

INTERNAL AUDIT ANNUAL REPORT & OPINION 2022/2023



1. Internal Control and the Role of Internal Audit

1.1 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The full role and scope of the Council's Internal Audit Service is set out within our Internal Audit Charter.

1.2 It is a management responsibility to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and outcomes achieved.

1.3 Annually the Chief Internal Auditor is required to provide an overall opinion on the Council's internal control environment, risk management arrangements and governance framework to support the Annual Governance Statement.

2. Delivery of the Internal Audit Plan

2.1 The Council's Internal Audit Strategy and Plan is updated each year based on a combination of management's assessment of risk (including that set out within the departmental and strategic risk registers) and our own risk assessment of the Council's major systems and other auditable areas. The process of producing the plan involves extensive consultation with a range of stakeholders to ensure that their views on risks and current issues, within individual departments and corporately, are identified and considered.

2.2 Covid-19 had a significantly lower impact on the Council in 2022/23, with most services returned to more business-as-usual routines and processes. We have maintained flexible working practices as part of the Council's new ways of working, but in practice we have not seen the need to reschedule audits or adjust the plan for Covid-related reasons in the way that was necessary in 2021/22.

2.3 During 2022/23 the number of government grants that need to be certified by Internal Audit has also stabilised somewhat since the increase of Covid-related funding in the previous years. Some of these legacy Covid grants continue, whilst new areas of grant activity have arisen particularly around environmental and 'green' funding.

2.4 We have, however, received an unprecedented amount of new referrals for assurance activity from senior management throughout 2022/23. This reflects positively both on our service, with it being seen as a key mechanism for both promoting and maintaining good governance, and on the Council as a whole, demonstrating a clear appetite for requesting independent assurance in critical areas. It has, at times, led to challenges in our being able to reprioritise and reschedule our work, although our plan is intentionally flexible to allow for emerging risks and issues.

2.5 Notwithstanding the above, we have still been able to deliver sufficient audit and assurance activity within the year to enable us to form an overall annual audit opinion for the Council in the normal way. This includes delivery of the revised programme of audits together with the investigation of any allegations of fraud and other irregularities.

2.6 All adjustments to the 2022/23 annual audit plan were agreed with the relevant departments and reported throughout the year to the Audit & Governance Committee through our quarterly audit progress reports. It should be noted that where there were any audits reports still in draft at the year-end, the outcomes from this work have been taken into account in forming our annual opinion. Full details of these audits will be reported to CLT and the Audit and Governance Committee as part of our reporting cycle as each of the reports are finalised with management.

3. Audit Opinion

3.1 No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide **Reasonable Assurance**⁽¹⁾ that Surrey County Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2022 to 31 March 2023.

3.2 Further information on the basis of this opinion is provided below. Overall, whilst the majority of audit opinions issued in the year were generally positive, internal audit activities identified a number of areas where the operation of internal controls has not been fully effective, as reflected by the seven partial assurance opinions issued in the year (excluding school audits). No minimal assurance audits were issued in the past year. All seven areas will be subject to follow-up audits in 2023/24 to ensure the expected improvements have occurred.

3.3 Where improvements in controls are required as a result of any of our work, we have agreed appropriate remedial actions with management.

3.4 The Council has continued to strengthen its risk management arrangements through the further development and implementation of a new risk management framework. Our assurance work completed in the year shows this to be in line with expected good practice and embedding successfully. Further embedding these new processes to become business-as-usual and providing training and advice to officers remain key activities moving into 2023/24.

3.5 We have continued to provide advice to the Digital Business and Insights (DB&I) Programme Board throughout the year seeking to give, where possible, specific assurance in the key areas to support critical decisions such as cutover and go-live. However, we have not been able to start all anticipated areas of our work due to a number of factors, including non-availability of documentation around the final 'to-be' processes and resourcing pressures within the programme itself.

3.6 As a result of this, our work in 2022/23 has primarily focused upon reporting and highlighting areas of potential concern and risk to ensure the Board are as fully sighted as possible for decision-making purposes. We have sought to support overarching governance arrangements in place around both the programme and decision-making in order to provide appropriate and robust challenge where required.

¹ This opinion is based on the activities set out in the paragraphs below. It is therefore important to emphasise that it is not possible or practicable to audit all activities of the Council within a single year.

3.7 Summaries of this work to date have previously been provided to the Audit and Governance Committee through our quarterly progress reports. Whilst elements of our planned assurance work remain incomplete for the reasons stated, further audit activity carries the risk of diverting management resources away from programme delivery at a critical time and is therefore something we have invited the Board to consider. We will continue to advise the Board on the nature and detail of assurances it should be receiving prior to cutover and go-live decisions. Given the continued use of legacy SAP systems throughout 2022/23 year, however, in the context of this annual report and opinion we have been able to provide assurance over underpinning key financial systems and processes.

3.8 In addition to specific audit reviews, we undertake regular liaison activity with all directorates to understand emerging pressures and risk areas, and amend our plan of work accordingly. This process provides additional assurance that the audit programme remains current and focused on the highest risks facing the organisation.

4. Basis of Opinion

4.1 Our opinion and the level of assurance given takes into account:

- All audit work completed during 2022/23, both planned and unplanned;
- Follow-up of actions from previously reported low assurance audits;
- Management's response to all findings and recommendations;
- Ongoing advice and liaison with management, including regular attendance by the Chief Internal Auditor and Audit Manager at key organisational meetings relating to risk, governance and internal control matters;
- Effects of significant changes in the Council's systems;
- The extent of resources available to deliver the audit plan;
- Quality of the Internal Audit service's performance.

4.2 Whilst no direct limitations were placed on the scope of Internal Audit during 2022/23, one planned piece of work around the new highways contract was deferred at the request of service management. This was in order to allow a sufficient body of transactional data and activity to accrue for the figures to be representative of performance as a whole. This review is included in our 2023/24 plan.

4.3 It should also be noted that the delay in the go-live of the MySurrey systems has an impact on some of the services we audited in the last financial year. In some instances, this has meant agreed actions and expected improvements to internal controls cannot yet be fully followed-up and tested as the solution is reliant upon yet-to-be-implemented MySurrey processes. In such cases, we have either completed interim follow-up reviews on areas that can be tested or have assessed the level of risk through the continued use of legacy systems of control.

5. Key Internal Audit Issues for 2022/23

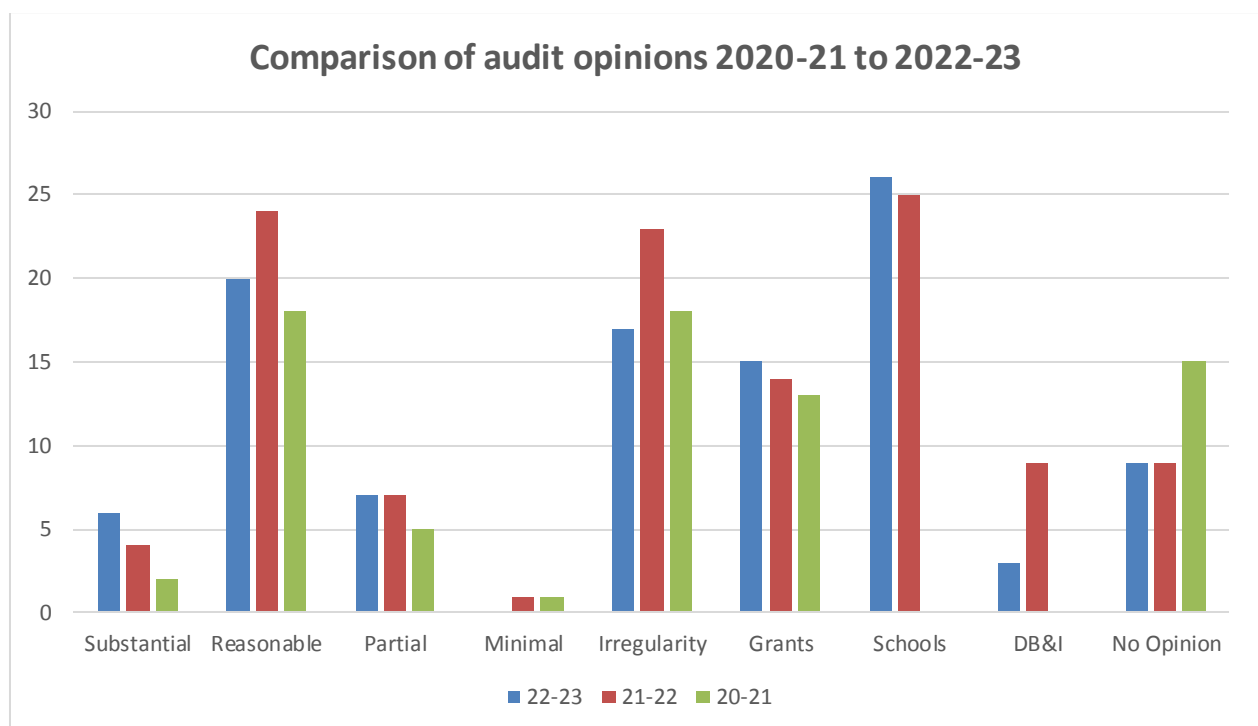
5.1 The overall audit opinion should be read in conjunction with the key issues set out in the following paragraphs. These issues, and the overall opinion, will be taken

into account when preparing and approving the Council’s Annual Governance Statement.

5.2 The Internal Audit plan is delivered each year through a combination of formal reviews with standard audit opinions, direct support for projects and new system initiatives, investigations, grant certification audits, schools audits and ad hoc advice. The graph below provides a summary of the outcomes from all audits finalised during 2022/23, compared to the previous two years.

5.3 A full list of completed audits and opinions for the year is included at Appendix B, along with an explanation of each of the assurance levels.

Audit Opinions:



*No Opinion: Includes audit reports or activity where we did not give a specific audit opinion. Typically this tends to be proactive advice and support activity where, due to the advisory nature of the audit work, provision of formal assurance based opinions is not appropriate, such as the support work to the DB&I Programme.

5.4 Although the graph above appears to show a reduction in our coverage around DB&I year-on-year, in reality a similar amount of resource has been committed to this programme between both years: our approach in 2021/22 was to audit and report on individual elements of the fledgling programme (for example, governance arrangements, training arrangements, data integrity etc.) whilst the resource in 2022/23 has been more advisory in an ongoing capacity.

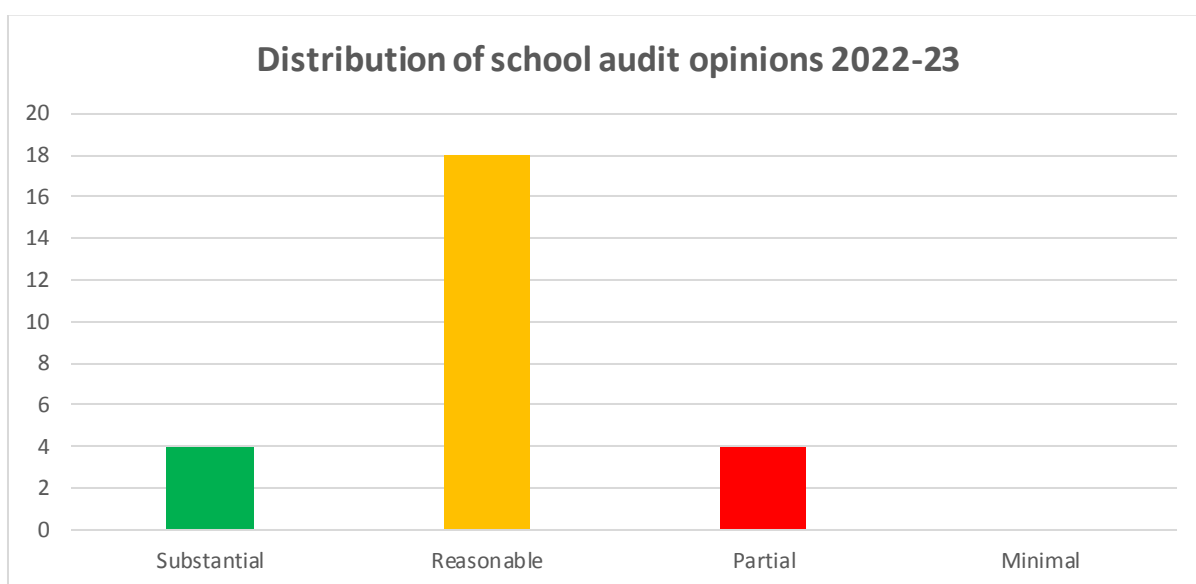
5.5 A total of seven service-based audits received partial assurance opinions within the year, the same number as in 2021/22. They were as follows:

- Home to School Transport;
- Local Government Pension Scheme Performance;
- Planning;
- Social Value in Procurement;

- Tree Management;
- Children’s Services Complaints Management; and
- Surrey Fire & Rescue Contract Management Arrangements.

5.6 There were no audit reports in draft at the year-end with provisional opinions of either partial or minimal assurance.

5.7 With regard to the 26 completed schools audits, the graph below shows a summary of opinions for 2022/23. The distribution of opinions is not dissimilar to that of service-based audit opinions for last year (as illustrated above): whilst the internal control environments of individual schools cannot be directly compared to that of the Council overall, the outcome of our programme of schools audits for 2022/23 broadly supports an overall conclusion of Reasonable Assurance.



5.8 Whilst actions arising from all of these reviews will be followed-up by Internal Audit through either specific follow-up reviews or via established action tracking arrangements, it is important that management take prompt action and ownership to secure the necessary improvements in internal control. We have experienced no issues in securing management ownership following any audit issued last year.

Key Financial Systems

5.9 Given the substantial values involved, each year a significant proportion of our time is spent reviewing the Council’s key financial systems, both corporate and departmental. In scheduling our work around the timing requirements of the DB&I programme, the first two quarters of last year saw us carrying-forward and completing key financial systems audits from the 2020/21 plan in the following areas:

Substantial Assurance:

- Financial Assessments & Income Collection

Reasonable Assurance:

- General Ledger
- Capital Programme
- Treasury Management

- Pension Fund Investments
- Local Government Pension Fund Administration
- Payroll

5.10 These audits were completed within SAP. The DB&I Programme had originally planned to migrate to the new MySurrey system in autumn of 2022 and we had anticipated re-auditing these areas within the new ERP system. In the event, SAP was still the operating system through to the end of March 2023. Given the high level of assurance already obtained from the above audits being reported in early 2022/23, we agreed with management that repeating the audits in that year's plan was not efficient use of our resource, and that the opinions already given would still apply given the continued unchanged use of SAP.

5.11 As such, only two key financial systems were undertaken in the fourth quarter of last year, being Accounts Payable and Accounts Receivable. At the 31 March 2023 both audits were still in progress, but both were finalised in quarter one of 2023/24 with opinions of Substantial Assurance.

5.12 In recent years we have dedicated a substantial resource from our annual plan to the audit of LGPS Pension Administration, recognising that this area is one in which historical control weaknesses required significant assurance activity. We continue to work closely with management of the Pension Turnaround Programme to provide assurance in areas of particular risk, recognising that whilst this still remains an area of focus, management has in place a robust improvement programme to address weaknesses. Notable improvements to internal control have been validated through our work in the last year. We will continue to update both the Audit and Governance Committee and the Surrey Pension Board through our quarterly reporting as future audit work in this area is completed.

Other Internal Audit Activity

5.13 During the year, Internal Audit has continued to provide advice, support and independent challenge to the organisation on risk, governance and internal control matters across a range of areas. Our coverage included attendance at:

- Corporate Leadership Team;
- Directorate Leadership Team and Senior Leadership Team meetings;
- Governance Panel;
- Risk Governance Group;
- Directorate Business Partnering meetings;
- Transformation Board and Transformation Network meetings; and
- Corporate Risk and Resilience Forum.

5.14 As well as actively contributing to, and advising these groups, we utilise the intelligence gained from these discussions to inform our own current and future work programmes to help ensure our work continues to focus on the most important risk areas.

Anti-Fraud and Corruption

5.15 During 2022/23, the Internal Audit Counter Fraud Team continued to deliver both reactive and proactive fraud services across the organisation. Details of all counter fraud and investigatory activity for the year, both proactive and reactive, have been summarised within a separate Counter Fraud Annual Report due to be presented alongside this Internal Audit annual report. Where relevant, the outcomes from this work have also been used to inform our annual internal audit opinion and future audit plans.

Amendments to the Audit Plan

5.16 In accordance with proper professional practice, the Internal Audit plan for the year was kept under regular review to ensure that the service continued to focus its resources in the highest priority areas based on an assessment of risk. Through discussions with management, the following reviews and activities were added to the original audit plan during the year:

- Surrey Pension Fund Governance Review
- Planning
- Physical Energy Statue – Lessons Learned
- Highways Lane Rental
- DB&I Key Controls Assurance (additional work in this area)
- Trading Standards Cash-Handling Procedures
- Delegation & Authorisation Protocols
- SFRS Contract Management Arrangements
- SFRS Inspection Readiness Review
- Quadrant Court – Land & Property Process Validation
- Solar Together
- Additional Data Template (ADT) Process Review
- HMRC Statutory Maternity Pay Referral
- Project Indigo Referral
- Children's Services Complaints Management
- Health & Safety Governance Arrangements
- Serious Incident Reporting & Escalation Protocols

5.17 In order to allow these additional activities to take place, the following audits were removed or deferred from the 2022/23 audit plan. Where appropriate they will be reconsidered for inclusion in future audit plans as part of the overall risk assessment completed during the audit planning process. These changes have been made on the basis of risk prioritisation and/or as a result of developments within the service areas concerned requiring a rescheduling of audits:

- Bus Service Support Grant
- Additional Home to School Transport Grant
- ASC Charging Reforms (pending clarification of Government legislation)
- Firewatch
- IConnect Application Audit (rescheduled in 2023/24 plan)
- Pension Fund Cyber Security Arrangements (rescheduled in 2023/24 plan)
- Kofax Application Audit

- Hospital Discharges
- Highways Contract (rescheduled in 2023/24 plan – see paragraph 4.2)
- MySurrey User Access And Security Review
- 7 x Key Financial Systems Reviews (see paragraph 5.9).

6. Internal Audit Performance

6.1 The Public Sector Internal Audit Standards (PSIAS) requires the Internal Audit service to be reviewed annually against the Standards, supplemented with a full and independent external assessment at least every five years. The following paragraphs provide a summary of our performance during 2022/23, including the results of our independent PSIAS assessment and our year-end performance results against agreed targets.

PSIAS

6.2 The Standards cover the following aspects of internal audit, all of which were externally assessed during autumn 2022 by the Chartered Institute of Internal Auditors (IIA) as previously reported to Audit and Governance Committee in January 2023:

- Purpose, authority and responsibility;
- Independence and objectivity;
- Proficiency and due professional care;
- Quality assurance and improvement programme;
- Managing the internal audit activity;
- Nature of work;
- Engagement planning;
- Performing the engagement;
- Communicating results;
- Monitoring progress; and
- Communicating the acceptance of risks.

6.3 The completed assessment incorporated a full validation of our own comprehensive self-assessment against the standards, together with interviews with key stakeholders from across all the Orbis partner councils and discussions with Internal Audit team members.

6.4 It is pleasing to report that Orbis IA were assessed as achieving the highest level of conformance available against professional standards with no areas of non-compliance identified, and therefore no formal recommendations for improvement arising. In summary, the service was assessed as:

Excellent in:

- Reflection of the Standards
- Focus on performance, risk and adding value

Good in:

- Operating with efficiency

- Quality Assurance and Improvement Programme

Satisfactory in:

- Coordinating and maximising assurance

6.5 In order to provide some further context to this outcome, of the nineteen assessments carried out by the IIA in the period (covering both public and private sectors), only two other audit bodies were assessed as ‘Excellent’ against the Standards.

Key Service Targets

6.6 Performance against our agreed service targets is set out in Appendix A. Overall, client satisfaction levels remain high, demonstrated through the results of our post-audit questionnaires, discussions with key stakeholders throughout the year through service liaison, and annual consultation meetings with Executive and Assistant Directors. The results of the IIA assessment further supports this position.

6.7 We will continue to liaise with the Council’s external auditors (Ernst Young, superceding Grant Thornton from 1 April 2023) to ensure that the Council obtains maximum value from the combined audit resources available.

6.8 In addition to this annual summary, CLT and the Audit and Governance Committee will continue to receive performance information on Internal Audit throughout the year as part of our quarterly progress reports and corporate performance monitoring arrangements.

Internal Audit Performance Indicators 2022/23

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee (for 2022/23)	By end April*	G	Approved by Audit and Governance Committee on 28 March 2022.
	Annual Audit Report and Opinion (for 2021/22)	By end July	G	Approved by Audit and Governance Committee on 13 July 2022.
	Customer Satisfaction Levels	90% satisfied	G	100%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	G	We achieved delivery of 91.4% of the 2022/23 plan by 31 March 2022
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	<p>Apr 2022 - Updated self-assessment against the standards within the PSIAS underway and preparations for the full independent external assessment in progress.</p> <p>Jun 2022 - Quality Review identified no major areas of non-conformance.</p> <p>Dec 2022 - External Quality Assurance completed by the Institute of Internal Auditors (IIA). Orbis Internal Audit assessed as achieving the highest level of conformance available against professional standards with no areas of non-compliance identified,</p>

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
				and therefore no formal recommendations for improvement arising. See paragraph 6.2
	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	G	100%
Our staff	Professionally Qualified/Accredited	80%	G	93% ¹

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

Summary of Opinions for Internal Audit Reports Issued During 2021/22

Substantial Assurance:

(Explanation of assurance levels, and key to directorates, are detailed at the bottom of this document)

Audit Title	Directorate
Financial Assessments & Income Collection	HWASC
Post-Brexit Information Governance Arrangements	R
IT&D Strategic & Operational Risk Management Arrangements	R
Risk Management	R
IT Asset Procurement (Value For Money)	R
Surrey Highways Lane Rental Scheme	ETI

Reasonable Assurance:

Audit Title	Directorate
General Ledger	R
Capital Programme	R
Treasury Management	R
Pension Fund Investments	R
Payroll	R
LGPS Pension Key Administration Processes	R
LGPS Pension Key Administration Processes Follow-Up	R
Network Access Management	R
PLANON Phase 2 - Advice and Support	R
XPS Contract	SFRS
Waste Re-Procurement	ETI
Children's Services Panel Process	CFLL
LGPS Compensatory Added Years	R
Officer Code Of Conduct Follow-Up	R
Your Fund Surrey	PPG
Public Sector Accessibility Regulations Follow-Up	R
LGPS Pension Administration (Transfers Out)	R
Metacompliance Application Audit	R
Solar Together	ETI
Climate Change	ETI

Partial Assurance:

Audit Title	Directorate
Home to School Transport	CFLL
Planning	ETI
Social Value In Procurement	R
Tree Management	ETI
Children's Services Complaints Management	CFLL
SFRS Contract Management Arrangements	SFRS
LGPS Pension Performance	R

Minimal Assurance:

None

Grant Claim Certification

Audit Title	Directorate
IMAGINE [EU] (2 audits in year)	ETI
Supporting Families (4 audits in year)	CFL
DigiTourism [EU] (2 audits in year)	ETI
Urban Links To Landscape [EU] (2 audits in year)	ETI
Contain Outbreak Management Fund (inc. Test & Trace Grant)	HWASC
Substance Misuse Universal Grant	HWASC
Bus Subsidy Operators Grant	ETI
Local Capital Highways Grant	ETI
Greener Homes Grant	ETI
Adult Weight Management Grant	HWASC

DB&I Programme Assurance

Audit Title	Directorate
DB&I Programme Assurance (multiple strands)	R
DB&I Controls Assurance (multiple strands)	R
DB&I Programme – Lessons Learned	R

Other Audit Activity Undertaken During 2022/23 (non-opinion, or position statement)

Audit Title	Directorate
Single View Of A Child – Programme Support	CFL
Physical Energy Statue – Lessons Learned	CC
Trading Standards Cash-Handling Processes	CC
Authorisation And Delegation Protocol	R
Additional Data Template (ADT) Process	R
Proactis Application	R
Innovation Fund	PPG
SFRS Inspection Readiness	SFRS
Project Indigo Referral	R

School Audits

School	Opinion
North-West Surrey Short-Stay School (Woking)	Substantial
Ashford Park Primary School (Staines-Upon-Thames)	Substantial
The Winston Churchill School (Woking)	Substantial
Barnett Wood Infant School (Ashstead)	Substantial
Audley Primary School (Caterham)	Reasonable

School	Opinion
St Michaels Church of England (Aided) Infant School (Dorking)	Reasonable
Witley Church of England School (Witley)	Reasonable
Beacon Hill Primary School (Hindhead)	Reasonable
Royal Alexandra and Albert School (Reigate)	Reasonable
West Byfleet Community Infant School (West Byfleet)	Reasonable
Walton On The Hill Primary School (Walton On The Hill)	Reasonable
Hurst Green Infant and Nursery School (Oxted)	Reasonable
Brooklands School (Reigate)	Reasonable
Godstone Nursery and Primary School (Godstone)	Reasonable
Guildford Nursery School and Family Centre (Guildford)	Reasonable
Chennestone Primary School (Sunbury On Thames)	Reasonable
The Royal Kent Church of England Primary School (Oxshott)	Reasonable
Claygate Primary School (Claygate)	Reasonable
Yattendon Primary School (Horley)	Reasonable
Cranleigh Church of England (VA) Primary School (Cranleigh)	Reasonable
Burhill Primary School (Walton On Thames)	Reasonable
St Mary's Church of England (Aided) Junior School (Long Ditton)	Reasonable
Banstead Community Junior School (Banstead)	Partial
North-East Surrey Short Stay School (Hersham)	Partial
St Joseph's Primary Catholic School (Redhill)	Partial
Lyne and Longcross C of E (Aided) Primary School (Chertsey)	Partial

Directorate glossary

- CC Customers and Communities
- R Resources
- CFLI Children, Families and Life-long Learning
- ETI Environment, Transport & Infrastructure
- HWASC Health, Wellbeing and Adult Social Care
- PPG Partnerships, Prosperity and Growth
- SFRS Surrey Fire & Rescue Service

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.

Audits Completed in Quarter 4 (January to March 2023)

Tree Management

The county of Surrey has approximately 42,091 hectares of woodland, 15% more than the national average. The Council is also responsible for maintaining trees near public roads, pavements and footpaths. Responsibility for tree management and maintenance is currently split between Environment and Highways.

This audit, part of our agreed 2022/23 plan, set out to provide assurance that controls were in place to meet the following key objectives:

- The Council had a clear, documented approach to management of trees for which it is responsible, which aligned with corporate priorities;
- The legal responsibility of the Council was understood across relevant services and was incorporated into strategic and operational policies;
- Roles and responsibilities were clearly defined and consistent; and
- The management of those trees on Basingstoke Canal for which the Council is liable was clearly defined.

Our key findings from our audit were that:

- Whilst independent legal advice around the Council's responsibilities was received in June 2022, it remained unclear how this advice is incorporated into policy;
- In turn, this exposed the Council to clear risk in relation to its approach to tree management, especially in the event of an unexpected or unforeseen incident, where we could be held accountable under the Health and Safety at Work Act for not acting promptly on the legal advice received;
- The Council is currently unable to meet its biannual tree inspection regime, mainly due to a lack of resources. This was of particular note with regard to the inspection and management of trees on the Basingstoke Canal.

Our audit opinion was consequently one of **Partial Assurance** with three actions agreed with management, one of which was high priority. We will undertake a follow-up of this audit as part of our 2023/24 annual plan to ensure that agreed actions have been implemented.

Children's Services Complaints Management

The Children Act (1989) requires all councils that have responsibility for the provision of children's social care services to have a three stage complaints process. At Surrey, all enquiries, compliments and complaints relating to children's social care and education are handled by the Customer Relations Team within the CFLL Directorate regardless of their route into the Council.

This audit, an addition to our agreed 2022/23 plan following a Member referral, set out to provide assurance that controls were in place to meet the following key objectives:

- Roles and responsibilities were clearly defined, publicised, and enacted;
- There was a robust process to allow for the effective handling of customer complaints within CFLL;
- Sufficient resources had been made available in order for the service to be effective; and
- There was a process to utilise the learning from upheld complaints to improve provision for future service users, and inform the Quality Assurance function.

Our key findings from this audit were that:

- The number of complaints responded to within the stated timeframe was low;
- The initial triage and allocation of complaints was within expected timeframes, indicating that the root cause of delays in responding lay in the wider directorate;
- The lessons-learned process post-complaint was not robust, with the expected wider service improvements not always identified and/or realised;
- Processes for quality-checking responses to complaints prior to their dissemination were found to be inconsistent, and therefore ineffective; and
- The level of resources needed for the service to operate effectively required review.

We concluded our audit with an opinion of **Partial Assurance** identifying eight agreed actions with management to address these weaknesses, two of which were high priority and six of medium priority. We will undertake a follow-up of this audit as part of our 2023/24 annual plan to ensure agreed actions have been implemented.

Surrey Fire & Rescue Service Contract Management Arrangements

Surrey Fire and Rescue Service (SFRS) has overall responsibility for the county's fire and rescue service provision. The service has entered into a number of contracts with external suppliers for services ranging from the provision of fire appliances to the outsourcing of fire pension administration.

The service's leadership team were aware that there may be weaknesses within their contract management arrangements and therefore requested this independent review as an addition to our 2022/23 annual plan.

Our audit set out to provide assurance that controls were in place to meet the following key objectives:

- Contracts were formally recorded and visible to management;
- Compliance with the Council's contract management framework allowed for effective monitoring and management of goods or services delivered;
- Control mechanisms were in place to ensure compliance with corporate procurement and purchasing protocols; and
- Reporting arrangements were in place to enable management to exercise effective management oversight and challenge.

Our key findings from the review were that:

- Knowledge of the overarching Contract Management Framework was limited;

- Expected contract monitoring practices, such as supplier meetings, were not routinely taking place;
- There was no central repository for holding contract documentation;
- There was a lack of transparency surrounding what services were included in contract spend;
- One active contract was missing from the contract register; and
- Contract values stated in the register did not include adjustments relating to contract waivers or variations.

We concluded our work with a **Partial Assurance** opinion, with eight actions agreed with management, three of which were high priority. A formal follow-up of this audit will now be undertaken as part of our 2023/24 annual plan to ensure agreed actions have been implemented.

Local Government Pension Scheme (LGPS) Pension Fund Administration (Transfers Out)

The Council is the designated statutory administering authority for the Surrey Pension Fund.

The purpose of the audit was to provide assurance that controls are in place to meet the following objectives across the four types of transfers-out processed, namely: 'LGPS' (transfers to other funds within the scheme); 'Club' (transfers to other public sector schemes); 'Non-club' (transfers to private sector schemes); and transfers to overseas schemes:

- There were clearly defined policies and procedures reflecting the requirements of scheme legislation;
- Transfers-out were processed only upon receipt of sufficient supporting documentation from the scheme member or related party;
- Calculations and payments were subject to review and reconciliation; and
- Transfers-out were actioned in line with published timeframes and guidelines.

Our audit identified that controls were in place as expected:

- The team utilised Altair to process transfers-out, with a clear segregation of duties enforced through system controls;
- Altair operates an internal 'checklist' which ensures the correct documentation is received before a transfer can be completed; and
- A sample split across the four types of transfer was found to be correctly evidenced and properly accounted for between Altair and SAP.

However, we also identified the need for further improvements in some areas, in particular correcting some software issues within Altair and improving response times in relation to member contact and payment of transfers out.

Overall, we concluded our work with an opinion of **Reasonable Assurance**, with two medium and one low priority action agreed with management.

MetaCompliance Application Audit

The MetaCompliance system provides a range of information security and information governance tools, including security awareness training, cyber security e-learning, privacy management, and incident management.

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

- System access and permissions were restricted to authorised individuals;
- Data processed through interfaces was authorised, accurate, complete, securely processed and written to the appropriate file;
- System outputs were complete, accurate, and distributed on time;
- System updates were subject to sufficient testing and authorisation before implementation; and
- Appropriate support arrangements were in place to manage system changes.

We concluded that the internal control environment was robust and expected controls in place, in particular:

- Proportionate controls were in place for the system, though this would need to be re-evaluated if the system were to be expanded to store additional information;
- Whilst the system has not been subject to a technical risk assessment by IT&D, it is anticipated that this will be undertaken at another Orbis partner authority, and results shared with the Council as an instance of good practice; and
- Access to the MetaCompliance system is appropriately controlled both through log-in requirements and being restricted to specific roles.

Our audit did identify some possible areas for improvement in relation to user access and permissions and we noted that there was no review of information which could highlight attempted inappropriate use of the system.

Overall we concluded our audit with an opinion of **Reasonable Assurance**, with two agreed actions of medium and low priority being agreed with management.

Solar Together

Solar Together is a national scheme to assist residents with the installation of discounted solar panels through collective purchase. The scheme supports the Council's 'Greener Future' strategy and works with an external supplier (iChoosr) and their nominated installers to help deliver solar panels and related equipment to "able-to-pay" residents.

We added this audit to our plan at the request of management, the purpose of the work being to provide assurance that specific controls were in place ahead of a second phase of contractual arrangements being agreed with iChoosr:

- Suitable Key Performance Indicators (KPIs) were in place in the contract;
- The contractor had appropriate quality assurance mechanisms in place;
- The contractor provided effective reporting to the Council; and

- The contract was robust but flexible enough to allow for changes to be made when required to manage performance.

Our review concluded that the control environment in the scheme was fit for purpose, and that the scheme to date had achieved many of its objectives. However, our review also identified some areas where improvements could be made, including:

- Improving contractor performance management and associated key performance indicators; and
- Introducing minimum quality/vetting standards that iChoosr should use when selecting installers.

We agreed five medium priority actions in respect of the above issues with management, and concluded our audit with an opinion of **Reasonable Assurance**.

Climate Change

In June 2019 Parliament legislated for a commitment to net zero greenhouse gas emissions by 2050. In response to this, the Council declared a 'climate emergency' and committed to work with partners to agree Surrey's collective response.

Our audit, part of the agreed annual plan, sought to provide assurance that appropriate measures were in place to meet the Council's aim of carbon neutrality. We did so by assessing whether controls existed to meet the following objectives:

- Robust governance arrangements were in place;
- Sufficient resources were available and properly utilised, with roles and responsibilities being clearly defined;
- Appropriate plans were in place to communicate and embed the objectives of achieving carbon neutrality throughout the organisation; and
- Adequate mechanisms were in place to monitor and report on outcomes.

Based on our review of the progress the Council has made to date we were assured that the objectives above were embedded and operating well. In particular:

- Governance arrangements around the Climate Change Programme Board were found to be robust, with effective oversight by Cabinet and select committee;
- A number of working groups had been established through which progress on carbon reduction was tracked across the operational estate;
- Grant funding had been utilised to retrofit carbon reduction measures; and
- Current monitoring of carbon emissions was robust, with data used to support related capital decisions.

Our audit also identified some areas for improvement and consideration, notably:

- Adequacy of resources to support the achievement of planned outcomes,, a factor outside the control of the Climate Change team;
- Strengthening arrangements for embedding net zero principles across the Council; and
- Improving the arrangements for incorporating climate change principles into team objectives and business-as-usual working practices.

Overall we concluded an opinion of **Reasonable Assurance** in this area, with seven actions being agreed with management to address identified weaknesses.

IT Asset Procurement (Value For Money)

With the expansion of remote and hybrid working, IT hardware is in greater demand than ever before, with more members of staff requiring additional IT assets as work styles change.

This audit, part of the agreed 2022/23 plan, was added to provide assurance that controls are in place and are operating as expected to ensure value for money is achieved from the procurement of ICT hardware assets. The specific objectives and controls being tested were:

- All procurement and purchasing activities of IT assets were undertaken in response to a business need and were compliant with policy; and
- Procurement of IT assets was undertaken by IT&D, with any exceptions done with IT&D oversight and according to defined standards.

We concluded that:

- Robust governance arrangements were in place in relation to the tendering of contracts for IT assets across the Council, including advice given to staff; and
- A wide range of criteria were considered for the tendering, not just the pure cost but also sustainability, environmental impact and support/deployment options.

We agreed one low priority action associated with the purchase of non-material peripheral assets via Purchasing Cards and concluded that the control environment was robust, giving a final opinion of **Substantial Assurance**.

Risk Management

The Council manages risk through a Risk Management Strategy and Framework, the current iteration being approved by the Audit & Governance Committee in September 2022.

Following a previous audit in 2021/22, the purpose of our follow-up audit was to provide assurance that controls were in place to meet the following objectives:

- A robust Risk Management Framework was now in place which facilitated the effective identification, assessment, and response to risks;
- Effective mitigations were in place to minimise the impact and/or likely occurrence of the risks identified; and
- Robust reporting arrangements were in place to allow for effective oversight.

An assessment of the risk management arrangements within the Council demonstrated that they were robust and are operating effectively with the expected controls in place, giving assurance that they had been effectively communicated to services and sufficiently embedded.

Our audit did agree two medium priority actions around the web presence of the Risk Management function, and around refresher training, but overall we were able to provide an opinion of **Substantial Assurance** for this area.

Other Work

DB&I Programme Support

As in previous quarters we continued to provide the DB&I Programme Board with advice around the governance arrangements and control environment for the new MySurrey ERP solution.

Planned work to provide specific assurance over the to-be processes was not able to be completed as expected due to time and resource pressures within the project itself as critical deadlines were being reached. A revised approach for our work was discussed and agreed with the Programme Board. We continue to support this area into the 2023/24 annual plan.

Project Indigo

We were asked to provide assurance over accounting processes within the Transformation space to ensure that controls over project-based expenditure were robust, and Council financial policies and procedures were being observed.

Our review identified areas where improvement could be made to existing governance arrangements where projects were being run jointly between Transformation and service management. We also identified potential process improvements, which should be addressed within the MySurrey ERP solution.

Surrey Fire & Rescue Service (SFRS) Inspection Readiness Review

After the last full inspection by His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS), SFRS created an Inspection Improvement Plan (IIP) to address the 11 areas for improvement identified. Following their own self-assessment of progress made, management asked us to undertake an independent review to provide them with assurance that they had correctly identified HMICFRS' requirements and had addressed the 11 identified weaknesses.

From the evidence made available to us during the course of our review we were assured that the actions taken within the IIP were both robust and evidenced, with a positive direction of travel for those actions yet to be fully completed. We identified two areas for further consideration and action by the service around benchmarking and peer reviews processes, and workforce planning.

Innovation Fund

We provided early advice to this project, through which a business case was being developed to seek Council funds to help with the growth of the county of Surrey's economic future post-Covid. The project has been postponed for the present given the overall position of the financial markets, but should it be restarted then further support would be made available.

School Audits

We continue to provide assurance over individual school control environments and to improve our level of engagement with key stakeholders through liaison meetings. We have a standard audit programme for all school audits, designed to provide assurance over the control environment, including:

- Governance structures ensure there is independent oversight and challenge by the Governing Body;
- Decision-making is transparent, well documented and free from bias;
- The school operates within its budget through effective financial planning;
- Unauthorised people do not have access to pupils, systems or the site;
- Staff are paid in accordance with the school pay policy;
- All unofficial funds are held securely and used in accordance with their agreed purpose; and
- Security arrangements keep data and assets secure.

Audits are being undertaken through both remote working and physical visits. A total of seven school audits were delivered in quarter four. The table below shows a summary of the schools audited together with the final level of assurance reported:

Name of School	Audit Opinion
Lyne and Longcross Church of England (Aided) Primary School (Chertsey)	Partial Assurance
Cranleigh Church of England (Voluntary Controlled) Primary School (Cranleigh)	Reasonable Assurance
The Royal Kent Church of England Primary School (Oxshott)	Reasonable Assurance
Yattendon Primary School (Horley)	Reasonable Assurance
Burhill Primary School (Walton-On-Thames)	Reasonable Assurance
St Mary's Church of England (Aided) Junior School (Long Ditton)	Reasonable Assurance
Barnett Wood Infant School (Ashtead)	Substantial Assurance

We undertake follow-up audits at all schools with minimal assurance opinions and most schools with partial assurance.

Where common themes arise across a number of schools, these areas are flagged for inclusion in school bulletins so that all schools can be advised of potential areas of weakness and of potential improvements to their control environments. A selection of common themes identified to the end of quarter four included:

- Key governance and policy documents at schools were in need of updating;

- Unofficial school funds were not being stewarded robustly, increasing the risk of financial loss due to error and/or fraud;
- Inadequate controls existed over the use and storage of purchasing cards; and
- Insufficient detail was contained in the financial reports provided to Governors, reducing oversight and the ability to scrutinise and challenge effectively.

Grant Certification

During quarter four the following three grant claims were successfully certified in accordance with Government requirements:

- Adult Weight Management grant - £288,263
- IMAGINE (EU) grant - €21,489 (approximately £18,956)
- Troubled Families grant - £0 (certification of zero balance required)

Counter Fraud and Investigation Activities

Counter Fraud Activities

We have liaised with relevant services to provide advice and support in processing the matches received as part of the National Fraud Initiative. We continue to monitor intel alerts and share information with relevant services where appropriate.

Summary of Completed Investigations

Conflicts of Interest

We investigated a service manager for failing to declare a commercial interest in conflict with their role at the Council. The investigation found that the manager, who was responsible for the placement of children, owned the home where he was placing service users. Following a fact-finding interview, the service manager resigned from their position. A control report was issued, and actions agreed with the service to improve the control environment.

Initial enquiries were also conducted following an allegation that an Assistant Team Manager in Adult Social Care had failed to declare a financial interest with a provider. Enquiries confirmed that a declaration of interest had been made and no further action was required.

Petty Cash

Advice was provided to Surrey Fire and Rescue Service to strengthen controls following an allegation that £440 had gone missing from petty cash at Woodhatch. The money was unrecovered, but following our advice the imprest account was closed with alternative arrangements put in place.

Hinchley Wood Primary School Court Case

A Police investigation and subsequent court case led to a former school business manager being convicted on four counts of fraud during quarter 4. The investigation, originally referred by us to the Police in 2018, proved that the individual had abused her position as signatory of unofficial school funds and transferred funds to herself. In addition, she had manipulated pay returns to falsely inflate her salary. The individual has been sentenced to six and a half years. We are continuing to support the Police and the school with financial recovery.

Action Tracking

All high priority actions agreed with management as part of individual audit reviews are subject to action tracking. For the purpose of this exercise we seek written assurance only from management that actions have been completed. Evidence of implementation is sought during formal follow-up audits following lower assurance audits.

All high-priority actions due to be implemented by management by the end of quarter four had been implemented.

Amendments to the Annual Audit Plan

In accordance with professional practice, the Internal Audit plan for the year was kept under regular review to ensure that the service continued to focus its resources in the highest priority areas based on an assessment of risk.

Audits added to the agreed audit plan during this final quarter are shown in the table below. No planned audits were removed from the plan in the final quarter. Changes to the plan have been made on the basis of risk prioritisation and/or as a result of developments within the service areas concerned requiring a rescheduling of audits.

Additional Audit	Rationale for addition
Health & Safety Governance Arrangements	A request was received from the Executive Director – Customers & Communities for a review of the governance arrangements determining the positioning and reporting of the Health & Safety function within the Council.
Serious Incident Reporting & Escalation Protocols	A request was received from the Chief Executive for a review of the effectiveness of processes through which 'serious' incidents are identified for escalation from directorates through to the top of the organisation.

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