

# INTERNAL AUDIT ANNUAL REPORT & OPINION 2023/2024



## 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 In accordance with the audit plan for 2023/24, a programme of audits was carried out covering all Council directorates and, in accordance with best practice, this programme was reviewed during the year and revised to reflect changes in risk and priority. All adjustments to the audit plan were agreed with relevant services and reported through the year to Corporate Leadership Team (CLT) and to the Audit and Governance Committee as part of our periodic internal audit progress reports. Full details of the adjustments to the plan can be found from paragraph 5.17.

2.3 It should be noted that whilst there were some audit reports in progress or at draft report stage at the year-end, 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 to the Audit and Governance Committee once each of the reports has been finalised with management.

2.4 The implementation of MySurrey (the Council's ERP replacement solution for SAP) has had a major influence on our planned work for 2023/24. This is discussed in detail in the section from paragraph 5.9 for Key Financial Systems.

2.5 As in the previous year, we have received a significant amount of new referrals for assurance activity from senior management throughout 2023/24. This reflects well on our service indicating that we are seen as a key part of both promoting and maintaining good governance and adding value through our work. It is also a healthy sign in terms of the Council having the maturity to request independent assurance in critical areas, knowing that such work may result in lower assurance opinions. It has, at times, led to challenges in our being able to reprioritise and reschedule our work, although our plan is purposefully flexible to allow for emerging risks and issues.

2.6 Allowing for these additional demands on our time 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.

### 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**<sup>(1)</sup> that Surrey County Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2023 to 31 March 2024.

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, it is important to note that internal audit activity has identified a number of significant areas where the operation of internal controls has not been fully effective, as reflected by the eight partial assurance opinions issued in the year (excluding school audits). Further details on these are provided below.

3.3. In addition, a further four audits of partial assurance were in draft report stage at the year-end, and two audits with fieldwork largely completed also likely to be of partial assurance. Again, some of these reviews fell into areas of significance in terms of financial materiality to the Council, or in areas of significant service delivery. No minimal assurance audits were issued in the past year and all audits of partial assurance will be subject to follow-up audits in 2024/25 to ensure the expected improvements have occurred.

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

3.5 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 2023/24, both planned and unplanned;
- Follow-up of actions from previously reported low assurance audits;
- Management's response to all findings and recommendations;

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<sup>1</sup> 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.

- 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 2023/24, several planned piece of work were deferred at the request of service management, or because the audit could not be undertaken effectively due to the implementation issues around MySurrey. Where this has occurred, all of the affected reviews are included in our 2024/25 plan and their non-completion does not have a material bearing on the final overall opinion we have given.

4.3 It should be noted that for the first time in a number of years we have undertaken two follow-up audits in 2023/24 where we have been unable to increase the level of assurance from that originally given. Both audits were in draft at the year-end, with one (Tree Management) having been issued early in quarter one of 2024/25 and the second (Social Value in Procurement) currently being finalised for issue in that same period. Delays in implementation of actions are attributed to resource and capacity issues, rather than any issues around a lack of management engagement.

4.4 An analysis of the distribution of lower assurance audits identified that five of the eight finalised reports fell within the Children, Families and Lifelong Learning (CFLL) directorate. There is also one audit of partial assurance in draft at the year-end that falls within this directorate. The scope of areas covered by these reports is broad, covering Education (contract management; unofficial school funds) as well as service delivery and core finance systems in Children's services. We have discussed this trend with the Executive Director and will continue to both follow-up these audits in the new year plan and liaise closely to ensure sufficient assurance work continues to be delivered in these areas.

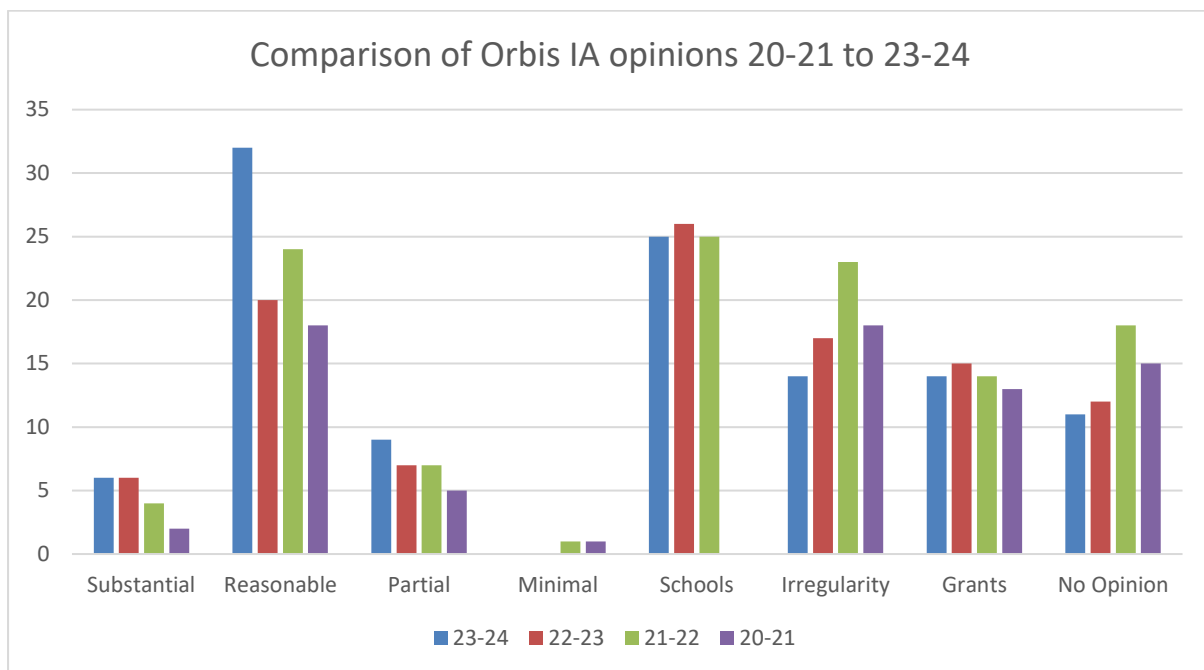
## 5. Key Internal Audit Issues for 2023/24

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 2023/24, compared to the previous three 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 corporate projects and programmes.

5.4 Although the graph above shows a marked increase in the number of reasonable assurance opinions compared to just a modest increase in those of partial assurance, it is the significance of the areas into which these lower assurance opinions fall, rather than the absolute numbers of opinions given overall, that drives our overall opinion for the year.

5.5 A total of eight service-based audits received partial assurance opinions within the year, a slight increase on 2022/23. They were as follows:

- Single View of a Child Programme
- Health & Safety Governance Arrangements
- Schools Alliance For Excellence (SAfE) Contract
- Unofficial School Funds
- Surrey Fire & Rescue Business Safety
- S106 Payments
- LiquidLogic Integrated Finance Technology (LIFT)
- Education, Health & Care Needs Assessment Communications Protocol

5.6 There six more audit reports in draft at the year-end with provisional opinions of partial assurance:

- Accounts Payable
- General Ledger (Integrations)
- Transition of Children to Adult Social Care
- Tree Management Follow-Up
- Social Value in Procurement Follow-Up
- Fuel Cards

Whilst fieldwork is still ongoing, it is highly likely that our current audit of Payroll will also receive a lower assurance rating based on testing in the control environment so far completed.

5.7 The graph above also identifies that the distribution of schools audit opinions from the 25 completed schools audits is predominantly of reasonable assurance (21 schools, including two schools previously assessed as partial assurance earlier in the year), with 4 schools of partial assurance and no schools given minimal assurance in the last year. 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 2023/24 supports our overall opinion of Reasonable Assurance for the Council as a whole.

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 and engagement following any audit issued last year.

5.9 Additionally, an exercise to seek verbal management assurance that all medium and low priority actions due for implementation from 2023/24 completed audits has identified no areas for concern where agreed actions have been left unaddressed.

### Key Financial Systems

5.10 Given the substantial values involved, each year a significant proportion of our time is usually spent reviewing the Council's key financial systems, both corporate and departmental. In scheduling our work around the timing requirements of the new ERP solution, the first quarter of 2023/24 saw us carrying-forward and completing key financial systems audits from the 2022/23 plan in the following areas under the legacy SAP processes:

#### Substantial Assurance:

- Accounts Payable
- Accounts Receivable

#### Reasonable Assurance:

- Pension Fund Investments

5.11 With regard to MySurrey, our original plan had been to audit all of the financially material systems in 2023/24 based on the planned implementation timetable. However, with the go-live of the new ERP being delayed until June 2023, and remedial work necessary to address issues across the new system, delivery of this plan was not possible. We had anticipated initial challenges for a newly implemented ERP solution of this scale, and as such had allowed sufficient flexibility to amend our plan, whilst still covering sufficient work to be able to give an Annual Opinion at year-end.

5.12 We agreed with the Council's interim S151 Officer a revised programme of audits to review Accounts Payable; Accounts Receivable; Payroll; and General Ledger (Integrations). Remaining key financial systems work has been rescheduled for the 2024/25 plan, starting with the audit of Revenue Budgetary Control, and also the audit of Financial Assessments and Income Collection in Adult Social Care.

5.13 Audit work around this revised plan commenced in quarters three and four. Our assurance activity was focused on reviewing key controls within core processes, and in documenting the new system processes (or reviewing the available system documentation where this existed). Findings from this work identified areas of generic weakness, including:

- A lack of signed-off system process maps, flowcharts, or procedure notes;
- Insufficient training for the staff operating the new MySurrey systems;
- Temporary or workaround processes in place (frequently undocumented) where processes in place did not operate as expected, or were not part of system design;
- A significant number of concerns about system design and operation raised by staff via issues logs with the system developer, Unit 4; and
- Longer than expected delays for issues to be resolved by the developer.

5.14 As at the 31 March 2024, one these audits had been completed, with two reports in draft, as follows:

Reasonable Assurance:

- Accounts Receivable (final report)

Partial Assurance:

- Accounts Payable (draft report)
- General Ledger (Integrations) (draft report)

Work-in-progress:

- Payroll

5.15 In recent years we have dedicated a significant resource from our annual plan to the audit of LGPS Pension Administration. The programme of work within the service to address historic control weaknesses continues in a positive direction, and we continue to work closely with management to provide assurance in agreed areas of risk.

5.16 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. Audit work completed in 2023/24 shows that the direction of travel for assurance is still positive, though we note that one follow-up audit around banking controls could not be completed in the year as planned due to issues within MySurrey. This audit has been rescheduled to 2024/25.

Substantial Assurance:

- LGPS Performance Follow-Up (*previously partial assurance*)

Reasonable Assurance:

- Surrey Pension Fund Investments (2023/23 SAP based audit carried forward into 2023/24)
- Surrey Pension Fund Governance Arrangements
- Surrey Pension Fund Cyber Security Arrangements
- Surrey Pension Fund Administration (Transfers-In)

### Other Internal Audit Activity

5.17 During the year we have 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 regular and ad hoc 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;
- Corporate Risk and Resilience Forum;
- DB&I Programme Board; and
- Transition to Business-As-Usual Board (MySurrey).

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

5.19 Our assurance work around Corporate Governance has identified a theme where officers across directorates are not as familiar with the existence and purpose of key governance policies as we would have expected. This may be a result of a number of factors, including potential inadequate induction arrangements. As such, we will seek to conduct a review of corporate and directorate induction arrangements within 2024/25.

5.20 Ahead of the MySurrey go-live, we continued to provide advice to the Digital Business and Insights (DB&I) Programme Board. However, we were unable to complete all of our planned assurance activities due to a number of factors, including non-availability of documentation around the final 'to-be' processes and resourcing pressures within the programme itself. Consequently, our work at that time focused upon reporting such concerns that we had about the control environment to the Board as well as flagging areas of potential concern and risk to ensure the Board were as fully sighted as possible for decision-making to inform MySurrey go-live.

### Anti-Fraud and Corruption

5.21 During 2023/24, 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, and in respect of the National Fraud Initiative, 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**

5.22 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:

- Advice to A3 Electric Vehicle (EV) Grant Funding Programme governance;
- S106 Funding
- Serious Incident Reporting and Escalation Protocols
- Pendell Camp Paperwork
- Selecta Catering Contract Lessons-Learned
- External Grant Income (EIG)
- Housing Upgrade Grant
- Surrey Fire And Rescue Business Safety
- LiquidLogic Integrated Finance Technology (LIFT)
- IT Asset Records Management
- Disposal of Council Land and Property
- Education, Health and Care Needs Assessments (EHCNAs) Communication Protocol
- Ukraine Funding
- Community Services Equipment Contract
- Pro-active Fuel Card Data Analysis
- Pro-active Purchasing Card Data Analysis
- Local Government Pension Scheme Pension Auto-Enrolment

5.23 In order to allow these additional activities to take place, the following audits were removed or deferred from the 2023/24 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:

- School Basic Needs Grant Allocation
- Digital Data Preservation
- Procurement Regulatory Changes
- Integrated Care Systems Governance Arrangements
- Capital Budgetary Control
- PLANON support
- Revenue Budget Monitoring
- Project Indigo (Follow-Up)
- Planning (Follow-Up)
- Children's Homes
- MySurrey User Access & Security Review

## **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 2023/24, including the results of our most recent independent PSIAS assessment (2022) 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 2022 by the Chartered Institute of Internal Auditors:

- 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 As reported to the Audit and Governance Committee in January 2023, Orbis Internal Audit was assessed as achieving the highest level of conformance available against professional standards, with no areas of non-compliance identified. Our most recent self-assessment against the standards in 2023 found that this continued, with only minor areas for improvement identified.

## 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.

6.7 Over the course of the year we have received positive feedback on a range of completed audit assignments from management within services. The following 'word cloud' identifies some of the key, positive phrases used to describe our service and that contributed to a 100% satisfaction rate being recorded in year:



6.8 We will continue to liaise with the Council’s external auditors (Ernst Young) to ensure that the Council obtains maximum value from the combined audit resources available.

6.9 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* | <b>G</b>  | Approved by Audit and Governance Committee on 8 March 2023.   |
|  | Annual Audit Report and Opinion (for 2022/23)             | By end July   | <b>G</b>  | Approved by Audit and Governance Committee on 12 July 2023.   |
|  | Customer Satisfaction Levels                              | 90% satisfied | <b>G</b>  | 100%  |
| Productivity and Process Efficiency    | Audit Plan – completion to draft report stage             | 90%           | <b>G</b>  | We achieved delivery of 90.9% of the 2023/24 plan by 31 March 2023  |
| Compliance with Professional Standards | Public Sector Internal Audit Standards                    | Conforms      | <b>G</b>  | <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, and therefore no formal recommendations for improvement arising. In summary the service was assessed as:</p> <ul style="list-style-type: none"> <li>• Excellent in: Reflection of the Standards<br/>Focus on performance, risk and adding value</li> <li>• Good in: Operating with efficiency<br/>Quality Assurance and Improvement Programme</li> </ul> |

| Aspect of Service               | Orbis IA Performance Indicator  | Target                               | RAG Score | Actual Performance   |
|---------------------------------|---|--------------------------------------|-----------|--|
|                                 |   |                                      |           | <ul style="list-style-type: none"> <li>• Satisfactory in: Coordinating and maximising assurance</li> </ul> <p>November 2023 - Updated self-assessment against the Public Sector Internal Audit Standards completed, the service was found to be fully complying with 319 of the standards and partially complying with 2 of the standards, in both cases proportionate arrangements remain in place.</p> <p>November 2023 - Quality Review exercised completed, no major areas of non-conformance identified. The need to ensure consistency in the quality of the evidence contained within a small number of audit working papers was identified; this will be addressed at auditor development days during 2024/25.</p> |
|                                 | Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act | Conforms                             | <b>G</b>  | 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 | <b>G</b>  | 100%   |

| Aspect of Service | Orbis IA Performance Indicator      | Target | RAG Score | Actual Performance |
|-------------------|-------------------------------------|--------|-----------|--------------------|
| Our staff         | Professionally Qualified/Accredited | 80%    | <b>G</b>  | 94% <sup>1</sup>   |

<sup>1</sup> Includes staff who are part-qualified and those in professional training

## Summary of Opinions for Internal Audit Reports Issued During 2023/24

### **Substantial Assurance:**

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

| <b>Audit Title</b>                          | <b>Directorate</b> |
|---|--------------------|
| Accounts Receivable (22/23 audit under SAP) | RES                |
| Accounts Payable (22/23 audit under SAP)    | RES                |
| Connect2Surrey Joint Venture                | RES                |
| PLANON Application Audit                    | RES                |
| LGPS Pension Performance Follow-Up          | RES                |
| Highway Contract                            | EIG                |
| Members' Highway Allocations                | EIG                |

### **Reasonable Assurance:**

| <b>Audit Title</b>  | <b>Directorate</b> |
|---|--------------------|
| River Thames Scheme (Governance Arrangements)                   | EIG                |
| Pension Fund Investments (22/23 under SAP)                      | RES                |
| Surrey Pension Fund Governance Arrangements                     | RES                |
| Corporate Governance  | RES                |
| Adult Social Care Mental Health Service                         | AWHP               |
| Cyber Security  | RES                |
| Procurement Compliance  | RES                |
| Procurement Of IT Systems                                       | RES                |
| Children's Data Handling  | CFL                |
| Home To School Travel Assistance (Follow-Up)                    | CFL                |
| Subject Access Requests & FOI Reporting Arrangements            | RES                |
| Surrey County Council Company Governance Arrangements           | RES                |
| Surrey Fire & Rescue Contract Management Arrangements Follow-Up | SFRS               |
| Surrey Pension Fund Cyber Security Arrangements                 | RES                |
| Adult Social Care Data Handling                                 | AWHP               |
| Accounts Receivable (23/24 under MySurrey)                      | RES                |
| Robotics (Governance Arrangements)                              | RES                |
| Children's Service Complaints Process Follow-Up                 | CFL                |
| Local Government Pension Scheme: Transfers-In                   | RES                |
| Land And Property – Disposal Of Assets                          | RES                |
| Business Continuity Arrangements                                | SFRS               |
| Land And Property – Capital Programme Management                | RES                |

### **Partial Assurance:**

| <b>Audit Title</b>  | <b>Directorate</b> |
|---|--------------------|
| Single View of a Child Programme                                  | CFLL               |
| Health & Safety Governance Arrangements                           | RES                |
| Schools Alliance For Excellence (SAfE) Contract                   | CFLL               |
| Unofficial School Funds   | CFLL               |
| Surrey Fire & Rescue Business Safety                              | SFRS               |
| S106 Payments   | EIG                |
| LiquidLogic Integrated Finance Technology (LIFT)                  | CFLL               |
| Education, Health & Care Needs Assessment Communications Protocol | CFLL               |

### **Minimal Assurance:**

None

### **Grant Claim Certification**

| <b>Audit Title</b>                              | <b>Directorate</b> |
|---|--------------------|
| Supporting Families Grant (x 4 across year)     | CFLL               |
| IMAGINE (EU) Grant                              | EIG                |
| Digitourism (EU) Grant                          | EIG                |
| Multiply Grant                                  | CFLL               |
| Contain Outbreak Management Fund Grant          | AWHP               |
| Housing Upgrade Grant (x 2 across year)         | EIG                |
| Local Transport Capital Block Funding           | EIG                |
| Bus Subsidy Operators Grant                     | EIG                |
| Local Authority Delivery (LAD3) Close-Out Grant | EIG                |

### **Other Audit Activity Undertaken (non-opinion, or position statement)**

| <b>Audit Title</b>                                       | <b>Directorate</b> |
|--|--------------------|
| HMRC Statutory Maternity Pay                             | RES                |
| Pendell Camp Paperwork                                   | RES                |
| Surrey Pension Fund Banking Controls (Interim Follow-Up) | RES                |
| Selecta Catering Contract – Lessons Learned              | RES                |
| Serious Incident & Reporting Protocols                   | CLT                |
| Adult Social Care/NHS Jointly Commissioned Expenditure   | AWHP               |

### **School Audits**

| <b>School</b>  | <b>Opinion</b> |
|--|----------------|
| Ongar Place School (Addlestone)                                | Reasonable     |
| Busbridge Church Of England (Aided) Primary School (Godalming) | Reasonable     |
| Kingswood Primary School (Lower Kingswood)                     | Reasonable     |
| Burstow Primary School (Horley)                                | Reasonable     |
| Manorfield Primary & Nursery School (Horley)                   | Reasonable     |
| St Joseph's Primary Catholic School (Epsom)                    | Reasonable     |



| School   | Opinion    |
|--|------------|
| Horsell Church Of England (Aided) Junior School (Woking) | Reasonable |
| Dormansland Primary School (Lingfield)                   | Reasonable |
| Trinity Oaks Church Of England Primary School (Horley)   | Reasonable |
| Chertsey Nursery School (Chertsey)                       | Reasonable |
| Reigate Parish Church Primary School (Reigate)           | Reasonable |
| Clifton Hill Church School (Caterham)                    | Reasonable |
| Ash Manor Secondary School (Ash)                         | Reasonable |
| Bell Farm Primary School (Walton On Thames)              | Reasonable |
| Ash Grange Nursery & Primary School Follow-Up (Ash)      | Reasonable |
| St Nicholas School Follow-Up (Shepperton)                | Reasonable |
| Shottermill Infant School (Haslemere)                    | Reasonable |
| Wallace Fields School (Ewell)                            | Reasonable |
| Oatlands School (Weybridge)                              | Reasonable |
| The Grange Community Infant School                       | Reasonable |
| Banstead Junior School Follow-Up                         | Reasonable |
| Ash Grange Nursery & Primary School (Ash)                | Partial    |
| St Nicolas School (Shepperton)                           | Partial    |
| Thames Ditton Infant School (Thames Ditton)              | Partial    |
| St Marys Church of England School (Oxted)                | Partial    |

### Directorate glossary

|       |   |
|-------|---|
| CDT   | Customers, Digital and Transformation     |
| CFL   | Children, Families and Life-long Learning |
| CLT   | Corporate Leadership Team                 |
| EIG   | Environment, Infrastructure and Growth    |
| HWASC | Health, Wellbeing and Adult Social Care   |
| RES   | Resources                                 |
| SFRS  | Surrey Fire and Rescue Service            |

### Audit Opinions and Definitions

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

## 1. Audits Completed in Quarter 4 (January to March 2024)

### Section 106 Payments

1.1 Section 106 of the Town and Country Planning Act 1990 outlines planning obligations to ensure developers provide funding under 'S106' agreements to mitigate the impact of developments through community and social infrastructure.

1.2 This audit was an addition to our agreed Internal Audit Plan for 2023/24 at the request of management in the Environment, Infrastructure, and Growth (EIG) directorate. It followed an audit of Planning in 2022/23 that had an opinion of Partial Assurance and identified that mechanisms to monitor and manage S106 funding were not robust.

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

- The roles and responsibilities of key officers were clearly defined and understood;
- Robust arrangements were in place to monitor and report on the status of S106 funding, enabling management to make informed decisions;
- There were mechanisms in place to utilise S106 funds in a timely manner; and
- There were processes in place to support the effective use of S106 funding.

1.4 Following our review, we concluded that our final opinion was of **Partial Assurance** over the controls operating within the area under review because:

- Insufficient action had been taken to ensure S106 contributions were spent in a timely manner;
- There was a lack of ownership for ensuring S106 contributions were spent;
- The MIDAS system (used to manage S106 agreements and funding) was ineffective;
- c.£9m spent on capital projects in Education potentially could have been funded in part by S106 monies;
- We were unable to provide assurance that the proposals to replace MIDAS incorporated the needs of all stakeholders.

1.5 Whilst we were only able to provide limited assurance over most of the areas audited, we gave an audit opinion of Partial Assurance in recognition of the work already initiated by new management to address the long-standing/historic issues. Our audit identified and agreed seven actions with management, five of which were high priority and two of medium priority. We will undertake a follow-up of this audit as part of our 2024/25 annual plan to ensure these actions are implemented.

### LiquidLogic Integrated Finance Technology (LIFT)

1.6 The Single View of a Child programme in Children's Services included the implementation of the Liquidlogic product LIFT, to replace the existing finance system. The LIFT system was designed as a pilot scheme by Liquidlogic in partnership with the Council.

1.7 This audit was an addition to our agreed plan for 2023/24 when it became clear that LIFT would not be a long-term solution as support for it by LiquidLogic was being withdrawn.

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

- There were appropriate governance, risk, and control arrangements in place;
- System use by staff complied with expected new procedures, and outputs were as expected; and
- Arrangements were in place to ensure continuity of an effective finance solution when the provider ceases to support LIFT.

1.9 Following our review, we concluded that our final opinion was of **Partial Assurance** over the controls operating within the area under review because:

- Duplicate payments had been processed despite the system control environment;
- There were system issues that affected the processing of payments leading to delays in the payment of providers;
- The accuracy and quality of system data had not been fully verified post go-live;
- Reducing spreadsheet use had been compromised due to poor system functionality;
- Changes to personnel could undermine effective governance arrangements; and
- The Service Level Agreement in place was not specific to LIFT, and may not address specific system issues.

1.10 Management recognised the seriousness of the risks arising from our review affecting the integrity of system data, the ability to pay providers accurately and on time, and the control environment being weakened through workarounds and manual spreadsheet processes.

1.11 Our audit identified and agreed eight actions with management, five of which were high priority and three of medium priority. All of the high priority actions had implementation dates by the end of quarter one of 2024/25. We will undertake a follow-up of this audit as part of our 2024/25 annual plan to ensure agreed actions have been implemented.

### **Education, Health and Care Needs Assessments Communication Protocol**

1.12 Education, Health, and Care Plans (EHCPs) are legal documents outlining the Special Educational Needs and support required by a child or young person aged between 0-25, as well as outcomes and resources provision required to achieve them. EHCPs are issued where required following an Education, Health, and Care Needs Assessment (EHCNA).

1.13 This review was an addition to our plan following a request from the Children, Families, Lifelong Learning and Culture Select Committee. The purpose of the audit was to determine whether the Council had responded to EHCNA-related communications with parents according to the guidelines set within its Communications Protocol.

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

- Guidance ensured staff are aware of their responsibilities and associated timeframes for activities;
- The quality of communications ensured the relevant parties were kept informed;
- Relevant parties were responded to within specified timeframes; and
- Communications were appropriately recorded and stored.

1.15 Following our review, we concluded that our final opinion was **Partial Assurance** over the controls operating within the area under review because:

- A significant number of the communications between staff and services users were incorrectly recorded on local drives rather than in the 'Wisdom' system;
- We found evidence of records being stored against the wrong service user;
- There was little evidence of telephone or Teams calls being correctly logged;
- Inconsistencies in the recording of communications hampered effective reporting for both performance metrics and quality review purposes; and
- We identified several areas in which the Protocol could be improved for clarity.

1.16 Our audit identified and agreed six actions with management, one of which was high priority, four of medium priority, and one of low priority. We will undertake a follow-up of this audit as part of our 2024/25 annual plan to ensure agreed actions have been implemented.

### **Surrey Fire and Rescue Service (SFRS) Business Safety**

1.17 SFRS works with businesses to ensure that they have effective fire safety management to protect people and property. There are approximately 42,000 business premises in Surrey covered by the Regulatory Reform (Fire Safety) Order 2005 (FSO), the primary legislation governing fire safety in buildings in England and Wales.

1.18 Service management requested this review following the 2023 inspection by His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS). Our audit set out to provide assurance that controls were in place to meet the following key objectives:

- Risk ratings were consistently applied to buildings to support the effective delivery of the service's Risk Based Inspection Programme (RBIP);
- Inspection-related policies were complied with to ensure consistent decision-making;
- Outcomes from inspections are appropriately followed-up and monitored; and
- There were clear processes to allocate appropriate resource to tasks.

1.19 Following our review, we concluded that our final opinion was of **Partial Assurance** over the controls operating within the area under review because:

- Weekly inspections were lower in number than the target required and consequently the service was unable to achieve their statutory duty in this regard;

- Allocation of resource was inefficient, being made on a geographical basis rather than using the building risk ratings to allocate it to the higher-risk premises first;
- Not all outstanding cases following inspection were followed-up as expected; and
- Standard Operating Procedures and policies had not been regularly updated.

1.20 Our audit identified and agreed five actions with management, two of which were high priority and three of medium priority. We will undertake a follow-up of this audit as part of our 2024/25 annual plan to ensure agreed actions have been implemented

## Accounts Receivable

1.21 Accounts Receivable (AR) is a key financial system responsible for the management and control of income due to the Council. The AR module sits within the Council's new ERP solution, MySurrey.

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

- Customer account maintenance and sales order processes were in place;
- Fees and charges were accurately applied to income generating activities;
- Payments received were recorded promptly against the correct customer account;
- Amendment of invoices/issuing of credit notes was restricted to authorised officers;
- Reconciliation between Sales Ledger and General Ledger was regularly undertaken;
- Write-off of irrecoverable debts was subject of appropriate challenge and approval;
- Debt position and recovery performance was monitored and reported; and
- Any interim process workarounds were clearly documented, with transition to business-as-usual processes being planned appropriately.

1.23 Our testing confirmed that key controls were in place as expected. We identified that:

- Schedules of fees and charges existed and were being correctly applied in invoices;
- Invoices had a unique reference number, helping to track and account for income;
- Invoices were raised in a timely manner to facilitate prompt payment;
- The ability to raise customer refunds or credit notes was appropriately restricted;
- There was independent daily reconciliation of the income received per the bank statement to the general ledger; and
- There was appropriate reporting and monitoring of the debt position, and appropriate approvals were sought before any debt was written-off.

1.24 We also identified a number of areas for potential improvement to the control environment:

- Certain system roles were not suitably configured to enforce separation of duties;
- At the time of our audit there was over £50m of unallocated income in a suspense account that required review and reallocation;

- We identified a number of duplicate customer accounts on the system; and
- A number of interim process workarounds had not been documented, which could lead to variations and/or mistakes in the way they were undertaken.

1.25 Overall we were able to give this system an overall opinion of **Reasonable Assurance**, with two medium and two low priority actions being agreed with management to address weaknesses identified.

### **Robotic Process Automation (Governance Arrangements)**

1.26 Robotic Process Automation (RPA) is a form of business process wherein a robot is defined by a set of instructions to perform tasks automatically. The main benefit of this is to remove repetitive, rule based and time-consuming tasks from staff. However, if automation is not well governed and managed it can present significant data security and integrity risks.

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

- All RPA activity is documented to enable clear accountability and consistency;
- Roles and responsibilities for RPA are clearly documented and understood;
- RPA is controlled and monitored to ensure accountability should problems occur; and
- RPA is only in place for suitable tasks which improve productivity and are financially beneficial.

1.28 We were able to give an overall opinion of **Reasonable Assurance** following this review as we found key controls to be in place as expected. In particular:

- Each RPA was clearly documented through a Process Definition Document, which also identified relevant officers, roles and responsibilities;
- Each RPA was built with an integrated activity log to keep track of all successful and unsuccessful activity;
- Controls within the design process ensured benefits were reviewed and assessed at each stage, and effective monitoring ensured they were realised wherever possible.

1.29 We identified two areas for improvement:

- Whilst we found that the governance controls over the RPA's designed, built and managed by the Robotic Development Team (RDT) were robust, we identified that there is no guidance or control over any robots or system automation built using software that is corporately available; and
- RPA's or other automated processes created outside of the proper channels are not recorded, and therefore we were unable to provide assurance over any governance arrangements for these. Additionally, there was no signposting to RDT for anyone considering creating their own process.

1.30 Two actions were agreed with management to address these weaknesses.

## Children, Families, and Life-long Learning (CFLL) Customer Complaints (Follow-Up)

1.31 An audit of the CFLL complaints process was completed in 2022/23, with an audit opinion of Partial Assurance. As part of our planned work for this year we agreed with management to undertake this follow-up audit to review progress in implementing agreed actions.

1.32 We had raised two high and six medium priority actions during our original review relating to:

- The need for additional resources within the Customer Relations Team;
- The inclusion of a new risk in the service risk register relating to the directorate's ability to effectively handle, and learn from, complaints received;
- Streamlining the communications channels utilised to process complaints;
- Using the CaseTracker system to issue all responses to complaints;
- The implementation of a dashboard to provide effective management information;
- The re-branding of the complaints process; and
- Formalising relationships between the Council's three complaints teams.

1.33 Following our review we were able to improve the level of assurance given to that of **Reasonable Assurance**. We identified that whilst some agreed actions had not been fully implemented, the direction of travel was both significant and positive, including:

- The creation of a dashboard for improved reporting of metrics was ongoing, with an interface under development to allow Tableau to draw data from CaseTracker. We are the first local authority department to request this from the provider so technical challenges still exist. An interim solution is currently in place for reporting;
- Plans to formalise relations between the three complaints teams continues and recruitment to the role of practice-lead has started but remains ongoing.

1.34 We have re-agreed two actions with the service to keep these matters in hand.

## Local Government Pension Scheme – Transfers-In

1.35 The Council is the statutory administering authority for the Surrey Pension Fund. The Fund annually collects c.£190m in contributions from members and their employers, which includes the processing of 'transfers-in', wherein pension benefits are transferred into the Fund upon an individual commencing employment with the Council (or other Fund member).

1.36 This was a planned audit in our 2023/24 plan, the purpose of which was to provide assurance that controls were in place to meet the following objectives:

- There were clear and up-to date-policies in place that govern the administration of transfers into the scheme, compliant with the requirements of scheme legislation;
- Clear guidelines were in place for external pension funds to provide all necessary information to the Council so that transfers-in are administered in a timely manner;



- Transfers-in are subject to checks to ensure that correct amounts are input; and
- Transfers-in are actioned in line within published timeframes and statutory guidelines.

1.37 Our audit identified that the expected controls were in place and operating as expected, including:

- The guidance in place was assessed as adequate for the administration of pension transfers-in from both other LGPS and non-LGPS funds;
- A documented process existed to request all necessary information from other funds;
- Testing identified that all documentation for a sample of transfers was retained on the member file, balances transferred had been subject to appropriate checks for accuracy, and that received benefits had been reflected on the members' record and within the agreed dates for finalisation.

1.38 Overall, we were able to give this area an overall opinion of **Reasonable Assurance**, agreeing a medium priority action with management to address a weakness identified where system documentation and process maps needed updating.

### Land and Property – Disposal Of Assets

1.39 In quarter four a complaint was received relating to the sale of a Council-owned residential property, in which it was alleged that there were conflicts of interest in respect of key participants in the sale. Following an investigation, the allegation was found to be wholly without foundation.

1.40 However, with the agreement of management we added this audit to our plan, the purpose of which was to provide additional assurance that controls were in place within the disposals process to meet the following key objectives:

- Governance arrangements relating to Council property sales (for both investment properties and operational land and property) addressed potential risks, including arrangements for the declaration and management of potential conflicts of interest;
- Completed and in-progress property disposals were fully compliant with the relevant governance framework; and
- The selection of buyers and estate agents was demonstrably and robustly transparent and subject to appropriate due diligence.

1.41 Following our review of the governance arrangements in place across both the Council and Halsey Garton Property Investment Ltd (HGPI), we concluded that our final overall opinion was one of **Reasonable Assurance**.

1.42 In reaching this opinion we identified that:

- A process flowchart delineated the process of progressing a disposal;
- Testing of a sample of six disposals demonstrated these procedures were followed;

- An Acquisition and Disposal module had been implemented in Planon, and the migration of all available records into it was underway;
- Financial Regulations outlined the approval and thresholds for the asset disposal;
- Recent improvements in internal governance, particularly through the Property Panel and Asset Strategy Board, have strengthened arrangements;
- The appointment process for of selling agents was robust and compliant with Procurement and Contract Standing Orders;
- Disposal arrangements for HGPI managed properties are set out in the approved Company Strategy with governance managed through the Shareholder Investment Panel, the Strategic Investment Board, and Cabinet; and
- Arrangements across teams to remind relevant staff of their responsibilities to declare any interests under the Council's Code of Conduct were in place.

1.43 We agreed five medium priority actions with management around the maintenance and storage of records (particularly older records), and around further enhancing procedures and the use of Planon.

### **Business Continuity Arrangements**

1.44 The Civil Contingencies Act 2004 places a statutory duty on local authorities, as a 'Category 1' responder, to develop, maintain and test business continuity plans to provide a controlled resumption of prioritised services within expected timescales in response to a disruption to business-as-usual.

1.45 This audit was part of our agreed 2023/24 plan, and its purpose was to provide assurance that controls were in place to meet the following objectives:

- Adequate arrangements were in place in relation to Business Continuity Planning;
- Effective channels of communication exist between the Corporate Resilience Group, Corporate Risk and Resilience Forum, and directorates;
- A Business Impact Assessment had been completed to identify the Council's critical services, key partner organisations, work streams, and other dependencies;
- Effective plans had been developed, maintained, and communicated;
- Effective contingency plans are in place if core IT systems become unavailable; and
- Business continuity plans are tested and validated at regular intervals.

1.46 We were able to provide assurance that the expected arrangements were in place and operating effectively, in particular:

- There was a well-defined and robust framework for managing business continuity;
- Business continuity information/documentation was accessible and securely stored;
- Responsibility for business continuity invocation and escalation was defined;
- Business Impact Analyses conducted at service level had successfully identified key activities, associated risks, recovery time objectives, and dependencies;
- Governance arrangements for reporting/oversight of business continuity were robust;
- Adequate contingency considerations were built into contracts with key suppliers including a 'Supplier Failure Delivery Plan'; and

- Effective annual testing of corporate and departmental plans is currently in place, coordinated by the Emergency Management Team.

1.47 We identified where improvement could be made within existing processes, most notably to formally track the learning outcomes from annual test exercises and to share them more widely across services. Two actions were agreed with management in this respect, and our overall opinion in this area was of **Reasonable Assurance**.

## Land and Property – Capital Programme Management

1.48 The Council is currently transitioning to a framework arrangement to identify external providers to deliver project management for the capital programme, and has commissioned an in-house Project Management Office (PMO) to oversee compliance with governance arrangements within this framework.

1.49 Given the changes to systems and procedures, management requested we review the governance arrangements associated with project management and budgetary control via the newly established internal PMO. In addition, we considered any impact of the recently introduced MySurrey ERP solution within current arrangements.

1.50 The specific scope of this audit was to provide assurance that key controls were in place to meet the following key objectives:

- Governance arrangements associated with the newly established internal PMO were appropriate and robust, and aligned to MySurrey processes;
- Individual capital projects were being delivered on time and within budget; and
- Delivery of significant capital projects demonstrably delivered VfM.

1.51 We concluded that the current arrangements were both effective and appropriately controlled. In particular we identified that:

- The internal PMO had been successful in improving the capital programme management process;
- Monthly reporting to the Capital Programme Board included the expected metrics, risk and issues logs, gateway tracking and summary of benefits;
- Documentation was in place to demonstrate compliance with procedures, though it was difficult to locate documentation for stages completed before the establishment of the internal PMO in May 2023;
- Financial control was overseen by the PMO and by Land & Property Business Delivery through an effective financial tracker covering all portfolios; and
- The introduction of MySurrey had little impact on capital programme management to date, as there was no significant functionality that was available on the previous SAP system that is not currently available.

1.52 Based on our review we provided an opinion of **Reasonable Assurance** in this area, agreeing three actions with management to improve arrangements around risk identification in respect of planning delays, document management, and process mapping.

## Highway Contract

1.53 As Highway Authority, the Council is responsible for maintaining approximately 3,000 miles of roads across the county of Surrey. The current highways contract is delivered by Ringway Infrastructure Services through a Term Partnering Contract, wherein Surrey Highways and Ringway work together as an integrated team.

1.54 A commercial review of the contract was undertaken by Procurement in June 2023 and focused on governance arrangements and financial performance. It concluded that the contract was being managed reasonably well by the service and that it appeared to represent value for money.

1.55 Rather than replicating this governance-based review, the primary objective of our audit was to look at outputs from the contract related to planned highway maintenance on roads to ensure it was operating as expected, with a focus on the following key controls:

- The quality of work carried out was monitored effectively;
- There was a process in place for the Council to challenge substandard or failed work;
- Estimates provided by the contractor were accurate and enabled effective decision-making; and
- Works were planned and programmed in the most effective manner.

1.56 Our review concluded that these expected controls were in place and operating effectively. In particular:

- Seven Performance Boards meet monthly and are accountable for various aspects of the contract;
- The Boards report into a Monthly Contract Review which in turn feeds into the quarterly Core Group, with all being governed by clear terms of reference;
- A robust set of performance metrics have been agreed and are reported to Boards;
- Performance monitoring from senior management is adequate and effective;
- There are effective mechanisms to manage any substandard works; and
- Officers demonstrate a high level of engagement with the contractor, which in turn promotes clear communication channels, minimising disruption to residents from road closures.

1.57 We identified that 66% of schemes that we tested had exceeded the initial financial estimate, with 46% of these having a final cost of 10% or more than the original estimate. However, a newly agreed performance indicator is set to identify where an estimate has a final value of +/-10% from its original value. At the time of our review this was not fully established, but will enable greater visibility and monitoring of future estimates and final scheme costs.

1.58 Following our review, we concluded that the strength of controls in place warranted an overall opinion of **Substantial Assurance**.

## Member Highways Allocations

1.59 In February 2022, the Cabinet agreed to increase the budget allocation directly available to Members for highways improvements, supporting the commitment to Empowering Communities. This enables Members to have a more constructive way of prioritising highways works to benefit residents within their divisions from their Member Allowances.

1.60 We undertook a review of the processes around Member highways allocations in order to provide assurance that controls are in place to meet the following key objectives:

- Road and pavement renewal and repair work commissioned by Members are delivered in accordance with approved procedures; and
- Such work demonstrates value for money.

1.61 We concluded that:

- Governance in respect of these capital schemes was strong, with detailed procedures appropriately documented and communicated to Members;
- There was approval of schemes via the relevant Cabinet Member and Select Committee;
- Schemes submitted by Members were appropriately scored by officers in accordance with agreed criteria;
- Communication to Members regarding the success of otherwise of their selected schemes was both timely and clear;
- Budgetary control on works was appropriate and effective;
- Assessment of value for money happens initially as part of prioritisation process and work is costed and delivered based on a tendered contract.

1.62 Following our review we concluded an overall opinion of **Substantial Assurance** in this area, with one action being agreed with management to further improve the arrangements in place for gathering Member feedback around this process.

## Other Work

### Care Quality Commission (CQC) Assurance Framework

1.63 The Health and Care Act 2022 introduced a duty for the CQC to carry out and report on reviews of local authorities' performance of their responsibilities under the Care Act 2014. The new assessments generate an overall rating and score across four themes: Working with People; Providing Support; Ensuring Safety Within The System; and Leadership.

1.64 Throughout the past year we provided support and advice to the service, including:

- Attending focus group meetings to learn about the new assurance framework;

- Inputting into the self-assessment, in particular regard to the quality statement relating to ‘Governance, Management, and Sustainability;’
- Being interviewed as part of the Local Government Association’s ‘Test of Assurance’ in preparation for the new arrangements; and
- Providing advice in regard to safeguarding and Learning Disability case audits.

### **Treasury Management (Interim Follow-Up)**

1.65 Our last review of Treasury Management provided an opinion of Reasonable Assurance. One medium priority action was agreed with the service regarding the need for reconciliation between the Treasury Management record, the bank account, and the general ledger.

1.66 Ahead of a full audit of this area in 2024/25, we sought confirmation from the service that this action had been implemented as expected, and obtained evidence to confirm this. We have also received verbal assurance that there have been no changes related to day-to-day treasury management processes following the implementation of MySurrey, other than those relating to how the transactions are coded from the bank statement.

### **Risk Management**

1.67 Following successive years of high assurance audits in this area, our focus in 2023/24 was to provide assurance to the Head of Strategic Risk over the Council’s Corporate Risk Register through the comparison of our top five strategic risks to those of other similar local authorities.

1.68 The comparison was twofold:

- Firstly, for the top five risks on risk registers, we identified those that were absent from the Council’s corporate risk register to determine whether they merited inclusion or a different risk rating; and
- Secondly, reversing the process, for the top five risks on the Council’s corporate risk register we identified whether these risks were absent from comparable risk registers to again determine whether certain risks merited exclusion or a different risk rating in our corporate risk register.

1.69 We are reassured to identify that fundamentally there were no strategic risks elsewhere that did not appear in the Council’s corporate risk register, albeit that some risks were scored differently.

### **Electric Towns and Cities Initiative (ETCI) Guildford: A3 Air Quality Project**

1.70 Over the course of the year we have provided ongoing advice and support around matters of governance, risk management, and process efficiency relating to a new scheme launched by the Council called ‘Electric Towns and Cities Initiative (ETCI) Guildford: A3 Air Quality Project’. The scheme, funded from Central Government as a pilot scheme nationally, requires the Council to disburse grant funds to companies/organisations to encourage the move to electric vehicles for their commercial fleet. This is done through a grant application process, which is subject to appropriate governance and control mechanisms.

## MySurrey Support & Advice

1.71 We continue to be a part of the Transition to Business-As-Usual Steering Group, a forum of key business owners, programme members, and Transformation team members. The remit of this group includes triangulating service issues and requirements against MySurrey programme plans, and monitoring the progress of service transition to successfully achieve business-as-usual status.

## 2. School Audits

2.1 We continue to provide assurance over individual school control environments and improve our level of engagement with key stakeholders through liaison meetings.

2.2 We have a standard audit programme for all school audits, designed to provide assurance over key aspects within the control environment, including:

- Good governance ensures oversight and challenge by the Governing Board;
- 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 schools pay policy;
- All unofficial funds are held securely and used in appropriately;
- All income due to the school is collected, recorded, and banked promptly.
- Expenditure is controlled and funds used for an educational purpose; and
- Security arrangements keep data and assets secure.

2.3 School audits continue to be carried out through a combination of remote working and physical visits, with an increasing emphasis on the latter.

2.4 A total of eight school audits were delivered in quarter four. The table below shows a summary of the final level of assurance reported to these schools:

| Name of School  | Audit Opinion        |
|---|----------------------|
| <b>St Mary's Church of England Primary School</b> (Oxted) | Partial Assurance    |
| <b>Shottermill Infant School</b> (Haslemere)              | Reasonable Assurance |
| <b>Oatlands School</b> (Weybridge)                        | Reasonable Assurance |
| <b>Wallace Fields Junior School</b> (Ewell)               | Reasonable Assurance |
| <b>The Grange Community Infants School</b> (Addlestone)   | Reasonable Assurance |

| Name of School   | Audit Opinion        |
|--|----------------------|
| <b>Banstead Community Junior School: follow-up</b><br>(Banstead)               | Reasonable Assurance |
| <b>Ash Grange Nursery &amp; Primary School: follow-up</b><br>(Ash)             | Reasonable Assurance |
| <b>St Nicholas Church of England Primary School: follow-up</b><br>(Shepperton) | Reasonable Assurance |

2.5 We aim to undertake follow-up audits at all schools with Minimal and most schools with Partial Assurance opinions. Three such follow-ups were delivered in this final quarter.

2.6 Where we identify common themes arising from school audits, and to help build awareness of those potential areas for improvement, such findings are flagged for inclusion in Internal Audit School Bulletins. Communications such as these, alongside the reports themselves, provide schools with insight and recommendations that can enable them to proactively strengthen their control environments.

2.7 Common themes identified this quarter include:

- School staff should be encouraged to declare any relevant interests;
- Purchase orders should be raised in advance, to agree costs and commit the expenditure to the budget;
- Financial reports sent to Governing Boards should include Cumulative Expense Analysis to strengthen financial oversight; and
- Contracts registers should be maintained for effective contract management.

### 3. Grant Certification

3.1 During quarter four we successfully certified two grant claims in accordance with Government requirements:

- Bus Service Support Grant - £3,986,590
- Supporting Families (the fourth, and final, grant of this type in 2023/24) - £145,600

### 4. Counter Fraud and Investigation Activities

#### Counter Fraud Activities

4.1 We have continued to liaise with the relevant services to provide advice and support in processing the matches received as part of the National Fraud Initiative.

4.2 The team have carried on monitoring intelligence alerts and shared information with relevant services when appropriate.

4.3 Advice and support was provided to services in several cases that did not ultimately require investigation by Orbis Internal Audit.



## Summary of Completed Investigations

### *Abuse of Position*

4.4 Following concerns raised by an employee, we undertook an investigation reviewing the appointment of agency staff members to cover vacancies. The allegation was that a senior manager was appointing friends and former colleagues to interim positions when vacancies could have been filled through recruitment of permanent staff. The investigation found no evidence of nepotism or wrong-doing but did identify areas of improvement in regard to record keeping and compliance with the recruitment process. A control report was agreed with the service.

### *Mandate Fraud*

4.5 Following an attempted mandate fraud we reviewed compliance by officers against expected procedures. The attempted fraud was identified and stopped before being actioned. The review found that procedures had been followed but some further actions were agreed to improve awareness in service finance teams to the risk of mandate fraud.

### *Corruption*

4.6 We received an allegation that a Member was planning to unduly influence a planning decision. No evidence was found to support the allegation. The Member was not on the planning committee and the decision was being considered at District level where the individual was also not a Member. No further action was taken.

## 5. Action Tracking

5.1 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.

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

## 6. Amendments to the Annual Audit Plan

6.1 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.

6.2 Audits added to the agreed audit plan during this final quarter are shown in the table below.

| Additional Audits | Rationale for Addition |
|-------------------|------------------------|
|-------------------|------------------------|

|  |   |
|--|---|
| Ukraine Funding  | This audit had been on our long list of potential audits for 2023/24 and was brought forward into the plan due to control weaknesses being identified from similar audits undertaken across the Orbis partners. |
| Community Equipment Services Contract                    | This audit was added to our plan following concerns raised by management about aspects of the contract performance. Work on this assignment is in progress.   |
| Pro-Active Fuel Cards Data Analysis                      | This data-driven analytical review was added to the plan following the temporary placement of two CIPFA trainees with Orbis Internal Audit, allowing for additional capacity in our plan.                       |
| Pro-Active Purchasing Cards Data Analysis                | This data-driven analytical review was added to the plan following the temporary placement of two CIPFA trainees with Orbis Internal Audit, allowing for additional capacity in our plan.                       |
| Payroll (Local Government Pension Scheme Auto-Enrolment) | This subset of our Payroll key financial systems audit was separately scoped for work in quarter four due to specific issues arising in this area. It will be reported in 2024/25.                              |

### 6.3 Audits removed or deferred from the agreed plan in the fourth quarter were:

| Removed Audit                          | Rationale for removal   |
|--|---|
| Revenue Budget Monitoring              | Due to the pressure around year-end in the new MySurrey ERP system it was agreed to defer this audit into Q1 of the 2024/25 plan.   |
| Project Indigo (follow-up)             | Actions had not been fully implemented from the previous audit due to the delays in go-live of the MySurrey ERP solution. This audit has been deferred until Q1 of the 2024/25 annual audit plan. |
| Planning (follow-up)                   | The timing of this follow-up audit was put back at the request of management until Q1 of 2024/25.   |
| Children's Homes                       | We agreed with management that with the opening of three new Children's homes across the county in 2023, the timing of this audit would be more beneficial later in the 2024/25 annual plan.      |
| MySurrey User Access & Security Review | Due to the delay in the implementation of MySurrey and capacity issues around how many audits in the area the Council could reasonably  |

|  |   |
|--|---|
|  | bear in the last two quarters of the year, this audit was deferred to begin in Q1 of 2024/25. |
|--|---|

6.4 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. Where audits are removed from the plan, they are often postponed rather than cancelled outright, being kept on a list of potential work for future periods based upon their risk profile.

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