

# Internal Audit and Counter Fraud Quarter 2 Progress Report 2024/25

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## 1. Summary of Completed Audits

### Corporate Payroll

- 1.1 Payroll processes within MySurrey were significantly disrupted in the early months after go-live (June 2023) and system issues were experienced for a variety of technical reasons, with elements of the system not working as expected. This led to problems that affected many Council employees, especially those on variable pay.
- 1.2 Whilst we acknowledge the resource and significant human effort that has been invested by the Council to attempt to fix these issues, our audit of the control environment showed that fundamental weaknesses still exist, and there remains a need for significant manual intervention in what should be automated processes.
- 1.3 The scope of this review focussed on corporate payroll with the purpose of providing assurance that controls were in place to meet the following objectives:
- Only genuine starters are set up and approved, and paid from the correct date;
  - Leavers are removed from the payroll in a timely manner and paid correctly;
  - Permanent variations to pay accurately reflect employees' grades and/or changes to their contracts, and are calculated and paid from the correct date;
  - Payruns, including deductions and BACS transmissions, are correct and authorised;
  - Effective assurance arrangements have been implemented to detect errors, unusual, or irregular payments;
  - Payroll data is accurately reflected in the General Ledger;
  - Temporary payments (including additional hours, expense claims and payment to casual staff) are only made for hours worked and expenses incurred legitimately; and
  - Data held in MySurrey is secure and any changes made by employees through self-service are updated in a timely manner.
- 1.4 Key findings from our audit were that:
- Key functionality within the system did not work as designed, leading to an absence of automated control in key areas and a need for manual workarounds;
  - Attempts by Unit 4 to fix known issues in system functionality have been ongoing since go-live, but with only limited success;
  - The reporting capabilities within the system are weak, and do not allow management proper oversight. For example, we cannot provide assurance that all leavers since April 2023 have been processed correctly due to this deficiency;
  - Significant issues remain in calculating salary for employees on variable pay (e.g. in receipt of overtime, additional hours, et al) and require a supplementary payroll to be undertaken monthly to enable this cohort of employees to effectively check their own provisional pay for accuracy ahead of the final pay-run;

- There is no regular reconciliation of staff employed to monthly payroll payments;
- Monthly reconciliations of third-party payments (for example, to HMRC or the Local Government Pension Fund) had not been completed since March 2024; and
- There are weaknesses in control over access to employee standing data with no audit log effective within the system.

- 1.5 Based on our findings, we were only able to provide an opinion of **Minimal Assurance**. We have agreed 14 actions with management (13 of high priority, 1 of medium priority) to address the weaknesses identified. We have ensured that our work feeds into the MySurrey Stabilisation Board in order to facilitate the most effective corporate response to our findings.
- 1.6 Given the timetable proposed for remedial action by the Stabilisation Board, we plan undertake a follow-up audit in this area later in this financial year to ensure that the expected improvements in control have been implemented.

### Payroll (Pensions Enrolment)

- 1.7 As an addendum to the Payroll audit above, we undertook a second piece of work to examine the control environment around enrolment of employees into the Local Government Pension Scheme (LGPS). To comply with the regulations set out by the Pensions Regulator, all employers are required, by law, to automatically enrol all eligible jobholders into a pension scheme, and enforcement action by the Pensions Regulator may follow for non-compliance.
- 1.8 Our review only considered the enrolment of Surrey County Council employees and not any of the other c.360 employers in the Surrey Pension Fund. The purpose of this audit was to provide assurance that controls were in place to meet the following objectives:
- The Council complies with all requirements set out by the Pension Regulator for enrolment of staff to the Surrey Pension Fund;
  - Processes are in place to ensure all employee enrolments and contributions are efficiently and effectively processed and staff are enrolled correctly into the Pension Fund with contributions collected accurately;
  - Errors in enrolment are identified immediately and resolved effectively;
  - Retrospective payment contributions (where applicable) are efficiently and effectively collected without the employee experiencing financial hardship; and
  - Surrey Pension Fund are notified in a timely manner of new Council employees.
- 1.9 Based on the work carried out, we were unable to provide assurance that these key controls were operating effectively, further supporting the minimal assurance opinion over Corporate Payroll referenced above. Key findings from our audit were that:
- To comply with regulations, employers must automatically enrol all eligible employees into a pension scheme at the commencement of employment.

However, we found that as a result of technical issues with MySurrey there are significant delays in this process;

- We identified that there are data quality issues within data being transferred, which is further delaying the process;
- Existing enrolled employees within the scheme are having issues with their contributions not being collected - or being collected incorrectly - when changes had been made to employees' roles or pay rates;
- New members have not been notified of basic information such as their benefits, and how employee and employer contributions are calculated;
- On behalf of affected members, the Council made payments to the Fund to cover missed contributions for the period of May 2023 to March 2024. A recovery process for employees to repay these funds to the Council commenced in June 2024. However, the Payroll Team have recently questioned the quality of data analysis that was used in these calculations and are working to rectify this;
- Since the original work to identify employees experiencing issues, there has been no further review to identify if other employees are experiencing issues with their pension contributions. Consequently other issues may be going undetected, which may pose both financial risks to scheme members and reputational risk to the Council. It also increases the risk of non-compliant Fund administration.

- 1.10 As explained above, this review was an addendum to the Corporate Payroll audit and therefore shared that opinion of Minimal Assurance. We have agreed 6 actions with management, 2 of which were high priority, 3 of medium priority, and 1 of low priority, to address weaknesses identified. As described previously, our findings and agreed actions have been shared with the MySurrey Stabilisation Board to ensure a comprehensive corporate response.
- 1.11 As with the Payroll audit, given the timetable proposed for remedial action by the Stabilisation Board we plan undertake a follow-up audit in this area later in this financial year to ensure that the expected improvements in control have been implemented.

### **MySurrey User Access and Security Review**

- 1.12 Since MySurrey went live in June 2023 data breaches have been identified where officers accessed data that was not required to fulfil their roles. Access to the system is set through Role-Based Access Control which, considering the size of the Council and the modularity of the system, increases the complexity of access and permissions setting.
- 1.13 The purpose of our audit was to provide assurance that controls were in place to meet the following key objectives:
- An effective governance framework for system access is in place to prevent unauthorised access and to safeguard personal and sensitive information;

- Effective access controls are in place to ensure that users are granted appropriate permissions aligned with their roles and responsibilities;
- System access is effectively logged and monitored to ensure timely detection and response to unauthorised access or suspicious activity; and
- There is adequate training for staff that establishes fundamental access and permission concepts.

1.14 The scope of our audit was limited at this stage to the corporate implementation of MySurrey and did not include the build that encompasses the Surrey schools implementation.

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

- Guidance and procedures to specify roles and responsibilities, approval processes, and governance over access and user accounts did not exist;
- Key functionality to prevent, or monitor for, the accidental or malicious use of the MySurrey system is not currently available, nor has it been since go-live. This includes audit trails of logins, and detailed amendment logs for all users;
- Although we were informed that amendment logs were properly considered during implementation and switched on, evidence as part of our review indicates that this is not the case as not all logs are available. Of those that are, they are not produced in a format that allows for effective analysis of data;
- We were therefore unable to test and provide assurance that controls are in place to ensure that roles and permissions have been assigned appropriately and that activity, including amendments to standing data, has been undertaken in line with the Council's policies and procedures;
- There are no defined permissions for more complex users that utilise MySurrey actively to complete business, financial, and HR tasks for their roles, including those with privileged accounts who manage functionality (including access permissions). It is these privileged accounts that pose the greatest risk as they have access to business-critical parts of the system; and
- The lack of system governance documentation risks the Council being non-compliant with data protection policies, as there is no clear structure of responsibility over the maintenance and monitoring of access and security.

1.16 Due to these key control weaknesses we were unable to provide a level of assurance higher than **Minimal Assurance**. Our audit identified and agreed 8 actions with management, 4 of which were high priority, and 4 of medium priority. These actions are incorporated within the overall action plan for the MySurrey Stabilisation Board to ensure that a coordinated corporate response to them is taken in a timely manner and to enable a follow-up audit to be undertaken as soon as possible.

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## MySurrey - Integrations

- 1.17 MySurrey has been configured to integrate with other key corporate systems, which involves the transfer transactional data to be posted to the general ledger, as well as financial information to allow payments to be made. Core systems currently integrated to MySurrey include (but are not limited to):
- Controcc (Adult Social Care);
  - Planon (Property);
  - Confirm (Highways);
  - LACHS (Customer Service - Claims); and
  - LIFT (Children Services)
- 1.18 The purpose of our audit was to provide assurance that controls were in place to meet the following key objectives:
- A master list of integrations was available to ensure accountability and ownership;
  - Documentation existed for all integrations requiring manual processes and was accessible to required staff;
  - Procedures and schedules of support existed, with an escalation to specialists if/when required;
  - Data transferred between integrated systems was accurate and complete, with reconciliations performed; and
  - Error logs were monitored with a rapid response process for issues arising.
- 1.19 We were unable to provide assurance that all the expected controls were in place. Of particular significance:
- Current integrations from key systems did not have any meaningful value reconciliation. Without this there is a risk of inaccuracy in financial reporting;
  - The governance arrangements around integrations with MySurrey lacked clarity;
  - There was an absence of a single master list containing all active integrations;
  - It was not possible to identify owners for each integration process or their responsibilities;
  - Few of the data transfer processes were documented, creating risk of error; and
  - In some areas the data transfer process was only known to a single officer, creating a 'single point of failure.'
- 1.20 We note that the structure and delivery of integrations within this space continues to evolve with active steps being taken to address known issues. Responsibilities for support transitioned from the DB&I Programme Team to IT&D in June 2024, which led to a push in corrective actions. Governance has further been strengthened through the creation of the MySurrey Stabilisation Board.

1.21 We formed a final opinion of **Partial Assurance** and agreed 6 actions with management (1 of which has high priority, 4 of medium priority and 1 of low priority) to address these findings and to improve the control environment. A follow-up audit of this area will be undertaken in due course to assess the implementation of these actions.

### **Surrey Fire & Rescue Service (SFRS) Safe and Well Visits**

1.22 SFRS provide prevention services that include Safe and Well Visits as part of its wider remit. These provide the most vulnerable residents with personalised fire prevention advice to mitigate fire risks to their home and improve outcomes should a fire occur.

1.23 With this being highlighted as a weakness in their recent inspection report from His Majesty's Inspectorate of Constabulary and Fire & Rescue Services, we were asked to undertake assurance work in this area to support the service's Improvement Plan. The purpose of the audit was to provide assurance that controls were in place to meet the following key objectives:

- Referrals for Safe & Well Visits are processed and followed-up in a timely manner;
- Pathways for raising a concern are documented and distributed via appropriate channels, ensuring that risk areas and vulnerable residents are captured;
- There is adequate training in place for staff which is monitored to ensure a consistent approach to visits; and
- There are effective reporting arrangements in place to ensure oversight.

1.24 Key findings from our review were that:

- SFRS is underperforming by approximately one Safe & Well Visit per week on its target of one visit per Fire Station, per day;
- Although SFRS has proactively created a plan to increase its performance, it is not able to fully implement this until additional roles are recruited to;
- Beyond the target for number of visits, there are other related service targets for which the data collection for is not sufficient to report on, or monitor;
- Some referrals come in via routes not accounted for in the Standard Operating Procedure, and there are no formal processes for how they should be handled;
- It was unclear when contacts are attempted and to what extent visits are occurring in a timely manner due forms not being filled in consistently; and
- Communication with, and training of, third-party referring agencies could be improved to raise awareness of the process and reduce inaccurate data capture.

1.25 Overall, we formed a final opinion of **Partial Assurance**. We agreed 5 actions with management (3 of high priority actions, and 2 of medium) to address these findings and to improve the control environment. A follow-up audit of this area will be undertaken in due course to assess the implementation of these actions.

### **Planning Follow-Up**

- 1.26 An audit of Planning was completed as part of our 2023/24 plan which resulted in an audit opinion of Partial Assurance. In line with our protocol, and as part of our planned work for 2024/25, we undertook a follow-up review of this audit.
- 1.27 Within the nine previously agreed actions was one relating to Section 106 funding arrangements: that area will be subject to a separate follow-up audit of its own, which will be reported to Committee in due course. It was therefore excluded from this audit.
- 1.28 Our review identified that seven of the remaining eight agreed actions have now been fully implemented, addressing previously identified control weaknesses. In particular:
- Processes and procedures have now been documented and these are stored in a centralised SharePoint site;
  - Complaint handling has moved from spreadsheet to a case management system;
  - A service level agreement is now in place between Land & Property and Planning, and notes from meetings between the two areas are recorded;
  - Guidance for submitting Regulation 3 applications has been updated; and
  - Committee training has been completed and an independent review by the Planning Advisory Service of the Committee's performance has been undertaken.
- 1.29 One action – to create a forward plan for the Committee – was only part-implemented. Whilst such a plan has now been created, we noted that it could provide more of the detail agreed in the original action, such as if there are any relevant issues or missing information for the Committee to consider.
- 1.30 Overall, we formed a final opinion of **Reasonable Assurance** for this follow-up review, and agreed 4 actions with management (2 of medium priority, 2 of low) to further strengthen the control environment.

### Cyber Security – Response and Resilience

- 1.31 Cyber resilience is the term for an organisation to protect, detect, respond, and recover from cyber-attack. Through being resilient, organisations have the ability to reduce the impact of an attack and ensure that they are able to continue to operate effectively.
- 1.32 The purpose of our audit was to provide assurance that controls are in place to meet the following key objectives:
- Incident Response and Disaster Recovery processes and procedures are embedded and maintained;
  - The Council understands the risk to operational activities and mitigates them accordingly; and
  - Response and recovery activities are improved through the incorporation of lessons learned for future incidents.



- 1.33 A summary of key findings identified that:
- Whilst the Cyber Incident Response Plan is updated annually in line with the business continuity planning cycle, the Major Incident and Incident Response Plans were last updated in 2021;
  - Each of the Council's response plans define clear roles and responsibilities;
  - Records are maintained, with reports being written after all major incidents; and
  - The Emergency Management team help test service area Business Impact Analysis (BIA) - each BIA includes a list of key and critical activities which are vital to the respective service, including identifying critical IT systems.
- 1.34 Overall, we concluded a final opinion of **Reasonable Assurance** following this review, agreeing 3 actions with management (2 of medium priority, 1 of low) around the areas of training, and updating key policies.

### Information Technology (IT) Asset Records Management

- 1.35 IT asset records management is the systematic process of acquiring, monitoring, maintaining, and documenting IT assets throughout their lifecycle. This process is crucial for efficient IT asset management and covers laptops, mobile devices, software licences and servers. The Council uses several third-party systems to manage assets, such as Cherwell and Microsoft's System Centre Configuration Manager.
- 1.36 This audit was an addition to our plan, coming as a request from IT&D following issues highlighted by their own internal review.
- 1.37 The audit did not seek to provide assurance over non-tangible assets (software), network assets (servers), but rather the purpose of the review was to provide assurance that controls were in place to meet the following objectives:
- The Council has a formal documented asset management policy in place;
  - Roles and responsibilities for IT asset records management are known, with a clear understanding in relation to ownership of the process; and
  - Adequate procedures exist to monitor and safeguard Council IT assets.
- 1.38 Overall we were able to verify that controls within existing processes were sufficiently robust. In particular we noted that:
- There was an Asset Management Database policy in place for managing assets throughout their life cycle; and
  - Existing processes around issue, delivery, return and disposal of assets clearly identify roles and responsibilities within the service.
- 1.39 However, we also identified a number of improvements that could be made to the control environment:

- Although some ad hoc review occurred, there was no formal record of a process for the monitoring of assets once they had been issued to staff (although compensating controls bring the risk down to an acceptable level);
- The Asset Management Database policy had not been updated since 2014; and
- A list of officers with access to the secure rooms in which assets are stored could not be produced.

1.40 Overall, we provided an opinion of **Reasonable Assurance**, agreeing 3 actions with management (2 of medium priority, and 1 of low) to address the issues identified.

### On-Street Parking Arrangements

1.41 The 'Civil Enforcement of Moving Traffic Contraventions Designations and Miscellaneous Amendments Order 2022' allowed the Council to adopt moving traffic enforcement (MTE) powers, following which a countywide model for parking and MTE was adopted.

1.42 Following a tender process, a seven-year contract with NSL, the UK's largest provider of parking enforcement services, commenced on 1 April 2023. The contract is extensive, covering both parking enforcement and MTE. Per annum, the contract costs c.£5m and generates income of around £6m.

1.43 The purpose of the audit was to provide assurance that controls were in place to ensure that the contract is successfully delivered in accordance with contractual terms and conditions, with specific focus on the following key objectives:

- To evaluate the effectiveness of current contract management processes and procedures including:
  - contract monitoring and performance measurement;
  - invoice processing and payment verification;
  - financial information robustness (income and expenditure);
  - communication and relationship management;
  - delivery of required service improvements; and
  - documentation and record keeping arrangements.
- Assess compliance with key contractual terms and conditions;
- Identify risks associated with contract management arrangements; and
- Determine the adequacy of controls in place to prevent fraud and waste.

1.44 We identified the following key findings as part of our review:

- At the outset of the contract, NSL were understaffed in respect of civil enforcement officers, and enforcement activities were subsequently reduced. NSL has now successfully recruited to vacancies and the contract is operating as expected;

- Contract monitoring and performance measurement are based around a series of monthly key performance indicator (KPI) targets, which are validated by the Council's Parking and Traffic Enforcement Team; and
- Reporting to Members and other stakeholders is effective, and are produced on a county-wide, and districts and borough, basis.

1.45 As part of the review, we also identified a number of areas in which further improvement could be made, including:

- Increased automation of KPI calculations;
- Development of a Service Improvement Plan;
- Implementation of a formal risk register;
- Beginning discussions around contract innovations (a contractual requirement) with NSL; and
- More formally document contractual meetings.

1.46 Overall, we provided an opinion of **Reasonable Assurance**, agreeing 5 actions with management (4 of medium priority, and 1 of low) to address the issues identified.

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### Project Indigo Follow-Up

1.47 In October 2022 we were asked to explore the process for the appointment of a firm of independent property consultants who provided services in relation to Project Indigo. At the time, the service had been provided 'at risk' without a valid purchase order in place.

1.48 We identified a number of control weaknesses at key stages of the procurement process, which had led to expenditure being committed to a budget without the knowledge or approval of the budget holder.

1.49 The purpose of this follow-up audit was to provide assurance that the three agreed actions from the original audit had been fully implemented. Our follow-up audit had been delayed following the implementation of a new control environment within MySurrey.

1.50 We were able to confirm that since the implementation of MySurrey:

- An additional control has been implemented to prevent any changes to the value of a purchase order, and any change in value now goes through an authorisation and validation process in accordance with the scheme of delegation; and
- Additional training to re-emphasise the need for compliance with the Council's Procurement and Contract Standing Orders (PCSOs) has been undertaken.

1.51 However, controls within MySurrey cannot actually prevent an officer engaging services or procuring goods without a purchase order or contract. A mitigating control comes through the Surrey Procurement Board, whose objective is to provide overview and control for all new proposed revenue spend in situations above £30k.

1.52 Overall we were able to provide a final opinion of **Reasonable Assurance**, with no agreed actions being identified.

### **Corporate Governance (Declarations of Interest)**

1.53 In order to support the work of the Governance Panel in overseeing the Council's Annual Governance Statement, we undertook an audit of the awareness of management to obtain declarations of interest from off-payroll staff. This cohort of staff were defined as non-permanent employees in an interim, bank, or temporary contract of employment.

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

- All off-payroll staff are directed to read and comply with the Code of Conduct;
- Managers obtain declarations of interest from off-payroll staff as appropriate; and
- Declarations are recorded and assessed, and where conflicts or potential conflicts exist, controls to mitigate them are in place.

1.55 Surveys of managers showed that there was high awareness of this requirement, and the contract provided to off-payroll staff when starting signposted the requirement. However, there remains no requirement for any staff to formally acknowledge their understanding and agreement to the Code, either in writing or via MySurrey.

1.56 There were some areas where we identified that controls could be enhanced to produce an improvement in compliance:

- There was some belief that an initial declarations of interest exercise would be completed by Connect2Surrey as part of the onboarding process alongside DBS and right to work checks, rather than by local line management;
- We identified that issues with accessing MySurrey had prevented the recording of supporting evidence behind some completed Declarations of Interest; and
- We identified evidence of managers being unaware that temporary staff would need to be re-included in the annual exercise for seeking declarations where a contract had been extended over twelve months.

1.57 We were able to give an opinion of **Reasonable Assurance**, agreeing 3 medium priority actions with management to address the above findings.

### **Other Audit Activity**

#### *Corporate Governance (Member Registers)*

1.58 During the course of a planned audit it was noted that a declaration of interest made by a Member was unclear and not in line with the principles of transparency and openness.

- 1.59 With the agreement of the Monitoring Officer, we undertook a brief review of both the Member Register of Interests and the Register of Gifts and Hospitality to gain assurance that entries were in line with the Localism Act (2011), and The Relevant Authorities (Disclosable Pecuniary Interests) Regulations (2012).
- 1.60 With regard to the Register of Interests, we identified two further instances where Members had made declarations that lacked sufficient clarity or detail, and 17 occasions where Members had not declared their membership to their political party as required.
- 1.61 In terms of the Gifts and Hospitality Register, we noted that the register was in line with the expected format, including the date of receipt of the gift or hospitality and the date of entry onto the register. However, six of the entries fell short of the timeline of 28 days to be declared within. We also noted that there were fewer entries on the register than might reasonably have been expected over the last twelve months.
- 1.62 The results of this review have been scheduled for the Governance Panel agenda, and for discussion between the Monitoring Officer and Democratic Services officers.

#### *Local Government Pension Scheme Banking Controls Follow-Up*

- 1.63 Our original audit report in this area reported in March 2022 with an opinion of Partial Assurance. A subsequent interim follow-up review in May 2023 determined that certain actions could not be progressed at that time as they were reliant upon the implementation of MySurrey.
- 1.64 We had scheduled another follow-up into our quarter two programme, but ongoing issues within the MySurrey space had prevented significant progress in key areas. We have now linked our assurance activity with that of the Stabilisation Board, and will continue to keep this area under review in line with the Board's programme of improvement activity.

#### *Grant Claim Certification*

- 1.65 During quarter one we successfully certified and returned four grant claims in accordance with Central Government auditing requirements:
- Local Transportation Capital Grants - £32,032,000
  - Bus Subsidy Operators Grant - £1,125,405
  - Supporting Families (second claim of 2024/25) - £224,000
  - A31 Major Capital Project (funding for business case) - £85,000

#### **School Audits**

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

- 1.67 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.
- 1.68 Audits continue to be carried out through a combination of remote working and visits.
- 1.69 A total of eight school audits were delivered in quarter two, and the table below shows a summary of the final level of assurance reported to them.

Name of School	Audit Opinion
Send Primary School	<b>Partial Assurance</b>
St James Primary School (Elstead)	<b>Partial Assurance</b>
Lyne and Longcross C of E Primary School follow-up	<b>Partial Assurance</b>
Leatherhead Trinity School and Nursery	<b>Reasonable Assurance</b>
Shawfield Primary School (Ash)	<b>Reasonable Assurance</b>
St Bede's Secondary School (Redhill)	<b>Reasonable Assurance</b>
St Peter and St Paul Church Primary School (Caterham)	<b>Reasonable Assurance</b>
Tadworth Primary School	<b>Reasonable Assurance</b>

- 1.70 We aim to undertake follow-up audits at all schools with Minimal and most schools with Partial Assurance opinions. Only one such opinion was delivered in this quarter. A further audit at Lyne and Longcross Church of England Primary School is being planned given that our follow-up audit (above) was unable to raise the level of assurance above Partial Assurance for a second time.

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

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

## 2. Counter Fraud and Investigation Activities

### *Counter Fraud Activities*

- 2.1 The team continue to monitor intelligence alerts and share information with relevant services when appropriate.
- 2.2 In addition, we are currently working with services to ensure that the relevant data extracts are uploaded for the 2024 National Fraud Initiative (NFI) data matching exercise. The matches from the exercise will be available to review from late January 2025.

### *Summary of Completed Investigations*

#### *Multiple Employment (case 1)*

- 2.3 Following an external referral from a central government department about an employee having made a false application for employment, we undertook an investigation and confirmed both multiple employment and a false application. The contract of employment was terminated in the probationary period. The Council has provided a witness statement and is supporting a criminal prosecution against the individual.

#### *Multiple Employment (case 2)*

- 2.4 Following an enquiry from a London Borough Council, we undertook an investigation into a case of potential multiple employment. We confirmed that a member of staff had been working for the Council through a temporary agency contact and had not sought approval for secondary employment. The member of staff resigned pending disciplinary action.

### *Parking Enforcement Whistleblowing*

2.5 An allegation was received in relation to operational standards during the mobilisation of the Parking Enforcement Contract. An investigation was undertaken and found that decisions regarding the deployment of Parking Enforcement Officers during the mobilisation phase were made with the knowledge and consent of Parking Services, and the complaint was not upheld. The investigation did identify a small number of data anomalies that Parking Services queried and resolved with the contractor.

*Allegation of Nepotism*

2.6 An allegation was received that a member of staff had employed their spouse under a bank contract and was awarding work unfairly. We undertook an investigation and found no case to answer. Our investigation did identify some areas of control weakness and actions were agreed with management to improve the control environment.

**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 second 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. After discussions with management, the reviews below were added to the original audit plan during this quarter:

Additional Audit	Rationale for Addition
Facilities Management (FM) Contract Mobilisation Plans	A review to assess the impact of mobilising the Council’s FM contract with Macro, to ensure risks around service delivery, budget overspends, reduced staff morale, and reputational damage to the Council are being mitigated.
Health & Safety Wellbeing Plan	A piece of advice work requested by the Head of Health & Safety to review and critique the newly drafted Health & Safety Wellbeing Plan.



All of the new additions to the plan have been resourced through available contingencies. Two have been removed or deferred from the plan in this second quarter:

Additional Audit	Rationale for Addition
Payroll	The planned full audit of Payroll has been deferred until early 2025/26, with the focus for later in this financial year being a follow-up of the agreed actions from the recently reported Minimal Assurance Payroll audit.
Surveillance Cameras	This was a low-risk audit area that was intended to review compliance against new legislation. However, with priorities on audit time arising in other areas of Council business, this has been deferred for the time being.

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

## 5. Internal Audit Performance

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

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
Quality	Annual Audit Plan agreed by Audit Committee	By end April 2024	G	Approved by Audit Committee on 13 March 2024
	Annual Audit Report and Opinion	By end July 2024	G	2023/24 Annual Report and Opinion approved by Committee on 5 June 2024

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
	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% Q2 end: 45%	A	At the end of Q2 we have delivered 42.9% of the annual plan to draft report stage. Given the level of work in progress we remain confident of achieving the overall target by year-end.
	Audit Plan – percentage of audit plan days delivered	Annual: 90% Q2 end: 45%	G	At the end of Q2 we have delivered 51.5% of the annual plan days.
Compliance with Professional Standards	Public Sector Internal Audit Standards	Conforms	G	Dec 2022 - External Quality Assurance completed by the Institute of Internal Auditors (IIA). Orbis Internal Audit assessed as achieving the highest level of conformance available against professional standards with no areas of non-compliance identified, and therefore no formal recommendations for improvement arising. In summary the service was assessed as: <ul style="list-style-type: none"> <li>• Excellent in: Reflection of the Standards Focus on performance, risk and adding value</li> <li>• Good in: Operating with efficiency Quality Assurance and Improvement Programme</li> <li>• Satisfactory in: Coordinating and maximising assurance</li> </ul>

Aspect of Service	Orbis IA Performance Indicator	Target	RAG Score	Actual Performance
				<p>November 2023 - Updated self-assessment against the Public Sector Internal Audit Standards completed, the service was found to be fully complying with 319 of the standards and partially complying with 2 of the standards, in both cases proportionate arrangements remain in place.</p> <p>November 2023 - Quality Review exercised completed, no major areas of non-conformance identified. The need to ensure consistency in the quality of the evidence contained within a small number of audit working papers was identified; this will be addressed at auditor development days during 2024/25.</p>
	Relevant legislation such as the Police and Criminal Evidence Act, Criminal Procedures and Investigations Act	Conforms	<b>G</b>	No evidence of non-compliance identified
Outcome and degree of influence	Implementation of management actions agreed in response to audit findings	<b>95%</b> for high priority agreed actions	<b>G</b>	<b>100%</b>

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

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<sup>1</sup> Includes staff who are part-qualified and those in professional training. Performance has dipped slightly compared to previous months as a result of new starters in this quarter who have yet to commence any professional training.

## Audit Opinions and Definitions

Opinion	Definition
<b>Substantial Assurance</b>	Controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Reasonable Assurance</b>	Most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.
<b>Partial Assurance</b>	There are weaknesses in the system of control and/or the level of non-compliance is such as to put the achievement of the system or service objectives at risk.
<b>Minimal Assurance</b>	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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