

Internal Audit Report

Transformation

Programme 2019/20

Final

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Prepared for Surrey County Council
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1. Introduction

- 1.1 The Transformation Programme was launched in November 2018 as a key facilitator in achieving Surrey County Council’s strategic ambitions, including the outcomes of the ‘Community Vision for Surrey in 2030’, supported by the Organisation Strategy 2019-2023.
- 1.2 The programme is focused on reforming the way in which SCC operates to ensure all activities add value, processes are simplified, and the council does the best it can for residents, within a sustainable budget.
- 1.3 Funded by capital receipts under the Flexible Use of Capital Receipts Policy, £6.1m was spent on the Transformation Programme during 2018/19 and a further £8.6m was spent between April and December 2019. The programme has achieved £52m of efficiencies to date (including the forecast for Q4 2019/20).
- 1.4 An updated Organisation Strategy 2020-2025 was approved by Council in December 2019 and, in January 2020, Cabinet agreed the next phase of the Transformation Programme for 2020. The refreshed programme includes a reshaped set of transformation portfolios and programmes arranged by People, Place, and Organisation to encourage a longer-term, collaborative focus.
- 1.5 Support to, and assurance over, the Transformation Programme was included in the 2019/20 Internal Audit Plan. This review forms part of a programme of ongoing assurance work intended to support the delivery of the Transformation Programme. Previous assurance work, presented to management in February 2019, considered the overall structure of the programme, which was, at that time, still in its infancy. Further reports will follow for other areas where we will focus our support and assurance, which will be agreed with programme management.
- 1.6 The findings in this report are based on a review of the control environment before the national response to COVID-19. Any assurance given does not extend to interim measures or changes to management arrangements implemented due to COVID-19.

2. Scope

- 2.1 The purpose of this review is to provide assurance that controls are in place to meet the following objectives:
 - There is a suitable governance structure that facilitates accountability for programme delivery;

- Risk management arrangements both reflect the changing nature of the programme and support the progress of programme objectives; and
- There are robust benefits tracking and realisation mechanisms in place to enable effective financial/non-financial benefits monitoring and reporting. This will support management of both the investment in and savings achieved by the programme.

3. Audit opinion

Substantial Assurance is provided in respect of Transformation Programme 2019/20. This opinion means that controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.

Appendix A provides a summary of the opinions, what they mean, and sets out management's responsibilities.

4. Basis of Opinion

We have been able to provide **Substantial Assurance** over the controls operating within the area under review because:

- 4.1 The Transformation Programme continues to progress at a rapid pace and evolve in response to the council's needs. In line with this, governance arrangements have been strengthened, partly in response to determining the most effective practice, and also to encourage greater accountability and evaluation of project performance. Consequently, areas for improvement previously communicated to programme management have now been addressed.
- 4.2 As part of our ongoing assurance work, we have undertaken an advisory and support role throughout 2019/20. To form a view on the arrangements underpinning the programme, our activity has included participating in Shadow Assurance Board (SAB) meetings and attending 'Transformation Check-ins'. We have also established an ongoing dialogue with the Head of Portfolios to share feedback and provide advice and assurance over the control environment on a regular basis.
- 4.3 In recognition of the importance of the programme across all services, we have shared relevant findings from completed audits from our 2019/20 and 2018/19 annual plans. Prior to starting audits in other areas, we have consulted with Portfolio Leads to ensure emerging or temporary risks have been considered as part of our assurance process.

- 4.4 The timing of this review is such that many of the new or updated governance arrangements are still being embedded. A summary of our findings, including changes introduced since we last fed back to management, is outlined below.

Governance structure

- 4.5 There has been significant development of the programme's governance structure over the last year. The Transformation Support Unit (TSU) continues to support the programme and, during the course of our ongoing work, the team structure has been realigned to meet the needs of the programme, and roles have been clearly defined.
- 4.6 As part of the 2020 programme refresh, an updated 'Assurance and Governance Framework' has been introduced that includes consideration of all key aspects that underpin the programme as a whole. The framework clarifies the assurance expectations for all levels of the programme and sets out amended board arrangements that allow for robust scrutiny and challenge.
- 4.7 In particular, the replacement of SAB with a full Transformation Assurance Board (TAB) better reflects the board's purpose. The revised remit of this board streamlines and improves the processes for decisions such as funding approvals, and the amended membership strengthens accountability for project delivery.
- 4.8 We can therefore provide assurance that the governance structure now in place supports robust management of the programme.

Risk management

- 4.9 The programme is now fully embedded into business plans and operations across the council, and the level of engagement from officers at all levels during council-wide transformation meetings reinforces this.
- 4.10 While services are aware of the risks associated with their own transformation projects, these are not specifically reflected in the most recently available corporate risk registers. However, given the fast-changing nature of projects, continuous updates to the risk registers may not be appropriate and may divert efforts away from project delivery. Further, we acknowledge that a contemporaneous, external review of the council's risk management processes should improve alignment with transformation risk management.
- 4.11 Oversight of strategic programme risks is within the remit of TAB, supported by templates developed by the TSU that consider risks to the delivery of both individual projects and strategic outcomes for Surrey residents. There are suitable

arrangements in place to accurately record and regularly review risks, and updated templates will facilitate the monitoring of actions to mitigate or reduce risks to ensure risks do not become static.

- 4.12 Throughout 2019/20, we have been party to discussions regarding risk management processes and we are satisfied with the arrangements in place.

Benefits tracking

- 4.13 Our earlier assurance work reviewed the programme in its initial months when the primary objective was to address immediate financial pressures. At that stage, monitoring was therefore focussed on financial costs and benefits. The monitoring and reporting of financial position has evolved over time, enabling informed decisions to be taken regarding further investment. The success of the programme in achieving efficiencies and cost avoidance is demonstrated not only by the £52m of efficiencies delivered to date, but also by the inclusion of £24m of recurring efficiencies in the 2020/21 Medium Term Financial Strategy.

- 4.14 As the programme continues to progress, the need to develop a mechanism to track non-financial benefits in a consistent manner is being addressed. The reshaping of portfolios as part of the 2020 programme refresh allows clearer links between individual projects and SCC's strategic objectives, including those in the Organisation Strategy and Surrey's Vision for 2030. The TSU has developed a new 'Approach to Outcomes' model that focusses on assessing non-financial outcomes using the relationships between project aims, the impact of changes delivered, and SCC's strategic objectives.

- 4.15 We recognise the challenge of presenting a complete, accurate, and consistent account of non-financial outcomes. We believe, however, that the new model, once fully implemented, will offer a logical pathway through which to track less-tangible benefits that, arguably, have a more direct and ultimately positive impact on Surrey residents.

5. Next steps

- 5.1 This report does not include any agreed actions, as we are of the view that the arrangements outlined above, once fully embedded, will support robust governance arrangements.
- 5.2 As part of our ongoing assurance work, we will continue to support the Transformation Programme during 2020/21 and will agree future areas of focus with programme management.

6. Acknowledgements

- 6.1 We would like to thank all officers who provided assistance during the course of this audit.

Appendix A

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.

Management Responsibilities

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

This report, and our work, should not be taken as a substitute for management's responsibilities for the application of sound business practices. We emphasise that it is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal Audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.