

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

Chairman