

Internal Audit and Counter Fraud Quarter 1 Progress Report 2020/21

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1. Summary of Completed Audits

Children's Services Quality Assurance follow-up (2019-20)

- 1.1 Following extensive reorganisation of the CFLC directorate in 2019, and after our original audit of Quality Assurance Arrangements (March 2019), a new structure was implemented within Children's Services for the Quality Assurance function. Our original audit of the function had concluded with an opinion of Partial Assurance, with actions agreed with management to improve processes and controls.
- 1.2 Our follow-up audit identified that a new quality assurance framework had been introduced, reflecting the current ethos and practices of children's social work. In addition, the Quality Assurance function had grown to include a dedicated quality assurance director post, further enhancing the profile and positioning of quality assurance.
- 1.3 Acting upon advice from Internal Audit, the service had developed management reports that effectively report on quality assurance findings and had devised an agreed programme for the delivery of quality assurance activities, which is subject to regular review.
- 1.4 Whilst all agreed actions had been implemented, one new issue was identified relating to the compliance rate for monthly audits of case files (both new and re-evaluated cases), which had fallen below expected target of 80% in the period of our testing. This has partly been the effect of the early period of lockdown, and actions had already been taken by management to improve compliance rates.
- 1.5 Based upon the findings of our follow-up review, we were able to uprate the opinion to Reasonable Assurance.

Financial Assessment and Income Collection (2019-20)

- 1.6 The Care Act 2014 provided a framework for local authorities to charge for care and support services. The Financial Assessment and Income Collection (FAIC) team is responsible for calculating the charges for residential and community-based services provided by Adult Social Care (ASC) throughout Surrey, assessing the appropriate charge, and providing welfare benefits advice and assistance. Since our previous audit which reported in 2017, the former Financial Assessments and Benefits (FAB) team has been restructured and the income collection process is now undertaken in the same team, the Financial Assessment and Income Collection (FAIC) team.

- 1.7 Overall, we found that there were effective controls and arrangements in place regarding the financial assessment, benefits review and income collection processes for ASC clients. In particular, we noted that:
- Information provided to service users was comprehensive, easily accessible and published on the website;
 - Credit balances were subject to review and approval by the management before they are released to the client; and
 - Individual officer performance is monitored by management to ensure compliance with the outlined financial assessment and income collection processes.
- 1.8 We also identified opportunities to strengthen existing controls in respect of the robustness of key policies, procedures and process documentation, and we agreed an action to improve the effectiveness and efficiency of the action being taken to complete financial assessments, benefits checks, and debt recovery.
- 1.9 We also agreed actions with management to improve the timeliness of financial assessment referrals from the Social Care team to the FAIC team, to strengthen the process around data quality assessments, and to more transparently evidence debt recovery action being taken within the Liquid Logic (LAS) system. Additionally, we identified that permissions in SAP had not changed since the FAIC team restructure, allowing officers to view and potentially edit all debtor accounts held by the council. Again, an action was agreed to address this issue.
- 1.10 Overall, based on our findings, we were able to give a Reasonable Assurance opinion for this system.

General Ledger (2019/20)

- 1.11 The council’s General Ledger (GL) is considered a key financial system and as such is subject to an annual audit to provide assurance over the efficacy of controls within it. It is a core component of the SAP Financial Information System, which supports internal accounting and the production of the annual financial statements, and is a fully integrated module of SAP.
- 1.12 The objectives of this audit included providing assurance that comprehensive guidance, procedures and training notes were in place for the operation of the GL and that appropriate controls and processes were in place to cover interfaces with feeder systems, processing of

journals, monitoring and management of suspense accounts and preparation of the bank reconciliation.

- 1.13 We were able to provide Reasonable Assurance over the controls operating within the area under review as key controls were in place and were operating effectively.
- 1.14 We identified that reconciliations with the council's eleven service interfaces are not completed on an annual basis on the understanding that the risk of loss of funds and accountability was managed as all outgoings can only be fulfilled through SAP. We examined two of the eleven interfaces that currently feed into SAP and are able to confirm that adequate controls exist to ensure that information transferred from these systems to SAP is accurate and complete and any exceptions are recorded and followed up.
- 1.15 We also found that some GL accounts included balances dating back to 2013/14. This practice is not consistent with guidance set out in the Master Data Policy Document for the review and clearing of suspense accounts. This is now being addressed as part of a data cleansing exercise, currently underway. Actions were agreed with management for all of the findings within this audit.

Revenue Budgetary Control (2019/20)

- 1.16 The process of Revenue Budgetary Control is considered a key financial system and as such is subject to an annual audit to provide assurance over the efficacy of controls within it. The purpose of this audit was to provide assurance that key controls are in place to meet the following objectives:
- A properly evidenced and accurate budget is set and approved in accordance within the required timeframes;
 - Budget monitoring reports to senior managers and Members are accurate, consistent and timely;
 - There is an effective budget monitoring process embedded throughout the organisation;
 - Where adverse budget reporting is identified, concerns are escalated and remedial action is taken to enable budgets to be met; and
 - Savings are being delivered in accordance with the plan for that financial year.
- 1.17 We were able to provide Reasonable Assurance over the controls operating within the area under review as key controls were in place as expected and operating effectively.

- 1.18 At the time the audit was being undertaken, the Finance service was in the process of moving towards a new business partner model of delivery. This audit was focused upon processes and the model of delivery in place prior to this change taking place.
- 1.19 We reviewed the budget setting process and found it to be comprehensive, with the budget setting timetable for 2019/20 being adhered to. The council monitors its delegated budgets using the SAP Business Planning Consolidation (BPC) tool, with budgets being assigned a risk level which determines the frequency of review. All budget holders are also required to complete an annual budget accountability statement.
- 1.20 A review of a cross section of finance reports provided some assurance that monitoring took place in line with the agreed timetable. Reports reviewed also provided assurance that material variances and progress towards the achievement of savings targets were being reported at both Directorate level and to the Cabinet. Our testing did reveal that two out of ten cost centres had not been monitored in line with the expected period of review, one of which was for a high risk area. In addition, it was noted that SAP master data for several cost centres reviewed was not current. Action was agreed with management to address all of the issues identified and these will be followed up as part of future reviews in this area.

Order to Cash (2019/20)

- 1.21 Order to Cash is a key financial system that ensures the proper management and control of sundry debtors, including the recovery and write-off of outstanding amounts due. It also covers processes involved in raising invoices, processing receipts, monitoring outstanding debt, debt recovery and write-offs. As a key financial system, it is audited annually.
- 1.22 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
 - All income generating activities are identified and accurately raised to customers;
 - A customer account maintenance process is in place and operating effectively;
 - Amendments to invoices are correct and authorised;
 - Collection and debt recovery is managed efficiently and effectively;
 - Write-offs are processed accurately and correctly authorised;
 - Payments are received and recorded against the correct debtor account in a timely manner;

- Reconciliations between the local Debtors system and the General Ledger are undertaken on a regular basis; and
- Debt recovery performance is monitored and reported.

- 1.23 We were able to provide an opinion of Reasonable Assurance respect of Order To Cash, identifying that most controls were in place and are operating as expected to manage key risks.
- 1.24 Our review provided assurance that the process for the raising of debts and administration of customer accounts was operating as expected with sufficient safeguards in place to prevent any misuse. Recovery of debt through the dunning process was also operating as expected. Management reports from the system are being monitored and acted upon in accordance with procedure and we were assured that debt write-off was in accordance with the stated policy.
- 1.25 We did identify some minor issues, for which we have secured agreed actions with management to improve. Whilst guidance was in place to support staff in their roles, we found work instructions were not available for all key processes. We were also unable to provide assurance on the reconciliation of debtor balances to general ledger codes as this had not been completed at the time of review. Finally, whilst a review of suspense accounts provided assurance that unmatched income is identified and allocated to the correct customer accounts, some suspense accounts had historical balances that dated back a number of years.

Overseas Pensioners Life Certification (2019/20)

- 1.26 The council is the Administering Authority for members of the Surrey Pension Fund (SPF) within the Local Government Pension Scheme (LGPS). There are several arrangements in place to verify that recipients of pension payments from SCC, who are resident in the United Kingdom, are alive and therefore entitled to receive them. However, for pensioners residing overseas, SCC is responsible for undertaking periodic checks to ensure that pension payments remain legitimate.
- 1.27 This exercise had not been undertaken by management for a number of years so it was agreed that Internal Audit would undertake a review as part of our 2019/20 plan in order to provide assurance that:
- Only payments to pensioners, who have a confirmed 'life status', were processed;
 - The life status of the identified cohort of active overseas pensioners aged over 85 was verified; and
 - The Surrey Pension Fund's exposure to financial risk and fraud was consequently minimised.

- 1.28 We identified only a single instance of pension fund overpayment from our testing of a cohort of 52 overseas pensioners. We confirmed the death of the particular individual had occurred seven months prior to our life certificate letters being dispatched and a total of £456.28 has been recovered. Altair (the pension system) records have been updated to reflect this change.
- 1.29 Any changes to pensioner circumstances identified during the audit were referred to the Pension Administration Team for further action, which mostly centred on change of addresses.
- 1.30 At the date of our report, a total of eight responses remain outstanding. These are being actively pursued and information is passed to Pensions Administration Team as they are received. Cases where no response is received will be assessed and administered appropriately by that team.
- 1.31 Overall, we were sufficiently assured by our findings to give an opinion of Reasonable Assurance in this area. Additionally, moving forward, this certification exercise will be owned and run on a periodic basis by Surrey Pension Fund management as part of business as usual processes.

Local Economic Partnerships (LEP’s) (2019/20)

- 1.32 Local Enterprise Partnerships (LEPs) are voluntary partnerships between local authorities and businesses to help determine local economic priorities and lead economic growth within their local area. LEPs receive funding from central government and the European Union, which they use to fund projects/schemes that supports their vision and objectives.
- 1.33 At the time of our audit the council was near completion of two LEP major highways and transport schemes and there were six ongoing schemes for which a total of £19.5m LEP funding had been secured. Two new schemes had been proposed for which approximately £6.75m of LEP funding was being sought.
- 1.34 With the expectation that the next round of LEPs funding will be of higher value, the objective of our audit was to provide independent assurance on the adequacy of controls in place to ensure that LEP schemes have strong governance structures and provide sufficient accountability, specifically addressing the following key objectives within Highways and Transport:
 - The service (supported by Finance and Legal Services as applicable) could identify, develop and submit strong bids that puts the council in the best possible position of securing LEP funding;

- Adequate governance, risk and performance management arrangements were in place to ensure that LEP funded schemes are delivered to time and budget; and
- The service adhered to funding conditions issued by the LEP.

1.35 Our audit identified a number areas of good practice and control around the documentation of processes and methodologies in project development; in the short-listing and assessment of potential schemes; in the successful development of business case applications and securing of LEP funding; and in the development of robust governance arrangements for oversight and control of LEP schemes.

1.36 We did, however, identify a number of areas where improvement was possible, which included:

- Better defining the roles and responsibilities of staff involved throughout the LEP process (particularly the roles of project sponsor, and in the delivery team);
- Clarifying and strengthening the terms of reference in respect of some of the key groups within the governance structure (e.g. Transport Infrastructure Assurance Network (TIAN) and Scheme Project Boards);
- Consolidating the highest risks from all major transport projects risk registers into a single risk register for regular monitoring, with a concurrent review of the risk appetite to consider taking more financial risk from the outset by investing more in non-refundable development costs to produce better prepared proposals that carry less risk of slippage in time and budget; and
- To instigate more formal post-project evaluation to learn lessons (if any) on how to run projects better in the future.

1.37 We gave a Partial Assurance opinion at the conclusion of the audit and agreed actions with management to secure the improvements identified above, all of which will be subject to future follow up by Internal Audit.

Transformation Programme (2019/20)

1.38 Support to, and assurance over, the Transformation Programme was included in the 2019/20 Internal Audit Plan as part of a programme of ongoing work to support the delivery of the programme.

1.39 The coverage within our latest review was designed to provide assurance that controls were in place to meet the following key objectives:

- There is a suitable governance structure that facilitates accountability for programme delivery;
- Risk management arrangements both reflect the changing nature of the programme and support the progress towards delivering programme objectives; and
- There are robust benefits tracking and realisation mechanisms in place to enable effective financial/non-financial benefits monitoring and reporting, thereby supporting management of both the investment in, and savings achieved by, the programme.

1.40 We were able to provide Substantial Assurance over the controls operating in these areas.

1.41 The Transformation Programme continues to progress at a rapid pace and evolve in response to the council's needs. In line with this, governance arrangements have been strengthened, partly in response to determining the most effective practice, and also to encourage greater accountability and evaluation of project performance. Consequently, areas for improvement previously communicated to programme management have now been addressed.

1.42 As part of our ongoing assurance and advice work, we formed a view on the arrangements underpinning the programme, and our involvement included participation in Shadow Assurance Board (SAB) meetings and attending 'Transformation Check-ins'. We have also established an ongoing dialogue with the Head of Portfolios to share feedback and provide advice and assurance over the control environment on a regular basis.

1.43 There has been significant development of the programme's governance structure over the last year. The Transformation Support Unit (TSU) continued to support the programme and the team structure had been realigned to meet the needs of the programme. An updated 'Assurance and Governance Framework' had been introduced that included consideration of all key aspects that underpin the programme as a whole, clarifying the assurance expectations for all levels of the programme and sets out revised arrangements that allow for robust scrutiny and challenge.

1.44 The Transformation Programme is now fully embedded into business plans and operations across the council, and the level of engagement from officers at all levels during council-wide transformation meetings reinforces this.

1.45 While services are aware of the risks associated with their own transformation projects, these are not specifically reflected in the most recently available corporate risk registers. However, given the fast-changing nature of projects, continuous updates to the risk registers may not be appropriate and may divert efforts away from project delivery. The current external review of

the council's risk management processes should also improve alignment with transformation risk management. Throughout the year to date we have been party to discussions regarding risk management processes and we are satisfied with the arrangements in place.

- 1.46 In respect of benefit tracking, the monitoring and reporting of financial position has evolved over time, enabling informed decisions to be taken regarding further investment. The success of the programme in achieving efficiencies and cost avoidance is demonstrated not only by the £52m of efficiencies delivered to date, but also by the inclusion of £24m of recurring efficiencies in the 2020/21 Medium Term Financial Strategy.
- 1.47 As the programme continues to progress, the need to develop a mechanism to track non-financial benefits in a consistent manner is being addressed. The reshaping of portfolios as part of the 2020 programme refresh allows clearer links between individual projects and SCC's strategic objectives, including those in the Organisation Strategy and Surrey's Vision for 2030. The TSU has developed a new 'Approach to Outcomes' model that focusses on assessing non-financial outcomes using the relationships between project aims, the impact of changes delivered, and SCC's strategic objectives.
- 1.48 Internal Audit will continue to provide support and assurance over the Transformation Programme as part of our 2020/21 audit plan.

Pension Fund Administration (position statement) (2019/20)

- 1.49 Our last full audit of Pensions Administration in 2018/19 identified a number of significant weaknesses in the control environment and agreed actions were put in place with management to address these. However, a number of factors, including changes in senior management in the team, re-organisation of the team itself, poor quality of data in Altair (the pensions system), embedding new working practices and a significant level of backlog in caseload, have challenged the timeliness in progressing these agreed actions.
- 1.50 In light of these delays, management had twice requested to extend the timeframe for implementing agreed actions since our original audit reported (from an initial deadline of July 2019 to December, and then again to March 2020). As a result, we had deferred a full follow-up audit, to be completed as part of the 2020/21 plan to allow time for implementation.
- 1.51 Instead, and to act as an early report on progress made so far, we undertook a review in 2019/20 to focus solely on validating the evidence that underpins the implementation of 3 out of the 4

previously agreed high priority agreed actions. The fourth agreed action (implementation of Altair Pension Payroll) was to have been audited in early 2020/21, though this has now been deferred due to the impact of the pandemic on the audit plan.

- 1.52 Consequently, the scope of our audit focused upon evaluating the evidence provided for the work undertaken to date and assessing the progress against these three agreed actions:
- Checking improvements have been made to the quality of data held in Altair and that this data has been used by staff to clear the backlogs of caseload;
 - Ensuring that changes to working practices and procedures within the Pension Administration Service (PAS) have been implemented; and
 - Reviewing the implementation of a full set of procedure notes and process maps to enable new and existing staff to work in a consistent and efficient manner.
- 1.53 Whilst progress has been visible, it has not progressed as expected.
- 1.54 There has been only marginal improvement to Surrey Pension Fund data quality in the Common Data and LGPS Specific Data Categories. This was demonstrated by work undertaken by Heywoods for the council.
- 1.55 Progress to devise and implement full procedure and guidance notes for staff was behind schedule, and at the date of our review the expected improvements in this respect had not occurred. Internal Audit has provided advice to the Pensions Team during the lockdown period with respect to temporary procedure changes (paragraph 2.20 refers).
- 1.56 The work to clear the historic backlog cases spanning all six funds administered by SCC has continued since a 2 year contract was entered into with Jardine Lloyd Thompson (JLT) in April 2019. We note the progress made in this regard, with around 53% of the total volume of backlog cases having been passed to JLT at the date of our fieldwork. However, at the same time we identified a number of issues to management that required attention, including inadequate evidence trails being maintained to check cases had been accurately resolved.
- 1.57 Management has acknowledged the issues identified, but remain confident that the issues highlighted in our Position Statement can begin to be addressed having successfully recruited to key positions to deal with data quality and contract management, and repositioned the service within Finance. Internal Audit will undertake a full follow-up audit of the system in 2020/21 to ascertain the progress made to strengthen the control environment.

Digital Business & Insights Programme Governance & Risk Management Arrangements (2020/21)

- 1.58 The Digital Business & Insights Programme (DB&I) aims to deliver a transformation programme by either upgrading or replacing the existing SAP system in place at the council. The DB&I Programme will look to implement a new Enterprise Resource Planning (ERP) system that will help the council's drive to deliver efficiencies through their transformation agenda.
- 1.59 The current SAP ERP system was implemented in 2004 and will no longer be supported beyond 2025. The overall cost of the DB&I programme is expected to be £30m with the new system(s) expected to be implemented in 2021.
- 1.60 The programme is divided into two phases: Design and Implementation. This review was carried out during the Design stage, and the Implementation stage should commence in August 2020.
- 1.61 In addition to providing independent support, advice and assurance to the Programme Board and working group meetings, we have identified a number of key focus areas to support the programme. Our audit was designed to give assurance over the governance and risk management arrangements for the programme, with specific regard to the following objectives:
- There has been sufficient purpose, planning and preparation to support the Programme;
 - An appropriate governance structure is in place;
 - Effective quality and cost controls are in place;
 - Risks are appropriately managed and addressed;
 - Reporting and communication during the programme is well managed;
 - Implementation of the programme is effective;
 - The key deliverables of the programme are met; and
 - The closure of the Programme and return to business as usual is well managed.
- 1.62 Given that the DB&I programme is still at an early stage, we were not able to provide assurance over the controls in place for the closure of the programme. We will provide assurance in this regard as the programme progresses. However, we have been able to provide Reasonable Assurance over the controls operating within the area under review.
- 1.63 A robust business case has been developed and received appropriate approval for the DB&I Programme. The document shows a clear purpose for the overall programme, with emphasis on linking programme objectives to the council's strategic priorities. While this is further supported by a comprehensive Programme Definition Document, we found a need for these documents to be kept up-to-date as the programme progresses.

- 1.64 The Programme Board was found to be an effective decision-making body. However, as the programme progresses, the governance structure should be further strengthened to identify the key decision makers and those operating in a supportive role, in order to increase the Board's effectiveness.
- 1.65 Detailed costings for the various proposals have been developed and have been approved, along with the original business case. However, consideration should be given to reviewing these costings to include sufficient contingency to allow for slippage or unidentified risks across the life of the programme.
- 1.66 Good practice has been identified through the engagement of external consultants to support critical aspects of this programme as well as to understand any lessons learnt from other local authorities who have undertaken similar programmes. These have also helped to inform the procurement process with regards to complex legal aspects.
- 1.67 Stakeholder engagement and communication plans have been developed and shared with the Programme Board for approval. Once implemented, it was felt that the proposed arrangements will help identify the right stakeholders to implement the programme and provide effective communication across the entire organisation.
- 1.68 Effective risk management arrangements are in place helping to ensure that appropriate risks have been identified, with these appearing to be well evaluated and managed. This process has identified the impact that the Covid-19 global pandemic could have on the programme, but the Programme Board should also consider the impact this may also have on the potential supplier.
- 1.69 Three medium and one low risk actions were agreed with the Programme Manager in response to our findings and the final report with an opinion of Reasonable Assurance has been presented to the Programme Board.

Network Security (2019/20)

- 1.70 Information Technology (IT) systems enable the council to provide their critical services to their customers and are used to collect, process and retain ever increasing amounts of confidential information. The vulnerabilities that exist in these IT systems, as well as the infrastructure that supports them, combined with a perceived lack of awareness regarding security issues, have led to attackers targeting public organisations and may expose the councils to the risk of a cyber-

security attack. Cyber security attacks can be launched from any internet connection and can have a significant financial and reputational impact on the council

- 1.71 The purpose of the audit was to provide assurance that controls are in place to meet the following objectives:
- Policies and procedures are clearly defined;
 - Regular effective risk assessments are undertaken;
 - Network topology is kept up to date;
 - Access to routers is restricted through network protocols or IP addresses;
 - Separate virtual local area networks (VLANs) are managed for sensitive information assets;
 - Network policies encrypt using Wi-Fi protected access II (WPA2); and
 - Authentication controls used registered certificates and session tokens.
- 1.72 Additionally, the audit sought assurance that approved protocols were used for inward and outward traffic, demilitarised zones (DMZs) had appropriate segregation (front and back facing), third-party security contractual clauses were in line with internal policies and network access controls had been enabled and validated for both wired and wireless networks.
- 1.73 The audit identified that external penetration tests and internal vulnerability assessments were undertaken and supported by executive management. Server operating system (OS) patching was facilitated automatically, active directory domain administrator rights were restricted and password rules set, and virtual private network (VPN) access was restricted to trusted clients. Where applicable, we confirmed that manufacturer default passwords and settings had been changed.
- 1.74 Both specialist and general staff awareness training was overseen and owned by management, and unnecessary server services had been disabled. Recovery action plans were in place for manual operations, understood by key officers, and regularly tested and updated.
- 1.75 We have given Reasonable Assurance over the controls operating for Network Security as we found that high level technical controls are generally in place and operating as expected. However, there are some findings that impact the overall level of control that could make the network vulnerable to attack.
- 1.76 For reasons of security, we are not able to share the detailed finding within the report, however, actions to manage the risks identified have been agreed with management.

Other audit activity

Grant claims

- 1.77 In the first quarter of 2020/21 we completed and provided an unqualified certification to two grant claims providing income to the council:
- Blue Badge (New Criteria Implementation Grant) - £28,081
 - Digitourism semester 4 (EU Interreg grant funding) - €11,380 (circa £10,090)

2. Covid-19 Response Work

- 2.1 In the case of all of the above activity, our work was based on a review of the control environment before the national response to Covid-19. As such, these findings and the associated assurance do not encompass interim measures implemented by management in response to the pandemic.
- 2.2 The following paragraphs, however, set out details of the work that we have undertaken in providing advice and support to services in response to Covid-19. During the quarter, and as a result of the pandemic, a significant proportion of our planned audit work was paused so that we would not impede service response to the emergency and wherever possible, enable us to provide specific support to this response. In addition, one of our team were redeployed to support other services across the organisation relating to the validation of CE certification for personal protective equipment (PPE). For those staff remaining, in addition to continuing with and completing ongoing audits where this was possible, we refocussed our work on providing advice and support across the council on risk and control issues, especially where services looked to modify their ways of working in response to the pandemic. Many of these related to back office, administrative functions, with some of these historically having a heavy reliance on paper-based processes.
- 2.3 We also reviewed new initiatives, such as the Department for Education (DfE) Laptop Scheme (see below) and were required to certify various additional grants received by the council in respect of Covid-19. This grant work sought to provide assurance that the grants were used in accordance with the relevant terms and conditions, prior to formal certification by senior management and return to the grant awarding bodies. Some of these grants were certified in quarter two and will be reported in our next progress update.
- 2.4 As the organisation continues to adapt its response to the Covid-19 pandemic, we will maintain our advisory and support activity, including revisiting some of the key areas where working practices have evolved to provide assurance that these remain appropriate and fit for purpose.
- 2.5 The provision of audit guidance, advice and support to date has included:

DfE Laptop Scheme

- 2.6 Surrey County Council were given an initial allocation of 1,809 devices to allocate to children who did not have access to a device, to enable social workers to keep in contact and to support learning whilst educational institutions were closed due to the ongoing Covid-19 pandemic.
- 2.7 We reviewed the controls in place to manage the following key areas:
- Ownership;
 - Password Management;
 - Security;
 - Internet monitoring;
 - Delivery;
 - Support;
 - Asset Management;
 - Information Governance and Technical Risk Assessments; and
 - Asset tracking (and wiping in the event that assets are lost or stolen).
- 2.8 Our initial review found that, other than developing processes to take delivery and allocate the devices, sufficient consideration had not been given to the other key areas listed above. We were, however, able to work pro-actively with management by facilitating closer working between the project lead and IT&D, who had developed project plans to support other organisations and therefore share learning across the Orbis Partnership.
- 2.9 Follow-up work showed that, with input from IT&D, the above key areas had subsequently been incorporated into the project plans appropriately.

Business Continuity (Daily Service Status Reporting)

- 2.10 At the outset of the pandemic, key services across the council were required to complete a Daily Service Status Report (DSSR) to submit to Emergency Planning to correlate and compile for business continuity purposes.
- 2.11 The DSSR was comprised of a number of areas for key services to consider as the pandemic strengthened, which included the:
- Ability to identify and cope with demand pressures on the service;
 - Adequate resourcing levels to deliver the service;

- Access to physical records and information;
- Technology stability and access to core IT systems;
- Access to buildings (where necessary);
- Access to key equipment and materials, including PPE; and
- Impact of lockdown in terms of movement restrictions for staff and customers.

2.12 Internal Audit played a key support role in the design and embedding of the DSSR process, working alongside corporate project managers, and then supporting the implementation of the process through supportive conversations and challenge sessions with those service representatives who were tasked with completing the report. This led to more consistent and validated information being provided back to Emergency Planning, which proved crucial in the early days of the Council’s response to COVID-19.

Vulnerable Residents (shielding list)

2.13 Details of Surrey residents who were required to shield against Covid-19 were sent to SCC to enable the council to contact individuals and arrange any support required. The list of individuals was split across social care, boroughs, and districts. Due to issues of apparent data corruption in the ongoing use of these various spreadsheets, Internal Audit was asked to help identify the technical cause of the problem and to help develop a solution.

2.14 Our work identified that there were issues in some of the master spreadsheets in the way that cells had been protected and formatted, which had inadvertently led to the possibility of some data being overwritten. We also identified technical issues relating to multiple officers using Sharepoint to access to the spreadsheets, along with some housekeeping issues associated with how the spreadsheets were used and maintained.

2.15 We were able to provide detailed findings to colleagues in the Insight and Intelligence team who managed this process, in order to improve the arrangements going forward.

Data Analytics

2.16 A key objective of our work during the Covid-19 pandemic was to support the organisation by reviewing major sources of data from within the council for possible areas of fraud, error, duplicate payment or other suspicious activity.

- 2.17 A number of workstreams were started in quarter one, including reviews of key areas of expenditure. Some of these workstreams are ongoing to provide rolling assurance although two specific workstreams that were concluded in the period, focusing upon the use of purchasing cards and fuel cards.
- 2.18 In both cases, our analysis was able to provide assurance to management that patterns of expenditure on both types of card appeared proportionate and valid throughout the initial period of lockdown. Significant expenditure above usual trends had been incurred by some services on their purchasing cards as part of initial responses to buying key equipment (particularly PPE) ahead of more formal procurement processes being devised.
- 2.19 Our work on procurement cards also led to the creation of a dashboard that we were able to hand over to Business Operations, enabling them to upload purchase card data from the system to enable more effective monitoring of expenditure by directorate and service.

Other Covid-19 Assurance Activities

- 2.20 In the period we also provided advice and support to services in respect of the following areas:
- **Changes to Pensions Processes** – including use of electronic signature processes and controls over the approval and authorisation of payments whilst staff are working from home;
 - **Crisis Fund** – advice on controls associated with administering the fund as well as the distribution and use of Allpay cards for those isolating or shielding during lockdown;
 - **New Fraud Risks** – updating our proactive fraud plans to include a range of new COVID-19 related risks, including mandate fraud and PPE-related fraud, and the heightened risk around cyber-attacks. We also ensured key information provided by bodies such as the National Anti-Fraud Network were shared with relevant services within the council;
 - **Waivers to Procurement and Contract Standing Orders** – advice over alternative arrangements to help ensure the continued delivery of key services where contracts with providers were due to come to an end during Covid-19;
 - **Information Governance** – working with the Information Governance lead on developing further guidance and advice for staff in this area and supporting the Redeployment/Mobilization Team in managing the staff-related data they held;
 - **Support to Key Providers** – advice on processes for making payments in advance to key providers (social care, high-needs transport, etc.) to ensure continuity of service during lockdown;
 - **BACS Payments** – changes to authorisation arrangements to speed up approval processes in the remote working environment;

- **Distribution and Storage of PPE** – new processes for the purchase, storage and resale/distribution of PPE equipment using warehouse at Wray Park as a hub;
- **Advice to Schools** – advice to Strictly Education in relation to maintaining separation of duties in approvals and authorisations for schools whilst staff were working remotely;
- **Travel Expenses** – advice of the development of alternative arrangements for claiming travel expenses during lockdown and periods of remote working;
- **PPE Recharges** – governance arrangements and internal controls associated with the recharging for PPE stock, including advice on maintaining appropriate data quality;
- **DBS checks** – advice for the Safer Staffing Team over DBS checking arrangements during the remote working period.

3. Counter Fraud and Investigation Activities

Proactive Counter Fraud Work

3.1 Internal Audit deliver both reactive and proactive counter fraud services across the Orbis partnership. Work to date has focussed on the following areas:

National Fraud Initiative

3.2 The results from this exercise were received on 31 January 2019 and continue to be reviewed. This exercise has identified total overpayments of £79,565.83. The overpayments were identified across two reports: £72,492.86 from the Private Residential Care Homes matched to DWP Deceased data report, and £7,072.97 from the Pensions to DWP Deceased data report. Internal Audit are currently working with the appropriate departments to ensure that the relevant datasets are uploaded for the next exercise, with the results from the exercise due on 31 January 2021.

Counter Fraud Strategy

3.3 Each Orbis partner has in place a Counter Fraud Strategy that sets out their commitment to preventing, detecting and deterring fraud. Internal Audit has reviewed the sovereign strategies to align with best practice and to ensure a robust and consistent approach to tackling fraud. These were approved by Audit and Governance Committee on 22 May 2020 and are now available on the council’s intranet.

Fraud Risk Assessments

- 3.4 Fraud risk assessments are regularly reviewed to ensure that the current fraud threat for the council has been considered and appropriate mitigating actions identified. We have updated the risk assessment to include new and emerging threats as a result of the COVID19 pandemic. This includes potential threats to payroll, staff frauds relating to home working, and cyber frauds.

Fraud Response Plans

- 3.5 The Fraud Response Plans take into consideration the results of the fraud risk assessments and emerging trends across the public sector in order to provide a proactive counter fraud programme. The fraud response plans include an emphasis on data analytics. During quarter one we have conducted data analytics exercises into purchasing cards and fuel cards. We have also developed a data analytics programme for key financial systems. Work on the key financial data analytics will commence in quarter two.

Fraud Awareness

- 3.6 The team are monitoring intelligence alerts and have produced a Fraud Bulletin identifying potential threats against the council and its employees. This includes increased risks of bank mandate fraud, cyber threats including various phishing scams and online shopping scams. The bulletin is currently on Jive and we have already received a referral as a result of its publication.

Reactive Counter Fraud Work - Summary of Completed Investigations

Redundancy Process

- 3.7 Internal Audit received a whistleblowing allegation that a member of staff at an infant school had been treated unfairly during a redundancy process, and that the redundancy fund was being misused. An investigation was conducted but we identified no issues within the cited processes. It was concluded that there was no case to answer and a response was sent to the whistleblower accordingly.

Declarations of Interest

- 3.8 Following a whistleblowing referral surrounding the process for disposing of vehicles that had been donated to Surrey Fire and Rescue, Internal Audit provided the service with advice on declaration of interests for the relevant members of staff. No irregular practice was identified.
- 3.9 In a separate case, we received an allegation that a council officer had used a family friend to supply a service to his team without having made an appropriate declaration of interest. After investigation we were able to confirm that a declaration had in fact been made, and mitigations put in place to remove any direct management of the supplier from the officer in question. We also confirmed that the work had been let in accordance with Procurement Standing Orders and approved by a separate budget holder. Advice to management was provided.

Interpretation of Legislation

- 3.10 Following a complaint that the council was misinterpreting DfT guidance on calculating average road speeds, the case was passed to us for an independent view. We concluded that there was no evidence that the council had misinterpreted the Department's guidance and the complainant was advised accordingly.

False Representation

- 3.11 We logged several allegations relating to both benefit fraud and blue badge fraud, and referred these to the relevant agencies for further investigation.

4. Action Tracking

- 4.1 All high priority actions agreed with management as part of individual audit reviews are subject to action tracking. There were five high-priority actions due to be implemented by management by the end of quarter one which have not yet been implemented.
- 4.2 Three of these related to the audit of Pension Fund Administration. It should be noted, however, that at the time of writing this report the actions have now been at least partially implemented and work is continuing to ensure full implementation, with revised dates for this agreed with management. Progress over implementation will continue to be monitored and reported on by Internal Audit.
- 4.3 Of the remaining two outstanding high priority actions, one is within our Health and Safety audit and the other in the Surveillance Cameras audit, both from the 2019/20 audit plan. In both cases, the effect of the lockdown and Covid-19 had delayed the full implementation of actions,

and we recognise that the services in question will take longer than originally planned to complete the work needed. Both areas are subject for formal follow-up audits in quarter two of this year, the outcomes of which will be reported to this committee in due course.

5. Amendments to the Audit Plan

5.1 As referred to in paragraph 2.2, a significant proportion of our planned work was paused in response to the pandemic. We are currently in the process of revising and updating the audit plan for the remainder of the year and will present this to this committee in due course.

6. Internal Audit Performance

6.1 In addition to the annual 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 up 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	G	Approved by Audit Committee on 22 May 2020 (April's committee was postponed due to COVID)
	Annual Audit Report and Opinion	By end July	G	2019/20 Annual Report and Opinion approved by Committee on 28 August (delayed due to COVID)
	Customer Satisfaction Levels	90% satisfied	N/A	No surveys received in the period
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	N/A	During the COVID-19 pandemic, the audit plan has been suspended to allow the organisation to respond to the emerging pandemic.
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	January 2018 – External assessment by the South West Audit Partnership gave an opinion of 'Generally Conforms' – the highest of three possible rankings

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
				<p>June 2020 - Internal self-assessment completed, no major areas of non-compliance with PSIAS identified.</p> <p>June 2020 - Internal Quality Review completed, no major areas of non-compliance with our own processes identified.</p>
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	G	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	A	84.8%
Our staff	Professionally Qualified/Accredited	80%	G	92.9% ¹

¹ Includes staff who are part-qualified and those in professional training

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	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.
Minimal Assurance	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.