

INTERNAL AUDIT ANNUAL REPORT & OPINION 2021/2022



1. Internal Control and the Role of Internal Audit

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

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

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

2. Delivery of the Internal Audit Plan

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

2.2 Covid 19 continued to have an impact on the Council in 2021/22. This has meant that we have had to adopt flexible working practices, reschedule audits, and make a much greater number of amendments to the year's audit plan than would normally be the case.

2.3 During 2021/22, we have continued to see an increase in the number of government grants that need to be certified by Internal Audit, some of which are specific to supporting the Council through the pandemic.

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

2.5 All adjustments to the audit plan were agreed with the relevant departments and reported throughout the year to CLT and the Audit and Governance Committee as part of our periodic internal audit progress reports. It should be noted that whilst there were a number of audits reports still in draft at the year-end, the outcomes from this work have been taken into account in forming our annual opinion. Full details of these audits will be reported to CLT and the Audit and Governance Committee once each of the reports have been finalised with management.

3. Audit Opinion

3.1 No assurance can ever be absolute; however, based on the internal audit work completed, the Chief Internal Auditor can provide Reasonable Assurance⁽¹⁾ that Surrey County Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2021 to 31 March 2022.

3.2 Further information on the basis of this opinion is provided below. Overall, whilst the majority of audit opinions issued in the year were generally positive, internal audit activities have identified a number of areas where the operation of internal controls has not been fully effective, as reflected by one minimal assurance opinion and eight partial assurance opinions issued in the year. All nine areas will be subject to a follow-up audit to ensure the expected improvement has occurred.

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

3.4 The Council has continued to strengthen its risk management framework and assurance work completed in the year shows this to be in line with expected good practice and implemented successfully within the Authority. Embedding new processes remains a key activity, which we will support through a planned compliance review against the new arrangements as part of our 2022/23 plan.

3.5 We have provided advice to the Digital Business and Insights (DB&I) Programme Board throughout the year, seeking to provide, where possible, specific assurance in the key areas to support critical decisions, such as cutover and go-live.

3.6 Summaries of this work to date have previously been provided to the Audit and Governance Committee. However, we have not yet been able to provide the full extent of our planned assurance to the Board which, due to delays in the Programme, has meant that elements of our assurance work remain incomplete.

3.7 Whilst we will continue to work with the Board and hope to provide further assurance (particularly on the internal control environment prior to go-live) as part of the 2022/23 plan, this activity carries the risk of diverting management resources away from programme delivery and is therefore something we have invited the Board to consider. In the meantime, we will continue to advise the Board on the nature and detail of assurances it should be receiving prior to cutover and go-live decisions.

3.6 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.

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

4. Basis of Opinion

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

- All audit work completed during 2021/22, planned and unplanned;
- Follow-up of actions from previous audits;
- Management's response to the findings and recommendations;
- Ongoing advice and liaison with management, including regular attendance by the Chief Internal Auditor and Audit Managers at 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 have been placed on the scope of Internal Audit during 2021/22, two planned pieces of work within Adult Social Care service have been deferred at the request of management given the impact of Covid 19 and in order to allow it time to fully embed new responsibilities incumbent upon the service. This work is included in our 2022/23 plan.

4.3 It should also be noted that Covid-19 has continued to have an impact on some of the services we have audited in the 2021/22 financial year. In some instances, this has meant that some of the expected improvements to internal controls have been delayed. In all cases, any changes to the audit plan have been reported to CLT and Audit and Governance Committee as part of our quarterly progress reports.

5. Key Internal Audit Issues for 2021/22

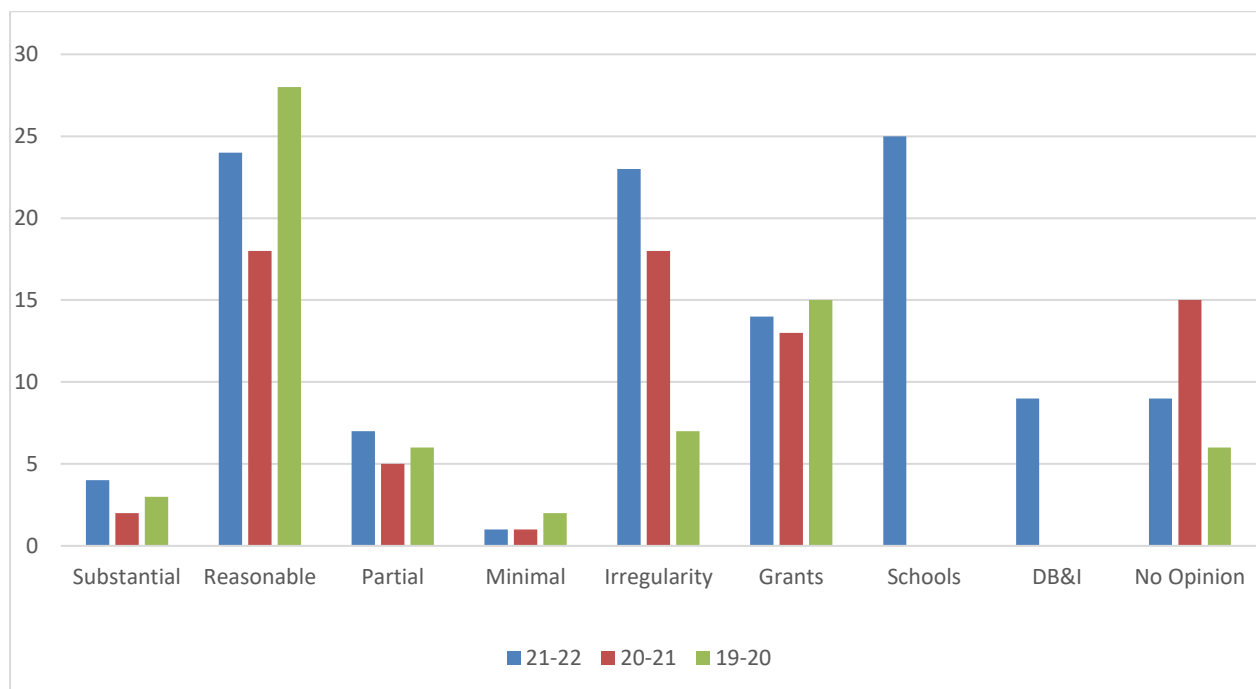
5.1 The overall audit opinion should be read in conjunction with the key issues set out in the following paragraphs. These issues, and the overall opinion, will be taken into account when preparing and approving the Council's Annual Governance Statement.

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 audits and ad hoc advice. The graph below provides a summary of the outcomes from all audits finalised during 2021/22, compared to the previous two years.

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

5.4 As explained above, this includes one audit of Minimal Assurance which related to banking controls within the LGPS Pension Fund. Details of this audit are contained within the quarter four progress report at Annexe B of this report.

Audit Opinions:



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

5.5 In addition to the above, a total of seven completed audits received partial assurance opinions within the year, as follows:

- SFRS Pension Administration follow-up
- LGPS Pension Administration (two separate audits)
- Accessibility Regulations
- Officer Code of Conduct follow-up
- Use of Consultants and Contract Awards in Land and Property
- St Jude’s Primary School audit

5.6 Additionally, a further audit was in draft at the year-end with a provisional opinion of partial assurance:

- Home to School Transport

5.7 Whilst actions arising from these reviews will be followed-up by Internal Audit, either through specific reviews or via established action tracking arrangements, it is important that management take prompt action to secure the necessary improvements in internal control.

Key Financial Systems

5.8 Given the substantial values involved, each year a significant proportion of our time is spent reviewing the Council’s key financial systems, both corporate and departmental. Of

those completed during 2021/22, all of these have resulted in either substantial or reasonable assurance being provided over the control environment, with the exception of the LGPS Pensions Administration.

5.9 We dedicate a substantial resource from our annual plan to the audit of LGPS Pension Administration, recognising that this area is one in which historic control weaknesses require significant assurance activity. We continue to work closely with management of the Pension Turnaround Programme to provide assurance in areas of particular risk, recognising that whilst this still remains an area of concern management has in place a robust improvement programme to address weaknesses. We will continue to update the Audit and Governance Committee through our quarterly reporting as future audit work is concluded.

5.10 As of 31 March 2022, the audits of General Ledger, Payroll, Financial Assessments and Income Control, and Capital Budget Monitoring were still in progress and are due to be reported on in the first quarter of 2022/23.

Other Internal Audit Activity

5.11 During the year, Internal Audit has continued to provide advice, support and independent challenge to the organisation on risk, governance and internal control matters across a range of areas. These include:

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

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

Anti-Fraud and Corruption

5.13 During 2021/22, the Internal Audit Counter Fraud Team continued to deliver both reactive and proactive fraud services across the organisation. Details of all counter fraud and investigatory activity for the year, both proactive and reactive, have been summarised within a separate Counter Fraud Annual Report due to be presented alongside this Internal Audit annual report. Where relevant, the outcomes from this work have also been used to inform our annual internal audit opinion and future audit plans.

Amendments to the Audit Plan

5.14 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:

- Use of Consultant in Land and Property
- Department for Work and Pensions 'Searchlight' Compliance Audit
- LGPS Pension Fund Banking Controls
- Cash Collection Contract
- Your Fund Surrey Governance Processes
- River Thames Flood Alleviation Scheme
- Tree Management
- Infection Control Grant Compliance
- School Purchasing Cards
- Safe and Inventory Review
- Children's Panel Processes

5.15 In order to allow these additional activities to take place, the following audits have been removed or deferred from the audit plan and, where appropriate, will be considered for inclusion in future audit plans as part of the overall risk assessment completed during the annual 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:

- Covid-19 Track and Trace grant
- Norwell Case Management System – Application Audit
- Parking Review Process
- Income Loss Grant
- Road Safety
- Public Health Funding
- Pavement Horizon
- Risk Management Compliance Audit
- Placemaking (included within 2022/23 plan)
- Mental Health (included within 2022/23 plan)
- Transition of Children in Care to Adult Social Care (included within 2022/23 plan)
- EU Digitourism Grant
- SEND Transformation
- Accounts Receivable
- Accounts Payable

6. Internal Audit Performance

6.1 Public Sector Internal Audit Standards (PSIAS) require 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 2021/22, including the results of our first independent PSIAS assessment, an update on our Quality Assurance and Improvement Programme and the year end results against our agreed targets.

PSIAS

6.2 The Standards cover the following aspects of internal audit, all of which were independently assessed during 2018 by the South West Audit Partnership (SWAP) and subject to a refreshed self-assessment in 2021/22:

- 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;
- Communicating the acceptance of risks.

6.3 The results of the SWAP review and our latest self-assessment found a high level of conformance with the Standards with only a small number of minor areas for improvement. Work has taken place to address these issues, none of which were considered significant, and these are subject to ongoing monitoring as part of our Quality Assurance and Improvement Plan.

Key Service Targets

6.4 Performance against our previously 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.

6.5 As reported a small number of outstanding reviews were nearing completion at year-end and there were a number of reports still in draft at the year end. Where this is the case, this is noted against the title of the audit in this report.

6.6 We will continue to liaise with the Council's external auditors (Grant Thornton) to ensure that the Council obtains maximum value from the combined audit resources available.

6.7 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 2020/21

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee (2020/21)	By end April*	G	Approved by Audit and Governance Committee on 22 March 2021.
	Annual Audit Report and Opinion (2019/20)	By end July	G	Approved by Audit and Governance Committee on 18 June 2021.
	Customer Satisfaction Levels	90% satisfied	G	100%
Productivity and Process Efficiency	Audit Plan – completion to draft report stage	90%	G	We achieved delivery of 92.8% of the 2021/22 plan by 31 March 2022
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	<p>January 2018 – External assessment by the South-West Audit Partnership gave an opinion of ‘Generally Conforms’: the highest of three possible rankings</p> <p>July 2021 - Internal Self-Assessment completed, no major areas of non-compliance with PSIAS identified.</p> <p>June 2021 - Internal Quality Review completed, no major areas of non-compliance with our own processes identified.</p> <p>January 2022 - Internal Quality Review completed, no major areas of non-</p>

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
				compliance with our own processes identified. Apr 2022 - Updated self-assessment against the standards within the PSIAS underway and preparations for the full independent external assessment in progress.
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	G	No evidence of non-compliance identified.
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	95% for high priority agreed actions	G	100%
Our staff	Professionally Qualified/Accredited	80%	G	91% ¹

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

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

Substantial Assurance:*(Explanation of assurance levels, and key to directorates, provided at the bottom of this document)*

Audit Title	Directorate
Procure to Pay (20/21)	CR
Order to Cash (20/21)	CR
LAS LiquidLogic follow-up	HWASC

Reasonable Assurance:

Audit Title	Directorate
Placements	HWASC
Fuel Card Data Analytics	CR
Children's Services Data Integrity	CFL
Payroll	CR
IT Asset Management During COVID-19	CR
Information Governance (Remote Working)	CR
DWP Searchlight	CR
Risk Management (Governance Arrangements)	CR
Direct Payments	HWASC
Cash Collection Contract	CR
Email Communication (Personal/Sensitive Encryption)	CR
Altair Application Controls	CR
Public Sector Bodies Accessibility Regulations follow-up	PPG
OSHENS Application Controls	CPG
Revenue Budget Monitoring	CR
Corporate Governance	CR
Local Enterprise Partnerships follow-up	PPG
Single View of a Child (Finance and EMS Processes)	CFL
Your Fund Surrey (Governance)	CR
Income Control Grant	HWASC
Safe and Inventory Control	CR
Library Replacement System Application Control	CC
Surveillance Cameras follow-up	CR
Chandlers Field Primary School	CFL
St Paul's Primary School	CFL
West Ashstead Primary School	CFL
Clandon Church of England Primary School	CFL
Epsom Downs Primary School	CFL
Riverview Primary School	CFL
Newdigate Church of England Endowed School	CFL
Hythe Community School	CFL
Stepgates Community School	CFL

Audit Title	Directorate
Walsh Church of England Junior School	CFL
Kings International College	CFL
Ashford Primary School	CFL
Folly Hill School	CFL
Priory Church of England School	CFL
Ewhurst Infant School	CFL
The Chandler Church of England Junior School	CFL
Walsh Memorial Infant School	CFL
Furzefield School	CFL
St Peter's Church of England Primary School	CFL
St Jude's Church of England Junior School	CFL
Badshot Lea Village Infant School	CFL
Fellbridge Primary School	CFL
St Mary's Church of England School	CFL

Partial Assurance:

Audit Title	Directorate
SFRS Pensions Administration (20/21)	CPG/CR
LGPS Pensions Administration (20/21)	CR
Use of Consultants, and Contract Awards in Land and Property	CR
Code Of Conduct follow-up	CR
St Judes Primary School	CFL

Minimal Assurance:

Audit Title	Directorate
LGPS Pension Fund Banking Controls	CR

Grant Claims

Audit Title	Directorate
Bus Services Operators grant	ETI
COVID-19 Home-to-School Additional Funding grant	CFL
COVID-19 Travel Demand Management grant	ETI
COVID-19 Bus Service Support grant	ETI
Local Transport Capital Funding grant	ETI
Home to School Transportation grant	CFL
IMAGINE (EU)	PPG
Digi-Tourism grant (EU)	PPG
Urban Links To Landscape (EU)	PPG
Troubled Families grant (x4)	CFL
Public Health HIV PrEP grant	HWASC

Other Audit Activity Undertaken During 2021/22 (non-opinion, or position statement)

Audit Title	Directorate
COVID-19 System Changes (20/21)	CR
Unofficial School Funds	CFL
DB&I Position Statements (x9)	CR
SFRS Automatic Fire Alarms	CPG
Use of Consultancy in Land & Property	CR
Greener Future	ETI
Transformation Programme	CR
School Purchasing Cards	CFL

Directorate glossary

CC	Customers and Communities
CR	Corporate Resources
CFL	Children, Families and Learning
CPG	Corporate Protection Group
ETI	Environment, Transport & Infrastructure
HWASC	Health, Wellbeing and Adult Social Care
PPG	Partnerships, Prosperity and Growth

Audit Opinions and Definitions

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

Audits Completed in Quarter 4 (January to March 2022)

Revenue Budget Monitoring (2021/22)

The system for Revenue Budget Monitoring is deemed a key financial system and is audited annually.

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

- The Council met its statutory requirements regarding revenue budget management;
- Governance arrangements were clear and understood by officers;
- Adequate revenue budget planning and forecasting lead to the delivery of the Council's strategic objectives;
- The budget approved was accurately reflected in the accounting system;
- Management information was adequate; and
- Agreed actions from the previous audit had been implemented.

We were able to give this system an overall opinion of **Substantial Assurance** as all key controls were in place as expected and operating effectively.

The format for the robust budget setting process in place, including an annual budget timetable, had been reviewed and brought together in an overarching document. Information within the system was found to be up to date, with assigned budget holders for each cost centre in line with the organisational structure.

We noted that budget management training was made available through the Finance Academy and were pleased to see an increase in coverage of the Budget Accountability Statements (the annual declaration by budget holders acknowledging the responsibilities and accountabilities delegated to them under Financial Regulations).

Pension Fund Banking Controls (2021/22)

As part of the Pensions Turnaround Programme, management identified weaknesses in banking arrangements for the LGPS scheme, arising from poor historical practices. As a result, Internal Audit was asked to undertake a review to better understand the inherent weaknesses.

This audit, an addition to our 2021/22 annual plan, set out to provide assurance that controls were in place to meet the following key objectives:

- Roles and responsibilities in respect of the pension fund bank account and allied accounting arrangements were clearly defined;
- The fund suspense account was subject to regular review with balances cleared in a timely manner;

- Income was processed promptly with both scheme member, and fund records, updated accordingly; and
- Expenditure was subject to necessary checks, with balances processed in a timely manner and records updated accordingly.

Our review identified a number of key control weakness within the arrangements in place:

- There were a number of different teams, including those outside of the pensions service, involved in day-to-day tasks relating to pension fund banking, hindering the ability for sufficient management oversight of the end-to-end process;
- Fund Administration had failed to invoice scheme employers for Compensatory Added Years liabilities (a historical, discretionary benefit, no longer awarded);
- Errors were found in a sample of transactions from the daily reconciliation of the pension fund bank account against the ledger;
- The pension fund suspense account held significant unresolved historical balances;
- At the time of our review the fund had not recharged for these legal or actuarial costs since the 2017/18 financial year;
- A set of invoices for a fund manager valued at £525k remained unpaid since 2017; and
- A spreadsheet used by the team to monitor the progress of transfers into the fund was in breach of GDPR requirements, and had data quality issues.

As a result of these findings, we gave an opinion of **Minimal Assurance**. The audit agreed seven high priority actions with management, for which appropriate responses have been agreed. A management briefing for the Audit and Governance Committee Chairman and Vice-Chairman on the agreed actions was also undertaken. We will undertake a follow-up of this audit in our 2022/23 plan to ensure agreed actions have been fully implemented.

Corporate Governance

The Council is required to produce an Annual Governance Statement, which sets out the governance structure of the Council and its key internal controls. Our review supported this process by providing assurance that there was an appropriate level of awareness of a sample of key policies within the organisation.

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

- The Council had policies in place in key areas which were compliant with the required legal and regulatory standards;
- Key policy documents were publicised and made available to all employees and Members, as applicable;
- Key policies had a nominated officer responsible for ensuring policies remain current, subject to review, and were compliant with required legislation; and
- Both Members and officers were aware of their requirements and responsibilities in complying with key policies.

We also undertook a comparison of the Council's Code of Corporate Governance framework against those of similar local authorities. We found the framework to be consistent with those in place in the other authorities reviewed, with an adequate coverage of key policies to support the Council's activities and safeguard its assets.

For a sample of corporate policies we sought assurance through policy custodians to confirm that these policies were subject to periodic review. We then canvassed a sample of Members and employees to seek assurance that they were aware of, and compliant with, these particular policies.

Based on this work we identified some areas for improvement, notably:

- Access to online policies was dependent upon key word searches, which did not always identify the correct document;
- Policies varied in length and complexity, with some containing summaries and glossaries to aid understanding, but not all;
- Most policies were text-based documents, not all of which had linked contents tables or search functions, which hinders their ease of use and did not address the needs of all users (for example visual learners);
- Some policies solely referred to office-based working practices and had not been updated for remote working; and
- Training on policies is limited to the corporate induction process.

We agreed four actions with management, three of Medium Priority and one of Low, and gave the area under review an opinion of **Reasonable Assurance**.

Local Enterprise Partnerships follow-up

Local Enterprise Partnerships (LEPs) are voluntary partnerships between local authorities and businesses to help determine local economic priorities and lead economic growth within their local area. The Council is involved in two LEPs: Enterprise M3 (EM3) and Coast to Capital (C2C), between them delivering sixteen schemes totalling £56.45m.

Our previous audit of the Local Enterprise Partnerships (LEPs) reported an audit opinion of Partial Assurance due to weaknesses in the control environment. The primary purpose of this audit was to follow-up the agreed actions from our last audit with regard to the control objectives from the original review:

- Management identify, develop, and submit strong bids that put the Council in the best possible position of securing LEP funding;
- There were adequate governance, risk, and performance management arrangements in place to ensure that LEP funded schemes are delivered to time and budget; and
- Funding conditions for schemes were adhered to.

We were provided with evidence to demonstrate expected improvements, including the development of terms of references for key governance groups and an embedded escalation procedure through a designated Escalation Board.

Following our review we were able to improve the overall opinion to **Reasonable Assurance**. We also identified two areas in which further improvement could be made, in regard to risk management and post-project evaluation, and agreed actions with management in this regard.

Single View of a Child (Education Management System and Finance Processes)

The Single View of a Child (SVOAC) programme aims to fundamentally improve the way in which SCC manages education services for children. The programme includes the implementation of two Liquidlogic products: Early Years & Education System (EYES); and Liquidlogic Integrated Finance Technology (LIFT).

A previous Internal Audit report found that robust governance arrangements had been established since the launch of the project in September 2020. The purpose of this second review was to provide assurance that controls are in place to meet the following control objectives:

- Governance and risk management arrangements remained robust;
- User application testing (UAT) on systems was timely and included mechanisms to resolve issues;
- Review of system configuration ensured the system remained fit for purpose;
- A strategy was in place to deliver all aspects of data migration to the new systems;
- Case document storage arrangements in the new system ensured both business and statutory requirements were met; and
- Engagement with, and training of, staff across the service was being achieved.

Delivery of the programme continues at a steady pace. Continued robust governance arrangements and high level of transparency has enabled the programme to progress despite some challenges emerging over the last nine months.

Key controls were found to be in place, and operating effectively. Since Adoption and Fostering payments were transferred to LIFT at the beginning of September 2021, over £107k of savings had been identified by eliminating unnecessary payments. Newly developed Tableau reports for LIFT provided good quality management information.

By the end of the SVOAC programme, the council will have five Liquidlogic systems in place in CFL or Adult Social Care. We are the first council to fully implement LIFT and a considerable amount of development work has taken place, benefiting both the Council and Liquidlogic.

We noted that Liquidlogic's delivery had been inconsistent, impacting both time and budget contingencies, but not to the extent that the programme is at risk of non-delivery. Governance arrangements were sufficiently robust to overcome these challenges and risks as the programme moved into testing and implementation stages.

Based on our assessment of the programme's control environment we have given an opinion of **Reasonable Assurance**. No actions were necessary to agree with management.

Your Fund Surrey (Governance Arrangements)

Your Fund Surrey (YFS) is a council-led grant initiative, awarding £100m of capital funding to benefit communities across the county. The focus of the funding is to bring projects to life which benefit the wider community and leave a lasting legacy.

Internal Audit has provided ad-hoc advice to the team responsible over the past 18 months through the development phase of the scheme. This audit review provided assurance over governance arrangements relating to YFS, specifically:

- The scheme's Advisory Panel had a clear mandate for the assessment of funding applications against set criteria, allowing equitable and clear decision-making;
- Funding approval limits matched the council's Scheme of Delegation, and additional criteria was set for those applications seeking significant funding values; and
- Applications received were subject to appropriate due diligence checks.

Our review found the control environment to be robust: funding approval limits were more stringent than under the Scheme of Delegation to ensure a higher degree of scrutiny given the high profile of the fund.

Whilst the application route is the same for all, a greater body of evidence is sought for projects that carry higher financial risk. We identified that a robust set of application and processing controls were in place to prevent a fraudulent application being successful.

Our review did identify some areas for improvement, notably for further engagement with communities in areas of deprivation and lower social mobility, and signposting unsuccessful bidders to other sources of funding. Overall, having agreed actions with management to address these findings, we gave this area an opinion of **Reasonable Assurance**.

Library Management System Application Audit

The council is a member of The Libraries Consortium (TLC), a rapidly expanding network of public library authorities in the UK that shares technology, stock, and expertise to increase impact at reduced costs.

Surrey Library service were implementing a new Library Management System (LMS), SirsiDynix Symphony, designed to support libraries into the future. 'Symphony' handles all library workflows with specially designed modules.

This audit was undertaken to review the application controls operating within the new system, focused on the following key control objectives:

- System access and permissions were restricted to authorised individuals;
- Data processed through interfaces was authorised, accurate, complete, securely processed and written to the appropriate file;
- System outputs were complete, accurate, reliable, and timely;
- System updates and enhancements were consistently performed and subject to sufficient testing and authorisation before implementation; and

- Appropriate arrangements were in place to manage system changes.

Following a review of the controls in place, we were able to provide an opinion of **Reasonable Assurance** for the following reasons:

- System access to both the library applications was restricted, with access and permissions granted through the provider's server;
- Controls ensured super-user access was restricted appropriately;
- Controls ensured automatic authentication of borrowers within the library system;
- Controls were in place to ensure system outputs were reconciled and validated; and
- Arrangements for reviewing, testing, and approving system enhancements existed.

We agreed one action of low priority relating to the review of system logs to identify any suspicious or unexpected behaviour by the system administrator.

Infection Control Grant

The Infection Control Fund (ICF) was introduced by the Department of Health & Social Care (DHSC) in May 2020 primarily to reduce the rate of COVID-19 transmission within and between care settings. In April 2021, the ICF was consolidated with the existing Rapid Testing Fund (RTF). At the time of our audit allocations for the council to disburse to care providers totalled £45m for ICF, with a further £12m for RTF.

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

- Robust governance arrangements help ensure the grant funding criteria are met;
- Care providers could evidence expenditure which met the requirements of criteria;
- Arrangements were in place identifying care providers had met these requirements, and where overpayment had occurred providers were contacted so that the council was not liable for any related debt.

We found the council had been compliant in most respects of the funding conditions. We also identified that providers had been billed where overpayments have been identified, albeit this is an ongoing activity into 2022.

We identified some areas for improvement including the need to have better demonstrated provider compliance with grant conditions prior to the release of funding to them.

Overall we were able to give an opinion of **Reasonable Assurance** for this area of review, and agreed three actions with management for improvement.

Safe and Inventory Control

This review was an addition to our 2021/22 Internal Audit Plan following the identification of risks associated with the decommissioning of County Hall and the general management of council assets and inventory, including PPE stock.

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

- There were robust arrangements in place to manage heritage assets, documents, and PPE stock;
- There were effective systems in place to manage safes and their contents; and
- Clear guidance was in place regarding the management of assets and property.

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

- There was a clear policy governing the management of safes and inventory;
- Across the services we contacted, management were aware of their responsibilities and had robust processes in place to manage risks;
- Services assessed at highest risk of significant loss demonstrated they had effective systems in place;
- Robust arrangements for the secure storage of PPE stocks were in place, with detailed monthly tracking of stock and its distribution;
- Records of key holder access across the estate were up to date and demonstrated restricted access protocols; and
- An asset register recorded heritage items and their intended distribution during County Hall's de-commissioning.

We agreed two actions with management in relation to removing duplicate entries from the asset register, and in respect of a small number of assets being in-situ on the Woodhatch site when recorded as being in Crown Stores.

Surveillance Cameras follow-up

An audit of Surveillance Cameras was undertaken in 2019 and gave an opinion of Partial Assurance, identifying areas of non-compliance with the Surveillance Camera Code of Practice. An initial follow-up in 2020 remained Partial Assurance, as implementation of agreed actions had been delayed due to the pandemic.

The purpose of this second follow-up audit was to provide assurance that nine agreed actions from the original audit had now been fully implemented.

We identified that satisfactory progress had now been made against the actions agreed in November 2020, and we were content that management controls were appropriate to ensure risks were managed to meet statutory obligations and the requirements of the Code of Practice.

As such, we were able to give a revised opinion of **Reasonable Assurance** over this area.

Greener Future

The council's strategic priority of 'enabling a greener future' is underpinned by the Climate Change Strategy (CCS), which was published in 2020. The strategy requires action by

services across the council and is supported by numerous programmes, including the national Net Zero by 2030 programme. We were involved in the launch of 'Net Zero' in early 2021 and our discussions included consideration of how to effectively evaluate the preparedness of the council to deliver the CCS and Net Zero.

We carried out a preliminary review of how well key council policies align with and promote delivery of the CCS. Given the scale of the strategy, and impact of the pandemic on factors that influence climate change, we agreed to postpone forming an opinion until delivery of the strategy was fully established.

DB&I Programme Support

We continue to provide independent advice and support to this major change programme through attendance at the Programme Board and by providing feedback to the Board on key activities through non-opinion audits.

Whilst acknowledging the work in this area is not complete, some specific concerns were raised with the Board, being:

- The proposed audit trail cannot be used to log all changes as performance is affected, so a risk-based approach needs to be adopted to consider which areas should be logged;
- The ongoing system support arrangements and any additional resources to support go-live need to be defined and put in place;
- Arrangements to ensure all local customisation of the system continues to function as part of any upgrade should be put in place;
- Local system design is not documented consistently, impacting the risk that the authority cannot support its own system post Go-Live and HyperCare; and
- Whilst arrangements are in place to incorporate the new system into the corporate business continuity planning arrangements, this work had not been completed by year-end.

Further work is planned in 2022/23 to support the implementation of the new systems, including a review of the key controls within the control environment.

School Audits

In late quarter two, we began delivery of a comprehensive programme of school audits to provide assurance both to council and school management that the control environment within maintained schools was robust.

We have a standard audit programme in place for all school audits, with the scope of our work designed to provide assurance over key controls within the control environment:

- Governance structures were in place and operated to ensure there was independent oversight and challenge by the Governing Body;
- Decision making was transparent, well-documented and free from bias;
- The school operated within its budget through effective financial planning;

- Unauthorised people did not have access to pupils, systems or the site;
- Staff were paid in accordance with the schools pay policy;
- Expenditure was controlled and funds used for an educational purpose;
- Unofficial funds were held securely and used in accordance with their agreed purpose; and
- Security arrangements kept data and assets secure and were compliant with data protection legislation.

At the time of writing, school audits continue to be undertaken under remote working arrangements.

A total of 12 school audits were delivered in quarter four. The table below shows a summary of which schools we have audited, together with the final level of assurance reported to them.

Name of School	Audit Opinion
Badshot Lea Village Infant School	Reasonable Assurance
Buckland Primary School	Reasonable Assurance
Ewhurst C of E Aided Infant School	Reasonable Assurance
Felbridge Primary School	Reasonable Assurance
Folly Hill Infant School	Reasonable Assurance
Furzefield Primary School	Reasonable Assurance
St Jude's C of E Infant School	Reasonable Assurance
St Mary's C of E (Voluntary Controlled) Infant School	Reasonable Assurance
St Peter's C of E Primary School	Reasonable Assurance
The Chandler C of E Junior School	Reasonable Assurance
The Priory School	Reasonable Assurance
Walsh Memorial C of E Infant School	Reasonable Assurance

As well as undertaking routine audit work, we provided two training and update sessions for Governors during the quarter, providing them with details of the audit programme and ways that they can support their schools to implement and maintain robust controls. At the end of quarter four, we liaised with stakeholders to discuss the school audit plan for 2022/23 as part of which we aim to undertake approximately 40 school audits.

Grant Certification

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

- Home to School Transport grant - £5,621,141
- Bus Service Support grant - £3,896,827
- Troubled Families grant - £190,400

Counter Fraud and Investigation Activities

Counter Fraud Activities

We continue to liaise with services to ensure that matches from the National Fraud Initiative are being reviewed and processed.

A countywide Single Person Discount review is currently underway and following award of the contract we continue to work in partnership with District and Boroughs to coordinate and deliver the review.

We continue to monitor intel alerts and share information with relevant services.

Summary of Completed Investigations

Working while off Sick

We received two separate allegations of staff running their own businesses while signed-off sick from work.

In the first case, we provided support to a service who received a referral that a member of staff had started their own business while signed-off work and in receipt of sick pay. On investigation it was found that the role was not in conflict with the officer's substantive position, so no further action was taken.

In the second case, it was alleged that a member of staff had started an online business when signed off sick, using SCC equipment to run it. We identified from network data that SCC equipment was being used but the hours of use were outside of their contractual hours and the frequency of use was low. The member of staff was issued a warning and reminded of their obligations in the Officer Code of Conduct.

False Identity

Advice was provided following an allegation that a member of staff was working under a false identity and had a false DBS check. The employment was terminated, and the individual referred to the police.

Early Years Grant

We provided advice following Information Governance concerns being raised around a voluntary body funded by the Early Years Grant. Advice on controls was provided to ensure that the grant-funded body put in place adequate IT security controls, training, and incident breach reporting mechanisms.

Your Fund Surrey

Following an application received by Your Fund Surrey, we were asked to provide advice in respect of a potential procurement irregularity centred around the submission of a quotation from a preferred supplier. Following our review, a decision was made not to award the grant. The applicant was advised to reapply, ensuring that the Public Sector Procurement Guidelines were followed.

Misuse of Searchlight

We provided support following notification from the Department for Work and Pensions (DWP) that a member of staff had misused the DWP system, Searchlight. During the investigation, we identified that the same member of staff had also potentially misused other council systems to look up personal data. A disciplinary hearing date was set, but the individual resigned prior to the hearing.

Misuse of a Purchase Card

We investigated a member of staff for the misuse of a corporate purchase card. The investigation identified that the member of staff had used the card for personal spend totalling £5,050.

It was also identified that the same individual had a vehicle leased to them through the council's salary sacrifice scheme and they had failed to pay fines of £2,200 relating to the use of the vehicle, which were being issued to the council.

Following our investigation, the member of staff repaid the £5,050 and arranged to pay the outstanding fines. In addition, the lease vehicle was returned to SCC and the individual was dismissed with the case being referred to the police.

Abuse of Position

We provided support for a whistleblowing allegation where it was alleged that a carer had set up a business that was in conflict with their substantive role. Following the investigation and a disciplinary hearing, the member of staff was issued a final written warning.

Conflict of Interest and Nepotism

Initial enquiries were conducted following an allegation of nepotism and a conflict of interest, during contract awards, within the Land and Property Service. We did not identify any irregular practice in the award of the contracts or appointment of officers, and consequently no further action was required.

Conflict of Interest and Bribery

We undertook an investigation following a referral alleging that three social workers were connected through outside financial interests, with this being in conflict with their substantive roles. A review of the recruitment process for the named members of staff confirmed that the appointments were compliant with the expected corporate processes. Furthermore, no conflicts of interest were identified, and the case was closed.

Action Tracking

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

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

Amendments to the Annual Audit Plan

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

No further audits were added to the agreed audit plan during this final quarter. Audits that were been removed from the plan in the quarter, either being cancelled or deferred until 2022/23, are shown in the table below. 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.

Planned Audit	Rationale for removal or deferment
Risk Management	A proposed second audit of risk management arrangements in 2021/22 was deferred to summer 2022 on request of the service, to allow new arrangements to bed in. Our original opinion on the revised framework was of Reasonable Assurance.
Placemaking (ETI)	This audit did not start in 2021/22 due to increased resources being allocated to DB&I Programme Support. With the agreement of management it is being reviewed within an audit of the Planning service as part of the 2022/23 annual plan.
Mental Health	Management requested we move this audit into the 2022/23 plan to allow for additional time for revised service arrangements to embed.
Transition of Children in Care to Adult Social Care	This audit did not start in 2021/22 due to increased resources being allocated to DB&I Programme Support. It has been carried forward to the 2022/23 plan.
EU Digitourism Grant	Phase 1 of this grant ended in summer 2021 and the next required audit (Phase 2) falls in 2022/23. This

Planned Audit	Rationale for removal or deferment
	had not been communicated to Internal Audit so the audit remained in the plan until quarter 4.
SEND Transformation	This audit was superseded in-year by the addition in late quarter 3 of the Children's Panel Process audit.
Accounts Receivable	The last audit of this key financial system was reported in June 2021 with an opinion of Substantial Assurance, so this audit was removed from the plan on the basis of risk, and having been reviewed within the financial year.
Accounts Payable	As above.