

## Audits Completed in Quarter 4 (January to March 2021)

### Capital Programme 2019/20

The council manages a £1.905 billion five-year capital programme with the highest proportion of the programme budget being allocated to Highways and Transport, Property Services, and to school expansion. Three strategic capital groups (Infrastructure Group, Property Panel and IT Group) replaced the former Investment Panel and are responsible for developing asset plans. These are then appraised, and the funding required assessed by the Capital Programme Panel (CPP). Project and programme approvals are then sought from the Cabinet and Full Council.

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

- An adequate action plan has been developed to address and implement the recommendations of a recently concluded PwC 'Capital Programme Governance' review; and
- To ensure effective financial monitoring arrangements had been developed in the interim to ensure accuracy of data to support the delivery of the current capital plan.

We were able to give **Reasonable Assurance** following our review because

- A sample of capital projects reviewed were aligned with the council's strategic objectives and were subject to adequate planning and regular review, including variations;
- We were able to provide assurance that the processes in the updated 'Capital Approval Process for Budget Setting' document were consistently embedded across our sample of projects, providing sound governance arrangements for the Capital Programme; and
- The new governance arrangements had been developed in conjunction with a review of the recommendations from PwC's Capital Programme Governance Review.

We agreed one action with management at the conclusion of the audit, which focussed on assurance that the outstanding recommendations of the PwC review were being addressed and monitored.

### Pension Fund Investments 2019/20

The council has a statutory responsibility to administer and manage the Surrey Pension Fund on behalf of all participating employees from the Council and other partner organisations. The actuarial valuation of the fund as at 31st March 2019 reported assets of £4,286m against liabilities of £4,483m, resulting in a funding level of 96%.

Our audit was undertaken as part of annual assurance work covering key financial systems across the council. The review was part of the agreed Internal Audit Plan for 2019/2020 but due to the impact of COVID-19 the audit was suspended and then restarted later in the year.

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The scope of our audit focused solely upon the Surrey Pension Fund and covered the following objectives:

- To ensure that appropriate controls were in place over Fund and fund managers to mitigate the risk of fraud, losses and reduced return of investments;
- To gain assurance that the Fund had a suitable statement of objectives which was linked to measurable targets and performance indicators; and
- To ensure that the Fund's investment strategy was robust and strategic decisions are implemented correctly and in a timely manner.

We were able to provide an opinion of **Reasonable Assurance** in respect to this system. We identified that appropriate controls were in place and operating effectively in relation to the administration of cashflow and interest payments; cash balances held in the fund against agreed cash management strategy; payments to fund managers and private equity funds; and the process for drawing down funds for investments.

We also were able to provide assurance on the management of risk, and a review of minutes from the Surrey Local Pension Board provided us with assurance that appropriate and robust governance arrangements are in place and are compliant with Local Government Pension Scheme regulations.

Our audit agreed three actions with management to secure improvement to ensure the retention of all copies of contract documents from investment partners were held within the team, and to ensure that quarterly reconciliations were maintained and up to date.

### **Treasury Management 2019/20**

As part of our programme of key financial system audits, we undertook a review to assess the adequacy of key controls and procedures across the Treasury Management function, including cash flow forecasting; segregation of duties; financial investments; and use of treasury advisers.

Our audit was undertaken as part of annual assurance work covering key financial systems across the council and was the planned 2019/20 audit which had been started earlier in the year but was postponed due to the pandemic until quarter four.

We were able to award an opinion of **Substantial Assurance** for this system because:

- The service had up-to-date procedures in place, consistent with the Treasury Management Strategy and its objectives;
- Cash flow process are operated within the team via a new system called Logotech. Our testing provided assurance that cash flows were being managed effectively with funds being borrowed when required and any surplus cash being reinvested where appropriate;
- The net borrowing position of £583m was within the agreed borrowing limits outlined in the Treasury Management Strategy and was approved by the Audit & Governance Committee on 26 November 2020;

- A review of a sample of borrowings found that all loans had been received from approved parties, had appropriate authorisation and were supported by expected documentation; and
- A review of access to the corporate bank management system found that this was adequately controlled and restricted.

### **Capitalisation 2020/21**

When organisations acquire long-term assets, International Accounting Standards (IAS) allow for revenue costs that have been directly attributable to the acquisition and implementation of the asset to be capitalised. Within the council the main forms of capital spend fall under one of three areas:

- Infrastructure (e.g. Highways);
- Property (e.g. Office building, Schools, Children’s Centres, etc.); and
- IT&D (e.g. IT systems, IT hardware, etc.).

Our audit was an in-year addition to the agreed 2020/21 Internal Audit Plan based on a request from Finance, with the objective of the work being to provide assurance that controls were in place and operating as expected to ensure that the capitalisation of eligible revenue costs was correct and consistent.

Following our audit, we were able to give an opinion of **Reasonable Assurance** because:

- Guidance on capital and capitalisation had been made available to services by Finance. While each form of guidance had been amended independently by services over time, the information was found to be complete, up-to-date, consistent and in line with International Accounting Standards;
- Capital budgets were found to be subject to regular (i.e. monthly) monitoring. This monitoring was undertaken in conjunction with a review of revenue budgets within the same service area in order to identify potential areas of revenue spend which could be capitalised; and
- Decisions in relation to capitalisation were found to be well documented with appropriate evidence being maintained and a clear audit trail for decisions being provided.

We agreed an action with management to improve the provision and updating of corporate guidance available on the intranet for all employees because published guidance was found to be incomplete and had not been reviewed for several years. We also agreed that a common method to calculate capitalised costs for employee expenses would be of value.

### **Communities and Prevention 2020/21**

The Communities and Prevention team was established to develop the community-based support related to Adult Social Care (ASC) and embed the council’s preventative agenda.

The team supports the Practice Improvement Transformation Programme, which forms one of six ASC Transformation Programmes. It has also supported the Health and Wellbeing Strategy, specifically Priority 1 of the Strategy which is about supporting people to live healthy lives.

This audit reviewed the effectiveness of governance arrangements by:

- Assessing how the approved work plan clearly articulated how benefits are realised, considering the principles of co-design and design thinking, and with reference to short term outputs supporting longer term outcomes;
- Reviewing how robust the work plan was in context of defined performance objectives for the team, including how they collaborated with, and supported, the wider council strategy and engaged with the community;
- Ensuring that key milestones had been identified and stakeholder progress reports had been built into the work programme, including alignment with interdependent work streams/projects as required; and
- Providing assurance that regular progress reporting to stakeholders had been built into the work programme.

We gave this audit an overall opinion of **Reasonable Assurance**.

We concluded that the team's objectives had emerged broadly from the 'Community Vision for Surrey in 2030' and had been translated into a work plan, spanning support for the Health and Wellbeing Board (HWB), Empowering Communities and the Front Door project. We determined their work plan reflected effective collaboration and joined up working with the VCFS and HWB, Priority 1 - Prevention Board, where there was standing attendance and reporting on project work as scheduled.

Some of the transformative work is in early stage so specific milestones in relation to these have yet to be defined. Notwithstanding this, the team is a key contributor to the Front Door review planning document and the Programme Outline for the Empowering Communities Transformation Programme. We determined that whilst the team was recognised for their contributions to the communities agenda, their work did not always get the visibility and traction it may need and is not always shared and connected to other teams to enable a wider contribution across related teams within the council.

The impact of actions within the work plan appear to be difficult to define due to their long-term, preventative nature and the challenge to define quantifiable outcomes. We suggested considering an additional 'what does success look like' section for each action. We are pleased to note that a draft of this has been adopted, within the Impact Dashboard.

We agreed actions with management in relation to the issues raised above, and also in relation to the use of the residual unspent monies within the £80k original budget allocation from ASC Transformation.

## Early Years and Education System (EYES) 2020/21

There are several Liquidlogic products in use across the council, including the Children's Social Care System (LCS) and the Early Help Module (EHM). Following an exercise to re-procure an Education Management System (EMS), a project to implement the Liquidlogic Early Years and Education System (EYES) commenced in September 2020.

Our review of the implementation of EYES was designed to provide assurance that key controls are in place to meet objectives, including:

- A robust governance structure was in place to support the programme with risks being appropriately identified, evaluated, and managed;
- There was sufficient planning and preparation to support the project and ensure it meets service needs, including relationships and dependencies with other systems;
- All aspects of system security, including user access, authentication, and authorisations were addressed;
- There were plans in place to ensure the system was fully tested, with feedback addressed and any issues resolved prior to going live, covering issues relating to data cleansing and migration; and
- There were clear plans for staff training and post-implementation quality assurance checks to ensure continued delivery of services post-project.

We gave this audit an overall opinion of **Substantial Assurance**. The programme was operating with a high level of transparency and there was clear, open communication between all officers. A robust governance structure had been developed, with a Programme Board, Steering Group, and Working Group established.

All aspects of project delivery had been taken into consideration during the 'set up' phase, demonstrated in detailed plans, timelines with key milestones, and RAID (Risks, Assumptions, Issues, Dependencies), action, and decision logs. All of the controls outlined above are documented and stored in a central repository on SharePoint. Review of these files confirms there was a consistent file management structure and relevant documents were kept up to date.

Configuration and user testing for EYES and LIFT (Liquidlogic Integrated Finance Technology) is already underway, allowing time to address feedback that incorporated both business and technical aspects. Options for data cleansing and migration had been fully considered, leading to the creation of a new data quality team, which addresses data issues both during and after implementation of the systems. The importance of user training and engagement had been acknowledged since the outset of the project.

## Financial Assessments & Income Collection (FAIC) 2020/21

The Care Act 2014 provides a framework for local authorities for charging for care and support services. The Financial Assessment and Income Collection (FAIC) team are responsible for calculating the charges for residential and community-based services provided by Adult Social Care throughout Surrey, assessing the appropriate charge, and providing welfare benefits advice and assistance.

The FAIC review forms part of the agreed annual plan as it is identified as a key financial system of the council. The purpose of the audit was to provide assurance that controls are in place to meet the following key objectives:

- Client contributions were correctly calculated, received in full, and accurately recorded;
- Regular quality checks were undertaken to ensure potential errors were identified and amended in a timely manner;
- Action was taken to recover aged debt in line with current policy;
- There was appropriate managerial review of aged debtors;
- Assurance was gathered that write-offs are managed correctly; and
- Effective controls operated around authorisation and reporting of refunds.

We were able to give **Reasonable Assurance** over the FAIC system because, despite the impact of the pandemic and changes to the way in which assessments have had to be completed, the control environment remained strong and fit for purpose.

All financial assessments since April 2020 have been completed remotely either through the council's online financial assessments tool and video, or telephone calls. Any delays in completing financial assessments were reflected in the backdated charges analysis.

Officers in the collection team received a daily debt management report generated from SAP which reflected the balance outstanding and the dunning level, with each debtor was assigned to a locality officer. The results of our testing showed that controls were operating as expected.

The Care Debt report from SAP provided an analysis of secured and unsecured debt, debt relating to deceased service users, total live credit balances, total deceased credit balances, cases referred to legal, percentage payments collected by direct debit and debts written off. Whilst no KPIs have been set, given the current pandemic, from testing we concluded that there is effective scrutiny and management of debt.

Overall good practice was observed and effective controls and governance were in place; however, some opportunities for improvement were identified and appropriate actions were agreed with management, including in relation to the way in which locality target performance figures are utilised, and in relation to the process around the issue of low value refunds.

### **Property Asset Management System (PAMS) Income (follow-up) 2020/21**

The council receives income for various types of owned properties and land in its estate. This income is accounted for in SAP, the council's financial ledger, and recorded and managed in the authority's Property Asset Management System (PAMS). Our previous audit of PAMS Income processes reported in September 2019 and led to an opinion of partial assurance due to weaknesses in the control environment. That audit included one high priority action and six medium actions, which were agreed with management. This follow-up audit specifically examined progress against implementing these agreed actions.

As a result of our work we have still only been able to provide **Partial Assurance** over the degree to which the agreed actions from the last audit have been implemented. This is because:

- Since the last audit the authority has procured a new system (PLANON) to manage its property function, which will replace PAMS on implementation. Due to this development the service has deferred addressing some of the agreed actions from our previous report until the new system is implemented. The level of risk associated with deferring these actions is considered to be moderate as high priority actions have been addressed;
- Improvements had been made to master data held within PAMS. Testing undertaken on a sample of PAMS customer records found that information recorded was current and reflective of master data held on SAP;
- There was no Service-Level Agreement between the Recovery Team and the Estates Team to support the recovery of overdue rental costs (an agreed action from the previous audit was to set-up a Service Level Agreement to this effect). However, a review of a sample of customer accounts with debt balances provided assurance that overdue balances are being identified, managed and recovered;
- There had been no progress made regarding updating procedure notes for both property management and recovery of overdue income. There is an opportunity here for the service to ensure procedure notes for the PLANON system are put in place earlier.

Allowing for the forthcoming implementation of PLANON, we agreed three actions with management, with the most significant and highest priority one being around the input of rent review dates into PAMS.

### **Public Health Standard Operating Procedures**

To effectively respond to the COVID-19 crisis and achieve Surrey's Local Outbreak Control Plan goals, the council developed COVID-19 Standard Operating Procedures (SOPs). These SOPs provided advice and guidance for handling enquiries and for communication of key information to help manage COVID-19 outbreaks. These SOPs were designed to ensure clarity on roles, procedures and responsibility for all partners and detail guidance and actions where necessary to support COVID-19 management.

We were asked to undertake a review of the SOPs by senior management in Public Health: this was in view of the fact that the nine separate SOPs were created during the early stages of the pandemic and it was therefore a timely opportunity to review whether they remain relevant since the COVID-19 situation has evolved.

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

- Clear processes existed to support officers managing enquiries to enable a consistent and coordinated approach across Public Health;
- Local authority guidance and outbreak plans were aligned with the SOP to ensure minimum standards were met, including in relation to the management of information;
- Checks were undertaken to ensure that key data used to support decision making was accurate and timely; and

- Risks of reputational damage, challenge to, or criticism of the council's response to enquiries relating to COVID-19 were minimised.

The work completed was reported to Public Health in the form of a position statement without an opinion, as the purpose of the exercise was to bring to the attention of management any areas for revision or improvement using Internal Audit as a critical lens. We provided feedback on the SOPs covering the following areas:

- Incomplete statements – missing key information that was unavailable on the original draft of the documents, changed file-paths or hyperlinks;
- Outdated information – information not now relevant or current, both from Government and/or internal sources;
- Structure and format – covering the consistency of the SOPs and use of acronyms;
- Procedural failure potential – where the SOP requires certain basic evidence to be recorded or obtained for a log entry or return;
- Data Security – to ensure the SOPs remain compliant with GDPR requirements; and
- Best Practice Improvements – including the correction of basic errors of spelling or removing ambiguity.

Based on the analysis above, we provided a checklist of findings to Public Health to review and consider in the revision of the SOPs to maintain their fitness for purpose.

### **Procurement Advice for Land & Property**

During the summer and autumn of 2019, the Council undertook mini competitions, from a preapproved framework, for the selection of contractors for four replacement flat roofs. Following a successful legal challenge from one of the contractors relating to this exercise, Internal Audit was asked to review the processes that had been followed to determine the chain of events that led to the award of the contracts. The review also sought to identify any lessons that could be learned from this exercise to help strengthen the control environment in the future.

The purpose of the review was to provide assurance that controls were in place to meet the following objectives:

- Commissioning and procurement arrangements complied both with statutory and council requirements;
- All potential conflicts of interest were identified and managed effectively; and
- Commissioning and procurement arrangements were transparent and delivered value for money.

Overall, a range of actions were identified and agreed with management to help improve future arrangements across commissioning, procurement, training and performance management aspects of the process.

## Digital Business & Insights Programme (DB&I) - Data Governance and Migration

The Digital Business & Insights Programme (DB&I) aims to deliver a transformation programme by either upgrading or replacing the existing SAP system at the council. Following a procurement exercise, Unit 4 was identified as the new replacement system, that it is anticipated will deliver efficiencies as part of the transformation agenda.

The current SAP system will not be supported beyond 2025. The system contains a significant amount of core data for the council, which will need to be reviewed to determine what data needs to be available outside of the system and what needs to be migrated into its replacement.

The primary objective of our audit was to provide assurance that effective governance and control arrangements were in place for the data archiving and data migration projects that form part of the DB&I Programme.

Based on the results of our testing, we were able to provide **Reasonable Assurance** for the following reasons:

- Data owners for all the process areas within the new ERP solution (Unit4) were found to be appropriately assigned, with the roles and responsibilities for both the migration and business as usual clearly documented;
- A Data Migration Strategy has been developed, which provides a detailed overview of the whole data migration process, including the steps involved (including data cleansing), scope for the project, roles and responsibilities and risks;
- An outline business case and Project Initiation Document (PID) have also been created to support the archiving of data from the SAP system. While the procurement for this solution is ongoing, the PID provided detail regarding the strategy and design principles being used for data archiving; however
- A review of some of Business Requirements Solution Design documents found that staged processes could result in the council holding personal data incorrectly, which would be a breach of GDPR.

In all cases, actions have been agreed with management to mitigate against all risks identified during our work.

## Digital Business & Insights Programme (DB&I) - Programme Board Support

Internal Audit has agreed a package of assurance work with the Programme Board and has also provided ad-hoc advice and guidance on risk, control and governance issues. A highlight report is produced and presented to the Board at each meeting updating them on the progress of our work.

### Grant Certification

During quarter four the following grant claims have been successfully certified by Internal Audit in accordance with Government and/or EU grant requirements:

- Track and Trace (COVID-19) - £3,477,690
- Troubled Families Grant (latest cohort) - £236,000
- IMAGINE grant (EU NW) Semester 4 - €44,023
- Interreg (EU) Digi-Tourism grant Semester 5 - €11,380

## Counter Fraud and Investigation Activities

### Proactive Counter Fraud Work

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 Exercise

Internal Audit have co-ordinated the recent submission of Council datasets to the biennial NFI exercise. Results from the data matching were provided to the Council on 31 January 2021. Internal Audit have been liaising with the relevant departments to ensure that flagged matches are investigated and actioned appropriately.

#### Counter Fraud Policies

Each Orbis partner has in place a Counter Fraud Strategy that sets out their commitment to preventing, detecting and deterring fraud. Internal Audit have reviewed the sovereign strategies to align with best practice and to ensure a robust and consistent approach to tackling fraud.

#### Fraud Risk Assessments

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 pandemic. This includes potential threats to payroll, staff frauds relating to home working and cyber frauds.

#### Fraud Response Plans

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.

#### Fraud Awareness

The team are continuing to monitor intel alerts and the latest fraud bulletin is currently on the Council's intranet.

### Reactive Counter Fraud Work - Summary of Completed Investigations

Internal Audit provided advice following an allegation that a member of the public was impersonating a councillor through online communications. The service reviewed the format of online forms on the council website and made enquiries with neighbouring authorities.

In addition, we have also provided advice and support in respect of several allegations of misuse of Direct Payments and logged an allegation relating to benefit fraud, that has been referred to the relevant agency for investigation.

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