For the Committee to review and comment on its Annual Report.

Recommendations:

It is recommended that:

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

Introduction:

1. The Audit and Governance Committee was established to monitor, review and report on the governance arrangements of the County Council.
2. Undertaking oversight of the management of the internal control systems is fundamental, the Committee provides a high-level and independent focus on financial accounts, and audit and governance matters including the Member Code of Conduct. The Committee's activities are in line with the core functions of the Committee's Terms of Reference: Regulatory Framework, Audit Activity, Accounts, Ethical Standards.

Detail:

3. CIPFA (the Chartered Institute of Public Finance and Accountancy) recommends that audit committees produce a publicly available annual report, which provides assurance to those charged with governance on how the committee demonstrates impact and fulfils its purpose.
4. The attached Annual Report (Annex A) covers the work of the Audit and Governance Committee during the period May 2023 to May 2024. It provides a summary of work and engagement undertaken by the Committee.

Conclusions:

5. The Annual Report provides assurance that the Committee is undertaking its role effectively to ensure that the Council's governance, risk management, internal controls and financial reporting are effective.

Financial and value for money implications:

6. Internal training is delivered by the Council's officers. Regarding external courses and conferences, there is a budget set aside for training and development for Members. Information on entitlement to Travelling and Subsistence Allowances, is contained in the Members' Allowances Scheme.

Equalities and Diversity Implications:

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

Risk Management Implications:

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

Legal Implications – Monitoring Officer:

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

Next steps:

10. The Annual Report will be presented to October's Council meeting for noting.
11. The Committee will continue to undertake its assurance role and help the Council with its oversight and governance responsibilities by commending effective processes and procedures and providing challenge to ineffective ones and making recommendations for improvement.

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Sources/background papers:

- Audit committees: practical guidance for local authorities and police publication, CIPFA, 2022
- Audit and Governance Committee agendas and minutes: [Browse meetings - Audit and Governance Committee - Surrey County Council \(surreycc.gov.uk\)](#)

- Council Budget meeting, 8 February 2022: [Appointment of Independent Member to the Audit and Governance Committee](#)
- Council AGM, 21 May 2024: [Appointment of Independent Member to the Audit and Governance Committee](#)
- Council's Constitution
- Members' Allowances Scheme

Annexes/Appendices:

- Annex A - A&G Committee - Annual Report 2023/24
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Audit and Governance Committee - Annual Report 2023/24

Introduction

I am pleased to present the Committee's Annual Report. The Committee is accountable to the Council and welcomes the scrutiny of its effectiveness in fulfilling its terms of reference and its impact on the improvement of governance, risk and control within the authority.



This report covers the work of the Audit and Governance Committee during the period **May 2023 - May 2024**. In addition to outlining the role and purpose of the Committee and presenting a summary of work undertaken, the report includes details of Committee membership and attendance, training, officer support to the Committee and how the Committee has engaged with others. For a deeper dive into the Committee's effectiveness, a report conducting such a review is scheduled later in the year.

I would like to thank officers and Committee members who have supported the work and achievements of the Committee.

Victor Lewanski
Chairman
Audit and Governance Committee

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Role and purpose

CIPFA (the Chartered Institute of Public Finance and Accountancy) defines the purpose of an audit committee as:

*“to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee’s role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.”*¹

Therefore, the Committee is primarily concerned with assuring itself, and advising the Cabinet and County Council as necessary, that the Council’s policies are being implemented and that appropriate systems are in place which provide adequate controls over the Council’s resources and assets to prevent the risk of loss through fraud and corruption. It is not the role of the Committee to be responsible for the arrangements.

An audit committee should be independent of the Cabinet and Scrutiny functions of the authority, have clear reporting lines and rights of access to other committees (primarily the Cabinet and County Council), and its members should be properly trained to fulfil the role.

The purpose of the Committee is stated in the Council’s Constitution:

*“The Council recognises the importance of undertaking scrutiny of the management of the internal control systems and the Audit and Governance Committee provides an independent and high-level focus on audit, governance and financial accounts matters.”*²

Meetings

The Committee meets six times a year in person at Woodhatch Place, Reigate and met on the following occasions for the reporting year 2023-2024:

- [5 Jun 2023 2.00 pm](#) - Agenda, Minutes
- [12 Jul 2023 10.00 am](#) - Agenda, Minutes
- [13 Sep 2023 10.00 am](#) - Agenda, Minutes
- [22 Nov 2023 10.00 am](#) - Agenda, Minutes
- [17 Jan 2024 10.00 am](#) - Agenda, Minutes
- [13 Mar 2024 10.00 am](#) - Agenda, Minutes

The administration of the Committee is supported by a Committee Manager in Democratic Services. Officers (report authors) provide expertise in relation to: finance - accounts and treasury management, internal audit, external audit, corporate governance, legal compliance, risk, and complaints.

¹ CIPFA’s Position Statement 2022: Audit committees in local authorities and police

² Surrey County Council Constitution: Part 3 Scheme of Delegation, 6.8

Work undertaken

The Committee's Terms of Reference is included in the Council's [Constitution](#), see Part 3, Section 1, paragraph 6.7. The [Work Plan](#) details upcoming agenda items in line with its core and wider functions, it is flexible as items can be added at the request of the Committee and officers in consultation with the Chairman to ensure it remains current. The [Recommendations Tracker](#) outlines the actions raised at Committee meetings which is reviewed at every meeting of the Committee.

Regulatory Framework

- Received six-monthly updates on Risk Management at its September and March meetings. It reviewed the Corporate Risk Heat Map, querying the risk ratings, additions and deletions.
- Approved the updated Risk Management Strategy querying the length of time items were on the risk registers for and mitigations in place for risks materialising, in line with the agreed approval route recommended by the Constitution Review Group. It performed its function of monitoring the effective development and operation of the risk management and corporate governance arrangements of the Council, reviews the strategy annually.
- Reviewed the Counter Fraud Annual Report and work of the Counter Fraud team in countering and raising awareness of fraud risk. Sought follow up information on 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; and requested that next year's annual report includes a National Fraud Initiative (NFI) results section summarising the major areas identified in the cases.
- Reviewed the contents of the draft Annual Governance Statement (AGS), was satisfied that the Council's governance arrangements were regarded as fit for purpose and were in accordance with the governance framework. Received a half year update report on the AGS outlining the progress on the improvement areas identified, requesting an update on the improvement of health integration.
- Following the update received in June 2022 from the Corporate Strategy and Policy team, it requested a follow up report in July 2023 on: Update on the Surrey Forum and the Four Associated Strategic Partnership Boards, to understand their governance role. It requested greater transparency through the publication of the minutes, agendas and membership lists.

Audit Activity

- Considered the Internal Audit Annual Report and Opinion, noting the work undertaken and the performance of Internal Audit. It queried what improvements had been made regarding the Pension Administration audit, accessing additional audits undertaken, definitions of the audit opinions, when follow-up audits would commence on those ranked Partial Assurance, and requested a staffing update. It determined that there were no matters that the Committee wished to consider for inclusion in the Council's AGS; and considered that the Council's arrangements for internal audit had proved effective during the year.

- Approved the Internal Audit Strategy, Internal Audit and Corporate Fraud Plan, and Internal Audit Charter. It sought an update on staffing, whether there had been many identified cases from the NFI, Blue Badge fraud activity, and the resources allocated to counter fraud.
- Considered the quarterly Internal Audit reports. It requested that the suggestion be considered around individual services and teams responsible for completing the medium and low priority actions report back to Internal Audit on their completion. It requested a response on the Council's provision made several years ago in its accounts around equal pay claims, Internal Audit's methodology regarding school audits, rewording future reports 'encouraged' to 'required' regarding school staff declaring any relevant interests, confirmation whether the Council's Officer Code of Conduct applied to school staff, and sought written responses to the questions asked concerning the Surrey Fire and Rescue Service Customer Relationship Management (CRM) System and Adult Social Care (ASC) Data Handling audit.
- Requested a progress update on the Internal Audit follow-up audit on Home to School Transport (H2STA), inviting the service manager to answer questions on the report. It queried how many children and young people who applied for transport by 31 July that did not have transport confirmed by two weeks before the start of term, requested information regarding data quality issues around two sets of addresses, addressing a Committee member's concerns regarding H2STA, where the barriers are around the provision of specialist vehicles and training of specialist drivers, sought further detail on the H2STA team not knowing which school children would be starting at until they made an H2STA application, and requested a breakdown of costs between special needs and general provision, and pressures.
- Raised concerns on the transition from SAP to Unit4/MySurrey, requested a report from the Resources and Performance Select Committee's Digital Business & Insights Task and Finish Group, for it to review alongside the later report from Internal Audit; ensuring that the Committee member gets an up-to-date response as to how all the complaints around late payments concerning the new system were being progressed. A Committee member is the Chairman of that Group and provided updates on the progress made in producing the report.
- Approved Grant Thornton's External Audit Plan, and it requested that the External Audit Update Report includes a separate report on the Value for Money (VfM) arrangements, and to confirm whether Public Sector Audit Appointments has approved the proposed audit fee.
- Approved the Surrey Pension Fund External Audit Plan, querying whether the £20,000 fee for 'IAS19 Assurance letters to scheduled and admitted bodies' was a new requirement, and whether the IT audit strategy took into account the Council's transition from SAP to Unit 4.
- Noted the External Audit Update Report, welcomed the progress made and asked whether there were any major areas that still required auditing that might cause a delay.
- Noted the External Auditor's Annual Report and considered the improvement recommendations outlined by Grant Thornton. It queried how Surrey compared to other authorities, the external auditors noted that Surrey's position was strong, towards the top of the group compared

to other counties in the area. It noted the difficulty of achieving a Green rating for financial sustainability.

- Considered the contents of the Audit Reports for the Council's subsidiaries, receiving the Financial Statements for each company as background information. It welcomed that there were no material misstatements and queried the companies' differing external auditors.

Accounts

- Considered the draft Statement of Accounts for the Council and Surrey Pension Fund (2022/23). It requested that a note be included in the final version explaining that the schools grant is included in the Council's gross expenditure of just over £2 billion, that the draft accounts on the Council's website would be updated to include the final draft Annual Governance Statement, and that Committee members feedback any queries on the Narrative Report in the accounts. It sought an update on the Surrey Pension Fund 2022 triennial valuation, and the work to improve financial resilience regarding the Council's reserve position.
- Noted the final audited and signed Statement of Accounts 2021/22 which the Committee had received earlier in the year, reasons for the delay were highlighted. Lessons learned by the Council and Grant Thornton would be incorporated for the 2022/23 audit and onwards.
- Noted the contents of the Audit Findings Report (AFR) and approved the 2022/23 Statement of Accounts for publication on the council's website. Concerning the IT system, it queried whether Grant Thornton had discovered cases where someone had breached the segregation of duties or had user access when they should not have, queried the lateness of the report and reasons for the delays and timetable, queried the fee, and requested an audit plan from the new external auditors (Ernst & Young) before the end of the financial year.
- Noted the content of the Treasury Management Outturn Report and compliance with all Prudential Indicators. It queried how internal borrowing was managed, and whether the Minimum Revenue Provision (MRP) was a prescribed amount or a value judgement.
- Noted the content of the Treasury Management Mid-Year Report. It asked for detail on the Council's management of the Police and Crime Commissioner for Surrey's (PCC) funds, and whether the Council reviewed its investment returns via benchmarking.
- Approved the Treasury Management Strategy Statement including the Prudential Indicators. It requested an update on where the work on Environmental Sustainability is shared regarding the reporting of carbon impacts of the Capital Programme, for the figures in Table 7 concerning Commercial Investments: Property to be reviewed around the expected gain for Retail, and for the numbering and lettering of the various annexes to be reviewed to ensure clarity going forwards.

Ethical Standards

- Noted the Monitoring Officer's report on recent activity in relation to the Members' Code of Conduct, including Registration of Interests and Gifts and Hospitality, and complaints made in relation to Member conduct;

and noted the further training and development planned for the coming year. It requested that it receives the report on gifts and hospitality, interests and whistleblowing at a senior officer level alongside the annual report on Members. It agreed that it would be disproportionate to ask all Members to submit a nil return regarding the gifts and hospitality register.

- The Council's Constitution was last reviewed in 2017, a cross-party, Constitution Review Group (CRG) was set up at the end of 2022 and considered several issues which had been raised with Democratic Services in recent years by Members and officers. The Committee received the Constitution Review 2023 report where Committee members were supportive of the changes to the Standing Orders, welcoming the delegation of approval of the Risk Management Strategy to the Committee; leading to better governance. It did not think there was anything that would compromise governance or audit.
- Reviewed the contents of the Annual Whistleblowing report to satisfy itself that the governance arrangements were operating effectively. Made the following recommendations for improvement: That existing employees alongside new employees would be asked to sign the Code of Conduct too. That the headcount figures regarding the whistleblowing cases be updated to include other employees such as those in schools and contractors. It requested that the two recommendations for improvement be incorporated into next year's annual report, and next year's annual report to include the comparison of how other councils track their grievances and whistleblower cases.
- Received the Behaviour and Cultural Governance - Update on Action Plan, reviewing actions taken by officers in response to the Centre for Governance and Scrutiny report and made no recommendations; it was satisfied by the progress underway.
- Noted the recruitment process being undertaken regarding the Independent Member (IM) and following an interview process, recommended the preferred candidate to County Council to be appointed. The appointed IM had a suitable breadth of experience and knowledge needed to fulfil the role.
- Noted the Annual Complaints Performance Report. It made comments and suggestions to be actioned a) - i), for example a) comparative complaints figures with other local authorities; refer to the tracker action A7/23 for updates.
- Noted the LGSCO Annual Letter and Complaints Handling Update. It made two additional recommendations: All Members would be provided with the information set out in paragraph 11 of the report regarding the notification of LGSCO cases and decisions, to show the improvements made and to extend communication and transparency. The risks regarding the complaints process would be considered in line with the council's Risk Management Strategy to actively manage those risks going forward. It made eight actions for improvement.
- Noted the 6 Month Complaints Performance Update Report. It requested an update on the head count of how many FTE staff are in the team (across the three services) compared to last year. Several queries were

made such as around financial remedies, resourcing, development of a recovery plan, and the revised approach.

Membership

The Committee is composed of six elected Members plus one Independent Member. The membership provides knowledge and expertise, promoting good governance principles and challenge. Committee members have received training to fulfil their role, to provide an objective and independent approach. The membership is politically proportionate and operates in an apolitical manner. The Chairman directs the Committee's work and to help maintain the Committee's independence, he is not a member on any of the Council's scrutiny committees nor is he a member of the Cabinet.

Further details about Members can be found on the [Your Councillors](#) webpage.

- **Victor Lewanski (Chairman)** - Conservative Group.
- **Richard Tear (Vice-Chairman)** - Conservative Group.
- **Ayesha Azad** - Conservative Group.
- **Helyn Clack** - Conservative Group.
- **Steven McCormick** - Residents' Association & Independent Group, replaced Joanne Sexton.
- **Stephen Cooksey** - Liberal Democrats Group.
- **Matthew Woods** - non-voting co-opted Independent Member, replaced Terry Price.

Attendance

Attendance at Committee meetings:

Member	Total expected attendances	Total attendances
Victor Lewanski	6	5
Richard Tear	6	6
Ayesha Azad	6	4
Helyn Clack	6	5
Joanne Sexton	4	2
Steven McCormick	2	2
Stephen Cooksey	6	5
Terry Price	6	5
Matthew Woods	N/A	N/A

Training

The Committee received training covering the following topics (including any new members):

- Introduction to the Committee's purpose and Terms of Reference
- Treasury Management
- Risk Management
- Governance: Code of Corporate Governance, the Annual Governance Statement and the Members' Code of Conduct
- Internal Audit and Counter Fraud

For 2023/24 the Committee also received the following training sessions on:

- Internal Audit Plan
- Treasury Management: a joint training session with the Resources and Performance Select Committee
- Statement of Accounts - Local Government Finance

All Committee members have access to external training and webinars, using resources from organisations such as CIPFA and the Local Government Association.

Looking forward

Throughout 2024/25, the Committee will continue to undertake its assurance role and help the Council with its oversight and governance responsibilities by commending effective processes and procedures and providing challenge to ineffective ones and making recommendations for improvement.

Reports will cover the key areas: Risk Management, Internal Audit Progress Reports and Strategy and Annual Plan, updates on complaints: performance, handling, and the complaints task and finish group, Annual Governance Statement - half year update, Statement of Accounts 2023/24 and accounts of the Council's subsidiaries, External Audit update report and Annual Report, Treasury Management mid-year report and Strategy Statement, Ethical Standards Annual Review.

Reintroduced to the Committee will be its evaluation of its impact and effectiveness in line with CIPFA's guidance on best practice, is to be reported in the Audit & Governance Committee Effectiveness Review 2024.

The Chair will work closely with the Select Committees on matters of common interest to secure good governance, exploring areas of concern collaboratively. For example, the Committee's Chairman to explore with the Chair of the CFLLC Select Committee a joint informal session on Special Educational Needs and Disabilities (SEND) and the Safety Valve Agreement to try and avoid duplication and have a joint approach.

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