

Internal Audit and Counter Fraud Quarter 3 Progress Report 2024/25

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1. Summary of Completed Audits

Delivery Of Corporate Efficiencies

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- 1.1 In response to a significant medium-term budget gap, a number of spending control measures were implemented in the latter part of 2023/24. At the request of the then Interim Section 151 Officer, this audit provided an opportunity to identify areas for improvement within the existing corporate process for delivering efficiency savings.
- 1.2 The purpose of the audit was to provide assurance that controls were in place to meet the following objectives:
- The process through which directorates engage with Finance was effective in the identification, planning and tracking of efficiency opportunities;
 - Risks associated with planned savings were fully assessed, understood, with mitigations put in place to maximise achieving efficiencies;
 - Robust planning, including monitoring and reporting arrangements, ensured that required efficiencies were delivered; and
 - Continuing analysis of the external environment ensured that increases in demand, unit costs and other factors that may impact the budget, were identified sufficiently early to enable mitigations to be put in place.
- 1.3 Key findings from our audit were that:
- The organisational ownership for providing corporate guidance and setting out the expectation for both the production and content of delivery plans was not defined, increasing the risk of savings not being delivered;
 - There were variations across the Council in how front-line services documented and submitted their efficiency delivery plans, particularly with regard to the identification and mitigation of risk;
 - Delivery plans had not always been completed (though officers were able to articulate how efficiencies would be delivered where they were missing); and
 - A number of plans lacked sufficient detail of how the efficiencies would be delivered. This also undermined the effectiveness of monitoring as clear milestones were not established.
- 1.4 Based on our findings, we were only able to provide an opinion of **Partial Assurance**. We have agreed four actions with management (three of high priority, one of medium priority) to address the weaknesses identified. A follow-up audit of this area will be undertaken in due course to assess the implementation of these actions.

Effectiveness Of Corporate Induction Arrangements

- 1.5 Organisations should utilise a structured corporate induction process to support the welcoming and integration of new employees, whilst also ensuring they are informed of key corporate policies, procedures and regulations.

- 1.6 Our support to the Governance Panel identified that there was less confidence around officer awareness of key corporate policies than in previous years. As a result, this audit was added to the 2024/25 plan to provide assurance that there was an appropriate and effective corporate induction framework in place for new employees across the Council.
- 1.7 The purpose of our audit was to provide assurance that controls were in place to meet the following objectives:
- Council employees were made aware of key corporate policies, strategies and procedures, and fully understood the expectations of them;
 - Induction processes for new employees were effective, ensuring that staff well-informed about key policies and procedures;
 - Induction processes were consistent across all areas of the Council; and
 - Managers were aware of the corporate induction process for new employees and ensured it was completed and that their staff understood the content.
- 1.8 Key findings from our audit were that:
- There was no overarching governance in place for decision-making about, or review of content within, the corporate induction process;
 - There was no overall ownership of the process to ensure that the content of mandated training and online welcome events were appropriate and supported an effective induction;
 - There were inadequate reporting mechanisms for mandatory training, and no central process to confirm whether new starters had read and understood key areas, in particular the e-learning around Information Governance and Information Security which must be completed within the first seven days of employment;
 - In the absence of a corporate process we interviewed some service managers, the majority of whom were unaware of key information relating to induction and could not confirm whether their staff had undertaken all mandatory activities; and
 - There were inconsistencies in the content of induction material, and some key elements were missing (for example, around agile working, or mandatory Equality, Diversity and Inclusion training).
- 1.9 Based on these findings, we were only able to provide an opinion of **Partial Assurance**. We have agreed six actions with management (three of high priority, two of medium priority, and one of low priority) to address the weaknesses identified. A follow-up audit of this area will be undertaken in due course to assess the implementation of these actions.

Youth Offer Cultural Compliance

- 1.10 The Youth Offer Service offers assistance to young individuals who require support in various aspects of their lives. By supporting young people at one of the most important

periods of their lives the service helps them learn new skills, embrace their passions and develop a sense of identity and independence.

1.11 The purpose of our audit was to verify that the underpinning arrangements behind the delivery of this service were in accordance with key Council policy and procedural areas. The scope of our review was to provide assurance that controls were in place to meet the following key objectives:

- To ensure management had established proper arrangements for monitoring service delivery and evaluating its performance and effectiveness;
- All key activities performed by the team adhered to Council policies and procedures and complied with fundamental internal controls;
- Robust management arrangements were established, ensuring that all staff members received appropriate management and supervision; and
- Expenditure was for legitimate Council business and adhered to relevant procurement procedures.

1.12 Key findings from our audit identified that not all actual controls were effective in that:

- Four of twelve operational buildings were missing mandatory annual risk assessments required under the Building Security Policy;
- A sample of training records identified that not all youth officers had completed mandatory training, which included safeguarding training;
- A review of arrangements for supervision and performance management identified that the number of completed 'performance conversations' varied between areas and were not fully compliant in terms of content and how they were recorded; and
- Some purchase card authorisations were aligned with the previous management structure, increasing the risk of inappropriate purchases not being detected.

1.13 Due to these key control weaknesses we were unable to provide a level of assurance higher than **Partial Assurance**. Our audit identified and agreed four actions with management, two of which were high priority, one was of medium priority, and one of low priority. A follow-up audit of this area will be undertaken in due course to assess the implementation of these actions.

Transition Of Local Enterprise Partnerships (LEPs)

1.14 Central Government has ceased providing funding to LEPs and their functions will now transfer to Upper Tier Local Authorities. In Surrey, this means that most economic growth functions previously delivered by Coast to Capital LEP (C2C) and Enterprise M3 LEP (EM3) will transfer to the Council. Through our audit, we aimed to support this transition through the provision of advice around governance, control, and risk management.

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

- Robust governance arrangements were in place to support the transition of LEP functions to Council control;
- Appropriate resources were in place to support the delivery of required functions;
- The Council was not financially disadvantaged by the dissolution of LEPs; and
- Sufficient arrangements were in place relating to future planning.

1.16 We were able to provide assurance that all expected controls were in place. Of particular note:

- The Economy and Growth Team were taking a clear lead in the transition process, managing meetings amongst partners to ensure that progress continues to be made and that the Council's interests are protected;
- Oversight within the Council was robust, with key individuals including Executive Directors and Members sighted on the main issues;
- A Business Leaders' Forum had been developed to allow organisations representing businesses to collaborate, allowing for stakeholder engagement; and
- There was sufficient resource to support both the transition of LEP functions and to continue business-as-usual activities.

1.17 We identified areas where improvement could be made, which included:

- Working with Brighton & Hove City Council (the accountable body for the C2C LEP) to put in place a Memorandum of Understanding to clearly define roles and responsibilities; and
- Seeking further clarification from Central Government on current guidance, which is limited and in places ambiguous.

1.18 We formed a final opinion of **Reasonable Assurance** and agreed two actions with management, both of medium priority, to address these findings.

Facilities Management Contract Mobilisation Plans

1.19 Facilities Management (FM) has been contracted out to Macro, a facilities management and workplace services company, in a strategic partnership arrangement. There were two phases to the contract, phase one ('soft FM') starting in November 2023, and phase two ('hard FM') commencing in July 2024.

1.20 Both mobilisations were covered by detailed work programmes, but issues were encountered during their implementation. Ahead of a full audit of the FM Contract, we undertook a separate piece of work to review the effectiveness of mobilisation plans and arrangements. The purpose of the audit was to provide assurance that:

- Governance, risk management and decision-making processes associated with the resolution of mobilisation issues were appropriate and robust; and
- Detailed plans to resolve issues were co-ordinated, fully costed and monitored.

1.21 Key findings from our review were that:

- Governance process had worked effectively during contract mobilisation and had facilitated open communication with the provider;
- Management had sought to both apply pressure to improve delivery, whilst also work collaboratively with the provider to achieve successful outcomes;
- Workshops were held between key staff that were successful in improving relationships and increasing mutual understanding of difficulties being faced;
- Risks associated with mobilisation had been maintained on a risk register and mitigated appropriately; and
- Governance arrangements around reporting and escalation of issues had been clear and effective.

1.22 Whilst it is generally accepted that the implementation of the contract has been problematic, our opinion relates to the governance arrangements in the mobilisation phase as outlined in our audit scope. We formed a final opinion of **Reasonable Assurance**, agreeing four actions with management (1 of high priority, two of medium, and one of low) to address these findings.

Local Government Pension Scheme (LGPS) Business Continuity Arrangements

1.23 Until recently, the Surrey Pension Team did not have a bespoke Business Continuity Plan, relying instead on wider Council arrangements. Following an organisational redesign to bring together the investment and administration functions to form a single Pension team, work commenced on developing a specific Plan for the service.

1.24 The primary objective of the audit was to evaluate the effectiveness and adequacy of these new business continuity arrangements. The scope of the review covered the:

- Robustness of business impact analysis and risk assessment;
- Development and maintenance of the Plan;
- Testing and exercises around the Plan;
- Arrangements for crisis communication and stakeholder engagement;
- Recovery strategies for key systems and processes; and
- Training and awareness programmes for staff.

1.25 Key findings from this audit were:

- Business Impact Assessment and Business Continuity Plan documentation had been under development since October 2023, and continue to be refined;
- Documentation had been appropriately based on templates and guidance produced by the Council's Emergency Management and Resilience Team; and
- Risks relating to business continuity were appropriately identified and mitigated.

1.26 Our audit did identify some areas for improvement, notably:

- Staff training has yet to be fully completed; and
- Further work is required in scenario planning, with lessons learned to be incorporated into the Plan.

1.27 Overall we formed a final opinion of **Reasonable Assurance** and agreed three actions with management (all of medium priority) to further strengthen the control environment.

Overseas Pensioners Life Certification Process (OPLC)

1.28 OPLC is a verification process used by pension schemes to confirm that a pensioner living abroad is still alive and eligible to receive their pension. Surrey Pension Fund has recently outsourced part of its OPLC responsibilities to an external provider (Crown Agents Bank).

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

- OPLC identified potentially fraudulent activities and raised them with the Fund;
- The OPLC process were aligned and compliant with all current legal and regulatory requirements;
- The Fund was assured that OPLC data was accurate, reliable and validated;
- OPLC verification processes are efficient and effective;
- The Fund was assured that supplier's technological processes were secure; and
- Supplier roles, responsibilities, and key performance indicators are clearly defined and reported to relevant stakeholders.

1.30 Key findings arising were that:

- Procurement of the service was compliant with Procurement and Contract Standing Orders;
- Appropriate identity validation techniques were used during the OPLC process;
- The process supported data accuracy and reduced the risk of fraud;
- The Fund had access to real-time data via a secure online portal, which allowed them to monitor ongoing cases;
- The Fund regularly reviewed completed cases and retained control over decision-making regarding any ongoing payment of pension; and
- Appropriate processes were in place to support those pensioners facing technical difficulties, or a lack IT access, to be able respond to OPLC enquiries.

1.31 We identified some areas for improvement, noting that there was no formal agreement in place between the Fund and the supplier that detailed the requirements and responsibilities of all parties, and that whilst the supplier stated that it was GDPR compliant and conducted annual SOC 2 Type II audits, the Fund had no documentary evidence of this.

1.32 Overall, we concluded a final opinion of **Reasonable Assurance**, agreeing three actions with management (all of medium priority) to improve control in these areas.

Surrey Alliance For Excellence (SAfE) Contract Management Follow-Up

1.33 A review of the SAfE contract was completed in November 2023 and had resulted in an audit opinion of Partial Assurance. In line with our follow-up protocol, we undertook a follow-up audit to ensure management had implemented all previously agreed actions.

1.34 We raised seven medium priority actions in our previous review relating to:

- Contractual spend;
- Contractual variations;
- Contract Segmentation;
- Risk management activities;
- Key performance indicators;
- Lack of a documented process; and
- Lack of secure email.

and the following low priority actions relating to;

- Contract Management Plan; and
- Contract Management Meeting Minutes.

1.35 We were able to provide an opinion of **Substantial Assurance** over the controls operating within the area following our review as all previously agreed actions had been fully implemented, with a commensurate improvement to the control environment. No new actions needed agreed with management.

1.36 We have received assurance from the service that these improvements have also been implemented in relation to the new contract, which was let after our follow-up reported.

Health & Safety Governance Arrangements Follow-Up

1.37 Health and safety governance arrangements are an important aspect of overall corporate governance and a fundamental part of an effective governance framework. An audit of this area was completed in 2023/24 which concluded with an opinion of Partial Assurance. It included ten actions that were agreed with management relating to:

- The Health & Safety Policy;
- Training for Senior Management;
- The Health, Welfare and Safety Strategy and Action Plan 2020-23;
- Key Performance Indicators;
- Risk Assessments;
- Leadership oversight of health and safety risks;
- Reporting to Members;

- Member training for health and safety;
- The role of Strategic Lead for health and safety; and
- Scrutiny of the function.

1.38 We confirmed that nine out of the ten agreed actions had been fully implemented. The remaining action – training for senior management – had been deferred for the appointment of the new Chief Executive, and is now scheduled for February 2025.

1.39 Overall, we provided an opinion of **Substantial Assurance**, agreeing one action with management in light of this single to-be-completed action.

Other Audit Activity

MySurrey System Support (including Governance)

1.40 An internal audit had been planned for 2024/25 to review the system support function for MySurrey, considering the arrangements in place for issue/incident response, system monitoring, software updates and data backups.

1.41 Early in the audit it became clear that the MySurrey Stabilisation Programme Board was already aware of a number of issues and the associated root causes, and was actively working to manage these issues. We therefore agreed with management that our activity at this time would likely detract from officers' ability to undertake the necessary work to stabilise governance arrangements within the system.

1.42 We have therefore agreed to defer this audit into our 2025/26 plan, whilst feeding back to the Board relevant findings from our fieldwork for completeness.

Health & Safety Wellbeing Plan

1.43 Alongside our follow-up audit of Health and Safety Governance Arrangements we were asked to review the draft Health, Safety and Wellbeing Strategy and Action Plan 2024-26 to give advice on its completeness and clarity.

1.44 We undertook this review taking the opportunity to compare the document to equivalent strategies across the Orbis Partnership. Our feedback included the identification of areas to strengthen the draft around the mental health offer to staff, and also in respect of the reporting of non-compliance with mandatory health and safety training requirements.

Customer Transformation 'Test & Learn' Methodology

1.45 The Customer Transformation Programme has started to utilise a 'Test and Learn' approach for a number of projects within its wider programme, defined as "an approach that acknowledges complexity and uncertainty in a focused area, aiming to mitigate risks

and deliver better outcomes at pace. Ideas are tested to deliver these improvements using tight feedback loops, which are then measured and learned from to make changes until best practice is found.”

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- 1.46 The original intent was for us to undertake a review of two such examples within Adults, Wellbeing, and Health Partnerships, and Environment, Infrastructure, and Growth to provide assurance the methodology was robust and operating effectively to manage risk.
- 1.47 As priorities changed the request for our input was withdrawn during the year, with focus instead being directed towards supporting the Programme in other ways. We continue to attend the Programme Board to provide ad hoc advice around control, risk and governance, as necessary.

Grant Claim Certification

- 1.48 During quarter three we successfully certified and returned three grant claims in accordance with Central Government auditing requirements:
- Contain Outbreak Management Fund - £1,828,435
 - Traffic Light Obsolescence Grant / Green Light Fund - £685,397
 - Supporting Families (third grant of 2024/25) - £280,080

School Audits

- 1.49 We continue to provide assurance over individual school control environments and to improve our level of engagement with key stakeholders through liaison meetings.
- 1.50 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.
- 1.51 Audits continue to be carried out through a combination of remote working and visits.
- 1.52 A total of six school audits were delivered in quarter three, and the table below shows a summary of the final level of assurance reported to them. During the quarter we diverted

additional resource into two school audits on the basis of risks and issues identified from our original programme of work. This additional time has therefore reduced the capacity to complete additional school audits in the period.

Name of School	Audit Opinion
Worplesdon Primary School (Guildford)	Minimal Assurance
Southfield Park Primary School (Epsom)	Partial Assurance
The Greville Primary (Ashstead)	Reasonable Assurance
Dorking Nursery School	Reasonable Assurance
St Peter's Teaching Centre (Egham)	Reasonable Assurance
Hawkedale Primary School (Sunbury-on-Thames)	Reasonable Assurance

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

1.54 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:

- Purchase cards being shared between staff members and/or not stored appropriately;
- Purchase orders not being routinely raised and approved prior to orders being placed;
- Budget approval and figures not being recorded in Governing Body minutes;
- Financial reporting to Governors is limited and/or without Cumulative Expense Analysis; and
- Staff declarations of interest not being completed and/or updated.

2. Counter Fraud and Investigation Activities

Counter Fraud Activities

2.1 The team continue to monitor intelligence alerts and share information with relevant services when appropriate.

- 2.2 In addition, the team are currently reviewing recent matches released in December as part of the National Fraud Initiative. High risk matches will be prioritised for investigation and support provided to services reviewing the reports.

Summary of Completed Investigations

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Offer of a Gift

- 2.3 We reviewed the offer of a cash gift to an officer by a service provider. Although the offer was declined and reported in line with Council policy, improvements were identified to raise awareness with service providers generally. A control report was issued agreeing actions with management to facilitate this.

Allegation of Supplier Overcharging

- 2.4 We received an allegation of overcharging on invoices by a provider of services to Land and Property. An investigation was undertaken to review historic spend and provide assurance on processes in place for commissioning work. Due to poor record keeping and the historic nature of the allegations, we were not able to provide assurance that correct processes had been followed in the past; however, a new framework is now in place and previous weaknesses have been rectified.

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 third quarter of 2024/25, 100% of high priority actions due had been fully implemented (or rescheduled dates for their implementation had been agreed).

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. No new assignments were added to the original audit plan during this quarter.
- 4.2 Five assignments have been removed or deferred from the plan in the third quarter:

Removed or Deferred Audit	Rationale for Addition
Financial Assessment and Income Collection	This is a key financial audit. The previous year’s audit resulted in Substantial Assurance, reporting in Q1 of 2024/25. We agreed with management not to repeat the audit in the same financial year given the last assurance rating.
Bus Services Improvement Plan grant certification	The requirement for a certification was removed by Central Government.
Schools Basic Needs Allocation grant certification	The requirement for a certification was removed by Central Government.
Freedom To Travel	After discussion with management we concluded that as the project had not advanced as quickly as expected, audit input would not be timely. The review is therefore under consideration for the 2025/26 audit plan.
Procurement Regulatory Changes	Delays by Central Government in enacting the legislation until February 2025 means that we have deferred audit work in this area into our 2025/26 plan.

4.3 We will continue to keep the resources available under review as the year progresses, and hold a contingency budget within the plan to allow emerging risk areas to be added.

5. Internal Audit Performance

5.1 Based on our last self-assessment against Public Sector Internal Audit Standards. Internal Audit remain 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 In addition, our last Quality Review exercise in November 2023, identified no major areas of non-conformance. The need to ensure consistency in the quality of the evidence contained within a small number of audit working papers was highlighted, and this has been addressed at service development days 2024/25.

5.3 In addition to our periodic self-assessments of 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
	Annual Audit Report and Opinion	By end July 2024	G	2023/24 Annual Report and Opinion approved by Committee on 5 June 2024
	Customer Satisfaction Levels	90% satisfied	G	95.2% satisfaction for surveys received in the period
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	Annual: 90% Q3 end: 67.5%	G	At the end of Q3 we have delivered 71% of the annual plan to draft report stage.
	Audit Plan – percentage of audit plan days delivered	Annual: 90% Q3 end: 67.5%	G	At the end of Q3 we have delivered 76% of the annual plan days.
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	<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"> • 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	G	100%

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Our staff	Professionally Qualified/Accredited	80%	G	88% ¹

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

Audit Opinions and Definitions

Opinion	Definition
Substantial Assurance	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Reasonable Assurance	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
Partial Assurance	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
Minimal Assurance	Controls are generally weak or non-existent, leaving the system open to the risk of significant error or fraud. There is a high risk to the ability of the system/service to meet its objectives.

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