

Internal Audit and Counter Fraud Quarter 1 Progress Report 2024/25

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1. Summary of Completed Audits

Accounts Payable

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- 1.1 The Accounts Payable process is a key financial system in MySurrey. It is managed across three teams - Procure to Pay, Data Operations, and Payments – to promote segregation of duties.
- 1.2 The aim of our audit was to provide assurance that controls were in place and operating as expected to manage key risks, in particular that:
- Adequate process maps and procedure notes were documented and approved;
 - System controls were compliant with Financial Regulations and Procurement and Contract Standing Orders (PCSOs);
 - Orders were only raised for approved goods, works and services;
 - Invoices were only paid for approved goods, works and services;
 - Effective system controls had been implemented to detect duplicate payments;
 - Roles and permission settings maintained a robust control environment in line with the Scheme of Delegation;
 - Vendor accounts were maintained accurately; and
 - Transactions in the system were accurately transferred to the General Ledger.
- 1.3 Key findings from our audit were that:
- 15% of Purchase Orders (PO's) sampled had been approved after the delivery of goods or services, which was non-compliant with the PCSO's;
 - Changes to PO's required manual recording on spreadsheets, as MySurrey cannot generate a report to detect such changes;
 - The system's audit trail was deactivated;
 - Remaining values on PO's were not calculated correctly in MySurrey. The issue was known to management but for unknown reasons does not affect all PO's;
 - Some Executive Assistants had been set up with authority to approve PO's at the highest value levels, as a specific request from the former Chief Executive. However, the governance arrangements for this had not been documented;
 - The system did not prevent a user from being both a Level 4 and Level 3 approver in workflow, weakening the overall control environment by not enforcing expected segregation of duties;
 - Controls in MySurrey to detect duplicate payments were not fully operative and separate software was being used to detect them; and
 - At least a third of creditor payments (c.£4m value) had been paid late. This could result in interest charges, penalties, and/or reputational damage to the Council.
- 1.4 Based on our findings, we were only able to provide an opinion of **Partial Assurance**. We have agreed 7 actions with management (3 of high priority, 4 of medium) to address

the weaknesses identified. We will undertake a follow-up audit in this area later in this financial year to ensure that the expected improvements have been implemented.

Tree Management (Follow-Up Audit)

- 1.5 Our original audit of Tree Management was completed in February 2022 and had a final opinion of Partial Assurance. In line with our protocol following the publication of a lower assurance audit, we undertook a follow-up review to assess the implementation of agreed actions.
- 1.6 The primary purpose of this audit was to follow-up the agreed actions and was completed with regard to the control objectives from the original audit:
- There was a clear and documented approach to management of trees for which the Council is responsible, which aligns with the corporate priorities;
 - The legal responsibility of the Council was understood across services and was incorporated into strategic and operational policies;
 - Roles and responsibilities, and delegation of authority, in respect of tree management across Council teams was clearly defined and consistent; and
 - The management of trees along the Basingstoke Canal, for which the Council is liable, has been defined and aligns with the corporate risk appetite.
- 1.7 Unfortunately, we were still only able to provide **Partial Assurance** over the controls operating within these areas because several actions from the previous audit remain outstanding.
- 1.8 Our key findings included:
- Since the academisation of schools began there are lease agreements in place which usually - but not universally - transfer the responsibility of on-site tree management to the academy. However, it is unclear how many academies have this clause within their agreement. The agreed action to review these leases had not been completed due to resourcing issues in Legal Services;
 - There was still no overall report on tree works available for senior management oversight and understanding of risk. The agreed action to migrate data across to the Confirm System had not been implemented for technical reasons;
 - Although a new joint Risk Management Policy was drafted in relation to the Basingstoke Canal, at the time of our audit it had not been approved or adopted.
- 1.9 We re-agreed 3 actions with management (2 of high priority, 1 of medium) and will follow-up this audit again in our current plan to assess improvements made.

Social Value In Procurement (Follow-Up Audit)

- 1.10 Our original audit of Social Value in Procurement was completed in December 2022 and had a final opinion of Partial Assurance. In line with our protocol following the publication

of a lower assurance audit we undertook a follow-up review to assess the implementation of agreed actions.

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- 1.11 The scope of this audit was to review progress made in implementing previously agreed actions, relating to the:
- Need for contractual information to be reconciled to social value secured during procurement exercises;
 - Development of suitable social value reporting mechanisms;
 - Implementation of appropriate corporate oversight for social value delivery; and
 - Establishment of clear roles and responsibilities within social value guidance.
- 1.12 We were only able to conclude **Partial Assurance** once again as all four actions from the previous review had not been fully implemented within the agreed timeframe. Therefore, the weaknesses and risks identified in the original audit review largely remain, though progress towards full implementation had been made.
- 1.13 Key findings from our review included:
- Whilst Proactis was live, the Application Programming Interface with MySurrey was not functioning. This inhibits the automatic linking of social value and contract data, though a manual workaround is in place;
 - With regard to corporate oversight of social value delivery, the Contract Management Advisory Service pilot was only live in one directorate;
 - A senior sponsor role for social value had only been determined at the time of our audit; and
 - Regarding the development of suitable social value reporting mechanisms, contract performance indicator dashboards were still in development.
- 1.14 We re-agreed 3 actions with management (all of medium priority) and will follow-up this audit again in our current plan to assess improvements made.

Transition of Children into Adults, Health and Wellbeing Partnerships

- 1.15 Children with existing care and/or Special Educational Needs and Disabilities (SEND) require support as they approach adulthood, with the duties of the Council regarding this transition set out in various legislation. Collaboration and early engagement is required between Children, Families & Lifelong Learning (CFLL), Adults, Wellbeing & Health Partnerships (AWHP), and other agencies to identify both appropriate and cost-effective provision for the young person.
- 1.16 The purpose of our audit was to provide assurance that controls were in place to meet the following key objectives:
- There was early engagement between stakeholders to ensure a smooth transition;

- Effective working practices between stakeholders ensured both the appropriateness and cost of provision for young people was fully considered; and
- Both CFLL and AWHP were engaged with the outcomes of the Council's 'Preparing for Adulthood' transformation programme.

1.17 Key findings from our review included:

- Although the criteria for referrals of young people are clear, the process is not effective in practice;
- A disproportionately low percentage of referrals were initiated by age 14 as expected, with referrals happening between the ages of 16 and 17, negatively impacting on the determination of optimal care packages;
- Of particular concern we noted that even where referrals were made by age 14, the Transitions Team deferred their progression until just before the individual's eighteenth birthday. This may jeopardise the benefits of early intervention;
- Inconsistent working practices by social workers emerged as a key issue behind untimely referrals;
- The Liquidlogic Children's System (LCS) cannot report on existing referrals;
- LCS and the Liquidlogic Adult Social Care System (LAS) do not integrate well enough to promote effective data sharing;
- Outcomes expected from the 'Preparing for Adulthood Programme' were not realised as expected, with CFLL not implementing some areas due to operational challenges;

1.18 Overall, based on the above, we formed a final opinion of **Partial Assurance**. We agreed 3 high priority actions with management to address these findings and to improve the control environment. A follow-up audit of this area will be undertaken in due course to assess implementation of agree actions.

Community Equipment Services Contract Management

- 1.19 The Council has a contract with Millbrook Healthcare Group to deliver community equipment services to residents, providing equipment for children and adults that can help facilitate rehabilitation, hospital discharge, admission avoidance and end-of-life-care, enabling residents to remain in the place of their choice.
- 1.20 Management asked us to assure current arrangements in place for the management of this contract following concerns being flagged in key areas of governance.
- 1.21 The purpose of the audit was to provide assurance that controls were in place to meet the following key objectives:
- To evaluate the effectiveness of key contract processes and procedures including:
 - contract monitoring and performance measurement;
 - communication and relationship management with the provider;

- invoice processing and payment verification; and
- documentation and record-keeping arrangements.
- Assess compliance with key contractual terms and conditions;
- Review risks and mitigation strategies within the current arrangements; and
- To determine the adequacy of controls in place to prevent fraud and error.

1.22 Key findings from our review included:

- Excessive efforts to validate the provider's invoices were required by officers due to duplicate orders and errors created by Millbrook's 'Cares' system;
- There were problems with the quality of data requested from Millbrook to facilitate capitalisation of equipment;
- 'Cares' produced irregular data (e.g. purchase dates of 01/01/2999);
- Key contractually-mandated reports were inaccurate and late in production;
- There was evidence of double-charging for some items issued from store;
- Inaccurate cost classification had led to an overbilling of c.£60k of 'equipment' costs to the Council (an issue known to management ahead of our audit);
- Not all meetings with the provider were formally minuted, or held as expected; and
- Although a risk register was maintained, not all risks were allocated scores or mitigating actions.

1.23 Overall, we formed a final opinion of **Partial Assurance** following our review. We agreed 6 actions with management to improve the control environment, 3 of high priority and 3 of medium priority. A follow-up audit will be scheduled in due course.

Fuel Cards (Proactive Data Analysis)

1.24 The Council's fuel card system is operated by Allstar. Our audit reviewed all fuel card transactions made between 1st April 2022 and 30th June 2023 to determine whether transactions complied with existing policies. In total 5,422 transactions were made over this period, totalling £308,019.

1.25 A summary of key findings identified that:

- No internal compliance monitoring of fuel card transactions by the Payments Team had occurred in the period, which was a previously a requirement of the process;
- Allstar had ceased email alerts indicating potential suspicious activity, which was known to the Payments Team but not to wider management;
- The Council's policy was produced in 2015 but had not been reviewed since;
- We identified a number of potential compliance issues regarding transactions:
 - The card vehicle registration number (VRN) differed from the VRN recorded at the point of sale;
 - Card transactions made on the same day and within a short time period;
 - Cards purchasing mixed fuel types, apparently for single vehicles;

- Transactions identified outside of Surrey and its bordering counties;
- Transactions where premium/super unleaded/diesel fuel was purchased which is was not in compliance with expected practice; and
- Card usage between the hours of 20:00-06.00, increasing the risk that they may not be associated with business use.

- 1.26 We shared details of all potentially anomalous transactions identified with the Payments Team for immediate review. We also agreed 8 actions with management to improve the control environment; 1 of high priority, 4 of medium, and 3 of low priority.
- 1.27 Overall, we concluded a final opinion of **Partial Assurance** following this review. Management were swift in addressing the control weaknesses identified, meaning that a follow-up review was possible before the end of Quarter 1. This is reported below.

Fuel Cards (Pro-Active Data Analysis) Follow-Up Audit

- 1.28 As explained above, management undertook prompt action to strengthen internal controls in relation to fuel cards and to investigate the referred anomalies in transactional data. As such, we were able to undertake a swift a follow-up audit of this area.
- 1.29 Our review found that agreed actions had been addressed and a robust control environment re-established. At the date of this report all bar one anomaly had been cleared, with the outstanding matter being referred to Internal Audit for review.
- 1.30 We were pleased to note that compliance checks had also been completed on transactions following the period that we had reviewed. A total of 3,925 transactions were examined between April 2023 and May 2024 with a value totalling £253,083. Just 21 low-risk transaction reviews awaited an outcome at the time of our follow up.
- 1.31 Processes were in place to facilitate twice-monthly compliance monitoring of fuel card data, with this activity being transferred to the Council's Fleet Management Team. An exception log had been created to identify fuel cards which may need to be used out of county, out of hours and/or for those with roles which may require the card to legitimately be used for mixed fuels (for example, where a maintenance vehicle is diesel fuelled but carries equipment requiring petrol). Fuel card guidance had been updated and circulated.
- 1.32 Overall we were able to upgrade our level of assurance to one of **Reasonable Assurance**, with no actions arising.

Budget Management in Children's Services

- 1.33 CFLL had a gross budget of c.£1bn for 2023/24, with around £800m against the Dedicated Schools Grant and a revenue budget of approximately £250m. At the end of

FY 23/24 the directorate had an overspend of £28.9m, attributed to price inflation and demand pressures within social care placements and home-to-school travel assistance.

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- 1.34 The purpose of our audit was to provide assurance that controls were in place to meet the following key objectives:
- Budget monitoring and reporting processes were adhered to, consistent, were accurate and timely, with robust controls being in place over forecasts;
 - Processes, data and systems that fed into, and informed, budget monitoring were accurate; and
 - Robust processes were in place to ensure forecast overspends and budget pressures were escalated in a timely manner to allow for appropriate remedial action to be taken.
- 1.35 We identified significant work taking place to address the financial position within the directorate. However, budget monitoring was resource-intensive, in part due to ongoing deficiencies within MySurrey reporting processes, but we recognised the effort of both Finance and Corporate Services and CFLL staff in maintaining key controls under sub-optimal conditions.
- 1.36 We concluded there were appropriate key controls in place and operating as expected in relation to budget management, monitoring, escalation and remedial action. Specific findings from our audit included:
- Budget holders and accountable officers were unable to access the budget management and forecasting module in MySurrey. The information they received was provided by Finance Business Partners, limiting independent oversight of their own financial position;
 - Rather than being automated within MySurrey, budget monitoring processes were being administered manually across several complex spreadsheets;
 - Reconciliations had identified potential discrepancies and variations between LIFT (the LiquidLogic finance system used by CFLL) and MySurrey;
 - The current arrangements would benefit from enhancement, specifically regarding roles, responsibilities and accountabilities over the processes in place.
- 1.37 Overall, we provided an opinion of **Reasonable Assurance**, agreeing 7 actions with management (2 of high priority and 5 of medium) to address the issues identified. However, this was a borderline partial assurance conclusion, and although we ultimately determined controls were present, we noted that the adequacy of the current process came despite challenges arising from the current operation of the MySurrey system.

People Strategy

- 1.38 The People Strategy 2023-2028 outlines how the Council will develop the capacity and capability of the workforce to achieve the changes needed to deliver strategic priorities.

- 1.39 The purpose of our audit was to provide assurance that controls were in place to meet the following objectives:
- A Strategy is in place, underpinned by validated data, which addresses the future strategic direction and changing needs of the Council;
 - An appropriate governance structure was in place to oversee the implementation, review, communication and monitoring of the Strategy;
 - Resourcing arrangements had been considered to support the implementation of the Strategy;
 - Existing skill- shortages were understood at a directorate level, and services were able effectively utilise the workforce to safeguard service delivery; and
 - Recruitment process ensured the Council retains and attracts a diverse workforce with the skills and behaviours required to deliver and improve services.
- 1.40 Our review found evidence that key controls were in place and operating as expected, in particular:
- The 'People Strategy' was in place, containing clear strategic priorities and supported by a flexible plan setting out how the Council will ensure its delivery;
 - An appropriate governance structure was in place that outlined key roles, responsibilities, and accountabilities;
 - A workforce toolkit had been developed and piloted to enable directorates to plan for their workforce now and in the future by identifying the key challenges relating to recruitment, staff retention, and skills-gaps; and
 - Work was in progress to review both the offer to staff and the recruitment process to ensure the Council attracts and retains a skilled and diverse workforce.
- 1.41 As part of the review we also identified some areas where improvement could be made, including:
- There was no communications plan about the objectives and key deliverables of the People Strategy;
 - Underpinning data could be improved in some key areas, including talent management, performance, secondments, and learning and development;
 - Migration of data from SAP to MySurrey was problematic with an inability to report on staff sickness levels, and manual workarounds needed to enable equality and diversity information to be reported on;
 - Funding and resource requirements were not in place for all projects being conducted under the People Strategy; and
 - No benchmarking had been undertaken during the development of the People Strategy, which may provide useful comparative data from peer authorities.
- 1.42 Overall we were comfortable giving a final opinion of **Reasonable Assurance**, agreeing 4 actions with management (3 of medium priority, one of low) to address these issues.

Purchasing Cards (Proactive Data Analysis)

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- 1.43 Purchasing cards are an efficient and cost-effective method for low value purchases of goods and services from suppliers with whom we do not hold contracts.
- 1.44 The purpose of our audit was to provide assurance that controls were in place to meet the following objectives:
- There was an appropriate policy in place, which outlined the conditions for the use of purchasing cards; and
 - Transactions on purchasing cards conformed to the policy.
- 1.45 Our review analysed over 25,000 transactions valued at c.£3.3m across a period of 14 months to July 2023. The majority of purchasing card data analysed was in line with guidance, although some transactions were identified as requiring further review. These were, for example where:
- Expenditure appeared to be regularly repeated with a particular supplier;
 - Expenditure required additional verification (including items described as gifts, fuel, bill payments, et al); and/or
 - Sundry equipment (cleaning and IT related) which might reasonably be procured under an existing contract.
- 1.46 A full list of transactions requiring further review was shared with the Payments Team for compliance checking to be completed. All transactions were checked and no outstanding concerns raised once the exercise was completed.
- 1.47 We were able to give an opinion of **Reasonable Assurance**, agreeing 2 medium priority actions with management to address the findings.

Grant Allocations To Third Parties In Environment, Infrastructure & Growth Directorate

- 1.48 The Council receives external funding from a variety of sources and provides a number of different grants to support third party organisations within the county. In particular, the Environment, Infrastructure and Growth (EIG) directorate receives and disburses funding for numerous purposes, including Areas of Natural Beauty, Green Homes, and Low Carbon Future.
- 1.49 The specific purpose of our audit was to provide assurance that controls were in place to meet the following objectives:
- Grants were authorised within a framework of delegation that ensured appropriate oversight and scrutiny and alignment with strategic objectives;
 - Robust arrangements were in place to manage applications for grants;
 - Effective processes existed to monitor the use of grant monies;
 - Controls prevented duplication in grant funding; and

- Effective monitoring of grant monies allocated was in place.
- 1.50 Our review was able to provide assurance that effective controls were in place and operating as expected. In particular:
- The Council's website provided clarity over grant requirements, criteria, and application processes;
 - Appropriate monitoring arrangements ensured grants were used for the purpose for which they were awarded; and
 - Records documented decision-making, funding agreements, and usage.
- 1.51 Whilst there were strong arrangements in place for the overall administration of grants, there was no one team within EIG to manage funds, allocated by other bodies, and paid to third party organisations. As such, there was no single, definitive list of all grants.
- 1.52 Overall we were able to give an opinion of **Reasonable Assurance**, agreeing 2 medium priority actions with management to address issues identified.

Ukraine Funding

- 1.53 In March 2022, the Government launched the Homes for Ukraine Sponsorship Scheme, which gave Ukrainian's the right to apply for a VISA if they had a named eligible sponsor who could provide them with accommodation in the UK. Councils have several obligations under the scheme, and the Surrey area has some of the highest number of Ukrainian guest arrivals in the country, with over 4,000 Ukrainian guests arriving.
- 1.54 The purpose of our audit was to provide assurance that controls were in place to meet the following objectives:
- Roles and responsibilities were adequately defined and communicated;
 - Robust procedures were in place for maintaining records for the Scheme;
 - Adequate procedures between the Council and partner organisations existed; and
 - Robust monitoring arrangements were in place to provide oversight over the allocation and distribution of grant funding.
- 1.55 We found robust controls to be in place around the Scheme, notably:
- An appropriate governance structure existed, overseen by the Ukraine Task Group, with appropriate membership from partner organisations;
 - There were minuted meetings and regular updates regarding guests and hosts, and financial reports provided effective oversight;
 - A risk register documented key risks and mitigations for the Scheme;
 - Records were updated and monitored to support the mandatory DELTA returns (the Government platform for recording Scheme data);
 - The process for making welcome payments was accessible robust; and

- A review of Government funding was initially undertaken between partners, and a split by the Surrey Treasurers Group after the Scheme's introduction.

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- 1.56 Our audit did identify a need for more formal documentation of roles and responsibilities between partners; improvement to the content of financial monitoring returns; and minor improvements to the risk register and process documentation.
- 1.57 Overall we were able to give an opinion of **Reasonable Assurance**, agreeing 8 actions with management (5 of medium priority, and 3 of low) to address the findings raised.

Local Government Pension Scheme (LGPS) i-Connect Application Audit

- 1.58 i-Connect is the cloud-based application used by the Pension Fund to help manage the flow of employee information between the payroll and the pensions administration system (Altair). The application allows the individual scheme employers to upload their monthly data, thus automating what was previously a complex manual task.
- 1.59 The purpose of our audit was to provide assurance that controls were in place to meet the following key objectives:
- Access was restricted to appropriately authorised individuals and the permissions provided to those users were in line with job roles;
 - Data processed through interfaces was authorised, accurate, complete, securely processed and written to the appropriate file;
 - Outputs produced were complete, accurate, reliable, and distributed on time; and
 - Updates and enhancements were subject to sufficient testing and authorisation before implementation.
- 1.60 Our review identified robust controls in place. Notable findings were that:
- i-Connect utilised a secure web-based system for data transfer before ultimately being transmitted into Altair via secure Virtual Private Network. Such measures safeguard sensitive data and help to avoid data breaches;
 - Appropriate segregation of duties existed through permissions set by Surrey Pension Fund; and
 - New user access and permissions to i-Connect were effectively controlled.
- 1.61 Our review did identify some improvements to control that could be made, including the implementation of a limit of unsuccessful log on attempts before user access is locked, and a prompt to force users to update their password after a set period. We also identified that there is no regular review of actions undertaken by i-Connect system administrators to ensure their activities are appropriate.

1.62 However, we were able to give an opinion of **Reasonable Assurance** in this area, agreeing 5 actions with management (2 of medium priority, and 3 of low) to address the findings raised.

System Change Control and Release Management

1.63 System change controls and release management encompasses the process of identifying, acquiring, testing, and deploying system changes and releases. These may aim to correct problems, close vulnerabilities, and/or to improve functionality.

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

- Updates and changes were identified and applied to all relevant systems in a prioritised and timely manner;
- Use of outdated or unsupported software was minimised;
- Adequate testing and roll-back arrangements were in place to minimise disruption from any changes and updates; and
- Comprehensive records of changes and updates were maintained.

1.65 Our review was able to give assurance in the following areas:

- There were clear and appropriate process in place for changes to systems;
- Risk assessment determined if the change(s) impacted upon multiple systems;
- The Applications Teams received notification and oversight of the details of changes either through supplier notes or official change requests;
- There were documented minimum lead times for implementation of changes; and
- Arrangements for system downtime were appropriate, and updates took place outside of core working hours where possible.

1.66 Our audit did however identify some areas for further improvement:

- There was no documented guidance that recorded the current principles of the approach to system change;
- No detailed RACI (responsible, accountable, consulted, and informed) matrix was in place for each managed systems to ensure responsibilities were clear; and
- For some system changes there was a lack of separation of duties as officers were able to access all environments within the change creation process (e.g. they could create a change and move it to the live environment).

1.67 Overall we were able to give an opinion of **Reasonable Assurance**, agreeing 4 actions with management (3 of medium priority, and one of low) to address issues identified.

Financial Assessments And Income Collection (FAIC)

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- 1.68 The Care Act 2014 provides a framework for councils to charge for care and support services. The FAIC Team are responsible for calculating the charges for residential and community-based services provided by AWHP, assessing the appropriate charge, and providing welfare benefits advice and assistance.
- 1.69 The purpose of our audit was to provide assurance that controls were in place to meet the following objectives:
- Financial assessments were carried out in an accurate and timely manner;
 - Systems contained all required information relating to financial assessments;
 - Debts were managed effectively, and pursued promptly;
 - There were robust processes in place to manage deferred payments;
 - Robust processes managed and authorised refunds and write-offs; and
 - Agreed actions from our previous audit had been implemented.
- 1.70 We identified strong controls in place within the processes reviewed, which included:
- Robust benefit calculation processes were in place, ensuring the accuracy of financial assessment and reassessment calculations;
 - Regular quality assurance checking led to corrective action where needed;
 - Key controls were in place regarding the refund and write-off processes;
 - There was a robust process in place for the identification and monitoring of debt;
 - Deferred payments are appropriately managed; and
 - Agreed actions from the previous audit had been implemented:
- 1.71 We were pleased to be able to provide a final opinion of **Substantial Assurance**, with no actions arising.

Road Safety Schemes Outside of Schools

- 1.72 Following a request from management we reviewed the adequacy of processes governing the Council's schemes for Road Safety Outside of Schools (RSOS), including reviewing delivery in context of additional funding that had been made available from Government.
- 1.73 The purpose of our audit was to provide assurance that controls were in place to meet the following key objectives:
- There were clear policies in place to support the delivery of RSOS schemes;
 - Clear criteria was in place for the commissioning of works;
 - Information on available funding was widely available to the public and to schools;
 - Identified measures were risk-assessed and ensured prioritisation of works;
 - The design of scheme was subject to scrutiny and review;

- The delivery of planned works was monitored to ensure that schemes were completed in line with agreed timeframes; and
- Post implementation checks were in place and operating as expected.

1.74 Our review identified that:

- Referrals into the Road Safety Team and subsequently commissioned work had been subject to appropriate risk assessment;
- A sample of recently planned and executed works identified that design met expected criteria, and were subject to scrutiny and internal checks;
- Budgets and expenditure were subject to frequent review and scrutiny, and funding received was correctly allocated and used;
- Planned works were being regularly monitored and managed; and
- There were procedures in place to undertake quality checks throughout the planning, implementation and post implementation stages of measures.

1.75 We noted that there had been some delays in delivery, but that these were due to external pressures beyond the reasonable control of management, including contractor resourcing issues and work-scheduling issues due to demands on the highway network.

1.76 Overall we were able to give an opinion of **Substantial Assurance**, agreeing a single medium priority action with management for the improvement of documentation for approvals granted.

Other Audit Activity

Corporate Governance (Key Governance Policies)

1.77 We undertook a review of three key governance policies to inform the work of the Governance Panel to form a view on officer awareness and understanding of them. We focused on:

- ICT Security Policy;
- Building Security Policy; and
- Customer Complaints Policy.

1.78 Officers were selected at random from across all directorates and completed a self-assessment via questionnaire. All officers chosen were in roles that would be relevant for their knowledge of the policies selected. Our review found that there was of a lower level of awareness of, and/or failure to fully understand, the selected key policies, compared to in the results of similar exercises carried out in previous years (relating to different key governance policies).

1.79 One possible root-cause of this apparent decline in understanding could be linked to the effectiveness of induction processes (corporate and/or service-based). Following discussion at Governance Panel, and separately with HR&OD colleagues, an audit of 'Induction Arrangements' has been added to our 2024/25 plan.

Grant Claim Certification

- 1.80 During quarter one we successfully certified and returned two grant claims in accordance with Central Government auditing requirements:
- Housing Upgrade Grant - £3,622,500 (our certification was qualified as the criteria for the disbursement of expenditure was not fully met); and
 - Supporting Families Grant (third claim of 2023/24) - £253,600.

School Audits

- 1.81 We continue to provide assurance over individual school control environments and to improve our level of engagement with key stakeholders through liaison meetings.
- 1.82 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 is able to operate 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.
- 1.83 Audits continue to be carried out through a combination of remote working and visits.
- 1.84 A total of five school audits were delivered in quarter one, and the table below shows a summary of the final level of assurance reported to them.

Name of School	Audit Opinion
Meadowcroft Community Infant School [Chertsey]	Partial Assurance
St Francis Catholic Primary School [Caterham]	Reasonable Assurance

Name of School	Audit Opinion
Bagshot Infant School [Bagshot]	Reasonable Assurance
Nutfield Church Of England Primary School [Redhill]	Reasonable Assurance
Charlwood Village Primary School [Horley]	Reasonable Assurance

1.85 We aim to undertake follow-up audits at all schools with Minimal and most schools with Partial Assurance opinions. Only one such opinion was delivered in this quarter.

1.86 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. 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
- Contract registers should be maintained for effective contract management.

2. Counter Fraud and Investigation Activities

Counter Fraud Activities

2.1 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.

2.2 The team have carried on monitoring intel alerts and shared information with relevant services when appropriate. In addition, advice and support was provided to services in several cases that did not ultimately require internal audit investigation.

Summary of Completed Investigations

False Statement

2.3 We were asked to investigate an allegation that a Council employee had provided a false statement to support a planning application. Our investigation found no evidence to support the allegation, but did identify that fraudulent documents had been created by an

external party impersonating Council officers. A referral was made to the Police and the relevant planning authority notified.

Multiple Employment

- 2.4 Following information from the National Fraud Initiative an investigation was undertaken to confirm whether an employee had been undertaking unauthorised secondary employment. The investigation identified that work had been undertaken outside of contracted hours and at weekends and was not in conflict with their paid employment. Whilst the employment predated their start date with the Council, a declaration should have been made to line management. The omission has been addressed by management with the employee.

Contract Letting

- 2.5 We provided support to a whistleblowing investigated by management where alleged wrongdoing in a tender exercise was made. Our review found that there was no case to answer with regards to the award of the contract.

3. Action Tracking

- 3.1 As part of our quarterly progress reports, we seek written confirmation from services that all high priority actions due for implementation are complete. Where follow-up audits are undertaken, we reassess the progress of all agreed actions (low, medium and high priority). Periodically we may also carry out random sample checks against all priorities of actions.
- 3.2 At the end of the first quarter of 2024/25, 92.3% of high priority actions due had been fully implemented (or rescheduled dates for their implementation had been agreed). This is below the target of 95% (see paragraph 5.3) and is a result of the two follow-up audits reported in Section 1 above not having implemented all high priority actions as expected.

4. Amendments to the Annual Audit Plan

- 4.1 In accordance with proper professional practice, the Internal Audit plan for the year is kept under regular review to ensure that the service continues to focus its resources in the highest priority areas based on an assessment of risk. After discussions with management, the reviews below were added to the original audit plan during this quarter:

Additional Audit	Rationale for Addition
Corporate Efficiency Savings – Process Assurance	This audit was a request from the Interim Section 151 Officer to provide assurance that the current process for the planning and delivery of corporate efficiency savings is robust.
Customer Transformation ‘Test And Learn’ Process Review	A request from the-then Strategic Director for Customer Service Transformation for assurance over elements of the process review function of the Customer Transformation Programme.
Effectiveness Of Corporate Induction Arrangements	An audit to review the effectiveness of the Council’s induction arrangements, which has been added on the back of work for the Governance Panel (see paragraph 1.80 above)

All of the new additions to the plan have been resourced through available contingencies and no audits have been removed or deferred from the plan in this first quarter.

4.2 We will continue to keep the resources available under review as the year progresses.

5. Internal Audit Performance

- 5.1 In November 2023, we updated our self-assessment against the PSIAS standards. We concluded we were fully compliant with 319 of the standards and partially compliant with the other 2 standards (in both cases proportionate arrangements remain in place).
- 5.2 We also completed our Quality Review exercise in November 2023, with no major areas of non-conformance being identified. The need to ensure consistency in the quality of the evidence contained within a small number of audit working papers was identified, and this will be addressed at service development days we will be running during 2024/25.
- 5.3 In addition to the annual self-assessment of internal audit effectiveness against Public Sector Internal Audit Standards (PSIAS), the performance of the service is monitored on an ongoing basis against a set of agreed key performance indicators as set out in the following table:

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April 2024	G	Approved by Audit Committee on 13 March 2024

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
	Annual Audit Report and Opinion	By end July 2024	G	2022/23 Annual Report and Opinion approved by Committee on 5 June 2024
	Customer Satisfaction Levels	90% satisfied	G	100% satisfaction for surveys received in the period
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	Annual: 90% Q1 end: 22.5%	A	At the end of Q1 we have delivered 21.7% of the annual plan to draft report stage. Given the high levels of work in progress we remain confident of achieving the overall target by year end.
	Audit Plan – percentage of audit plan days delivered	Annual: 90% Q1 end: 22.5%	G	At the end of Q1 we have delivered 23.6% of the annual plan days.
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	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: <ul style="list-style-type: none"> • 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:

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
				<p>Coordinating and maximising assurance</p> <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	G	No evidence of non-compliance identified
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions	A	92.3% (see para 3.2 above)

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Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Our staff	Professionally Qualified/Accredited	80%	G	94% ¹

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

Audit Opinions and Definitions

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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.

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