

## Completed Audit Reports (March - May 2014)

Annex A

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
ContrOCC Phase 2	<p>The implementation of ContrOCC within Children's and Safeguarding Service (CSS) was conceived from the outset as a multi-phase project.</p> <p>The module administering scheduled payment to carers (Surrey in-house foster carers, adopters etc) went live in November 2012.</p> <p>A review of Phase 2 (payments to providers) was included in the 2013/14 Internal Audit plan.</p>	<p>Phase 1 of ContrOCC implementation was reviewed by the auditor in June 2013. While the system was found to be working well, shortcomings in project management were noted, particularly the absence of a business case and inadequate planning.</p> <p>In order to assess whether the ContrOCC system meets current and future user requirements, CSS has decided against immediately progressing with the implementation of Phase 2. A small-scale pilot will be run in 2014-15 instead, solely covering payments to agency providers. This will provide insights into the resources required for Phase 2, give the service time to assess the justification for the project, and plan appropriately.</p> <p>The delay in implementing additional ContrOCC functionality has no budget implications for either CSS or IMT</p>	n/a	There were no recommendations made.

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Community Improvement Fund	<p>The Community Improvement Fund (CIF) aims to give local groups the chance to improve their areas, make a real difference to people's lives and strengthen the ability of residents to independently enhance where they live.</p> <p>The additional CIF capital budget for 2013/14 was £1 million, although there were also carried forward unspent allocations approved in the previous year. Each year, bids are invited for CIF funding for sums between £10,000 and £50,000 for one-off capital schemes for community improvements. In exceptional circumstances, bids for start-up revenue funding will also be considered.</p>	<p>A plaque (or a template logo design) is offered to all grant recipients. Plaques were not in place in the schemes that Internal Audit visited although alternative forms of acknowledgement were noted.</p> <p>The grant application form was determined as fit for purpose. However, some existing questions on the form might be expanded with a few additional words to prompt applicants to answer in a more useful way</p> <p>CIF grant agreements state that SCC funding will not be released until all other funding is in place. This may sometimes be an unnecessary hurdle for grant applicants. Once a grant is approved, it is usually released in one tranche, in advance, which may sometimes create a risk of recipients holding funding earlier than needed.</p>	Some Improvement Needed	<p>Aim to improve the take-up of plaques offered to CIF grant awardees and be satisfied that some longer term acknowledgement of SCC funding is in place. <b>(M)</b></p> <p>Consider possible minor amendments to the application form to encourage applicants to specifically identify the information identified by this audit which should help make evaluation of bids easier and even more transparent. <b>(M)</b></p> <p>The Community Partnership Team should give further consideration to whether, having identified any higher risk schemes, if it then wishes to:</p> <p>a) use more instances of planned interim payments when specific progress milestones have been achieved and what the staff resource implications would be</p> <p>b) use more flexible wording for the conditions of the release of funding where there are other funders or fundraising activities to be delivered. <b>(M)</b></p>

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Community Improvement Fund (contd)		<p>Several projects examined had awarded construction or renovation work without operating fully open and competitive tendering, which does not provided full assurance over the achievement of best value.</p> <p>The CIF scheme does not have an explicit policy on funding projects which could potentially involve expenditure which is statutory responsibility of another public body.</p>		<p>A grant condition should be considered that grant funded procurement over £5,000, (or some such other figure) be subject to competitive quotation, unless previously agreed with SCC. <b>(M)</b></p> <p>Where an application to fund a project is received which could be viewed as meeting the cost of the statutory responsibility of another authority, this should be formally reported to that authority with a suggestion for co-funding. Responses to such requests should then be copied to the Leader if a project is still being recommended for SCC funding. <b>(M)</b></p>

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Adult Social Care Commissioning and Domiciliary Care	<p>SCC commissions social care and preventative services from a range of public, private, voluntary and community sector organisations.</p> <p>The Care Bill 2013/14, currently at House of Commons stage, consolidates elements from over a dozen Acts to create a single framework for care and support. It highlights the importance of managing care needs and putting people in control of their care.</p> <p>This review combines two audits: ASC Commissioning; and Domiciliary Care – External Providers.</p>	<p>The council is largely fulfilling its duty to promote diversity and quality in provision of services as set out in the Care Bill.</p> <p>Quality Assurance (QA) arrangements have recently been refreshed and a good framework is in place. This is supported by annual inspections of all registered services by the Care Quality Commission (CQC). Minor issues such as ensuring information is recorded and guidance is implemented can be easily resolved.</p> <p>Performance monitoring is robust and there is clear commitment to improving services. Currently data is recorded in multiple documents resulting in inefficient use of resources and impeding holistic assessment; however the service is considering options for a single data system.</p> <p>Demonstrable improvements in individual outcomes is limited and often based on anecdotal evidence. A common basis for measuring outcomes would improve this.</p> <p>The creation of a new operational risk register for home-based care is good practice and Internal Audit has offered to assist with elements of this.</p>	Some Improvement Needed	<p>Draft guidance on following up CQC reports should be implemented. <b>(M)</b></p> <p>The service should seek advice from Internal Audit regarding risk assessment methodology for the risk log and ensure officers maintaining the log are sufficiently skilled to do so. <b>(M)</b></p> <p>The QA Team should consider including employment eligibility checks in their monitoring processes subject to Data Protection requirements being met. <b>(M)</b></p> <p>The QA Manager should periodically check that all relevant information is recorded on the provider compliance and quality log. <b>(M)</b></p> <p>Efforts to acquire a single data system should continue. <b>(M)</b></p> <p>A common basis for measuring individual outcomes should be developed and included in performance monitoring arrangements. <b>(M)</b></p>

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Data Mining for Fraud	As part of Internal Audit's commitment to develop systems and procedures to assist in the fight against fraud and corruption; the 2013/14 Internal Audit plan included resource for the sole purpose of developing tools to proactively identify areas of fraud risk	<p>The auditor undertook data interrogation work in the following areas:</p> <ul style="list-style-type: none"> <li>• use of pre-paid cards</li> <li>• duplicate personnel numbers</li> <li>• changes to payroll</li> <li>• enhancements to net pay</li> <li>• expense claims</li> <li>• leavers' annual leave</li> <li>• duplicate invoices</li> <li>• procurement cards</li> <li>• assumed (dormant) vendors</li> <li>• journals impacting on vendor accounts</li> </ul> <p>The results of this audit testing give assurance that occupational fraud is not occurring to any detectable level within the above areas.</p>	Effective	There were no recommendations made.

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Serious Case Review – Recommendation Tracking	This audit review examined the follow-up of actions agreed between Adult Social Care management and the Chairman of the Surrey Safeguarding Adults Board following the Serious Case Review of the Gloria Foster case.	<p>The Auditor found that ASC had completed all actions due for completion at the time of the audit, although one was completed slightly later than planned.</p> <p>The action completed slightly late was “a template letter is to be designed and approved by Legal Services that will advise funded service users, advocates or service user representatives of the cessation of the Framework Agreement with that provider.”</p> <p>The initial target date for finalisation of the letter was 20 January 2014; the letter was completed in early March 2014.</p>	Effective	There were no recommendations made.

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Free School Meals (FSM)	<p>Figures from the October 2013 census suggest there are over 9000 FSMI claimants in Surrey schools.</p> <p>The council uses FSM numbers as a means of disbursing social deprivation funding to schools. This equates to about £4,800 per primary school pupil and £3,600 per secondary school pupil and totalled £48.8m in 2013/14.</p> <p>In addition, the DfE distributes funding to Surrey schools on the basis of FSM eligibility in the previous six years ('Ever 6'). The total received by Surrey schools (excluding academies) in 2013/14 was £15.3m, paid at the rate of £953 per eligible primary pupil and £900 per secondary pupil</p>	<p>The Auditor found all school records reviewed regarding Free School Meals (FSM) to be in good order, appropriately stored and adequate to verify the eligibility of FSM's claimed.</p> <p>The upcoming policy change regarding the provision of FSM to all key stage 1 pupils from September 2014 presents a set of challenges for schools and the council, as FSM will continue to be used to calculated disbursement of funds but there will be little incentive for parents/guardians of key stage 1 pupils to register.</p>	Effective	Consider providing guidance to schools on managing the risks to deprivation funding arising from the introduction of universal free school meals for key stage 1 pupils from September 2014. <b>(M)</b>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Contract and PSO Compliance in Schools	<p>Surrey maintained schools receive delegated funds for the provision of education and to manage their overall operation. Schools are free to choose the providers of their goods and services, but to ensure that schools spend public money appropriately they are required to have local controls as part of their financial governance, reflecting the Surrey Scheme for Financing Schools and the Schools Procurement Standing Orders (PSO)</p>	<p>The degree of compliance with the PSO varied across the small sample of schools visited. It was noted by the Auditor that there was inconsistency in the local policies. The level of detail and how up to date they were varied. All of the policies contained a requirement for annual review by the governors but this was not always evidenced. Such reviews should ensure the policies are line with any legislative and authority policies changes and take into account structural and responsibility changes in the school staff.</p> <p>There were examples of lack of detail in local procedures for the segregation of duties for selection, approving and invoice payments.</p>	Some Improvement Needed	<p>Each school has received an individual summary of the Auditor's findings and is required to report back to Internal Audit on remedial actions taken. Internal Audit will ensure that a summary of issues will be reported to all schools via the Babcock 4S School Office Support newsletter and Schools Bulletin in order to promote good practice across all county schools. <b>(M)</b></p>

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Music Tuition Fees	<p>The opportunity for all children to learn a musical instrument and to sing is provided directly by Surrey County Council through its schools. The majority of lessons take place in schools during school hours with lessons and tutors administered through Surrey Arts.</p>	<p>Under the present arrangements parents are invoiced for tuition. The current process of dunning is a lengthy one, and as payment for courses is not required ahead of sessions commencing, there can be timing issues in assessing when a debt is uncollectible, or economically non viable to pursue.</p> <p>The weakness in the present system have been recognised both by Surrey Arts and Accounts Receivable and the software system - Minerva - used for administering the scheme bookings is being replaced.</p> <p>The system of retrospective billing will cease as of Summer Term 2014 and immediate payments will be required ahead of a pupil beginning their course.</p> <p>From the Autumn Term, signing up for further courses will not be allowed by the new system (Paritor) where previous courses have not been paid for.</p> <p>The risk of financial loss to the authority is very small due to the low values involved (a course is around £42) and the auditor considers that once the new system and processes are embedded the risks should be reduced still further.</p>	Effective	There were no recommendations made.

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General Ledger	<p>The General Ledger is a key financial system, which supports internal accounting and the production of the annual financial statements. In Surrey County Council, the General Ledger is a fully integrated part of the SAP system and as such, it facilitates the automatic and simultaneous updating of the financial accounts and cost accounting areas. SCC's General Ledger is updated by some of SAP modules i.e. Payroll, the SRM ordering system, Account Payable and Account Receivable. A number of secondary financial systems either interface with SAP automatically or require semi-automated data transfer into the SAP ledger.</p>	<p>The working papers supporting integrity checks carried out on suspense accounts did not always contain sufficient detail to show necessary checks needed to manage suspense account balances.</p> <p>In some cases balance sheet code certification processes only involved a check of balances against what was recorded in the SAP system.</p> <p>During the financial year 2013/14 there remained within the GR/IR account large balances relating to previous years.</p> <p>The GR/IR auto-clearance tool had not been run for most of the financial year resulting in difficulties in analysing the GR/IR balance.</p> <p>The AI&amp;A Team have a diagram that shows SAP alongside some, but not all, of the feeder systems. Without a clear understanding of all GL interfaces interface controls gaps in the completeness and accuracy of data going into SAP may not be promptly detected.</p>	Some Improvement Needed	<p>The format of suspense account integrity checking should be reviewed to ensure they help staff clear balances more easily. <b>(M)</b></p> <p>Further develop the balance sheet code certification checking process to ensure that independent sources of information are used to prove the completeness of balances and to help identify transactions that can be cleared. <b>(M)</b></p> <p>Following further analysis to be completed during closure of accounts, the Deputy Head of Finance should consider options for an accelerated write back of a substantial proportion of any remaining GR/IR balances relating to previous years. <b>(M)</b></p> <p>The AI &amp;A Team should ensure that the GR/IR auto-clearance tool is run every week. <b>(M)</b></p> <p>AI &amp;A Team to produce an updated map of SAP GL processes and interfaces with other systems, indicating the key controls over the interface and associated GL suspense and holding codes. The map should be supplemented with some form of GL monitoring of the appropriate operation of these interfaces. <b>(M)</b></p>

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Officer Interests	Following the review of members' interests in 2012/13 it was considered that a review of officer interests should be carried out in order to ensure a comparable level of assurance can be obtained that officers are compliant with their Code of Conduct.	<p>The Companies House data was matched to employee records and analysed over types of employment. The review focussed on senior officers and it was identified that there were 114 senior officer matches of which 9 were directors of active trading companies. All have declared this to their managers however not all may be recorded in the personal files. Therefore clearer guidance is needed for officers.</p> <p>Another audit test compared company names and addresses to Surrey's vendor data in order to identify any staff trading with the county. No issues were identified.</p>	Effective	Changes to the code of conduct need to be communicated to staff clearly to ensure compliance. <b>(M)</b>

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Support of Cabinet and Member Scrutiny	<p>During the planning cycle for the preparation of the 2013/14 Internal Audit plan both members and officers highlighted apparent issues relating to the production of committee and Cabinet papers. The principal areas of concern related to:</p> <p>(i) the timetable within which papers are produced for committee; and</p> <p>(ii) whether the inclusion of commentaries by Statutory Officers (the Monitoring Officer, and the Section 151 Officer) was being hampered by the current timetables.</p>	<p>A consensus of agreement was reached between all parties interviewed that the current reporting timetable for agendas is sufficient, and thus fit for purpose.</p> <p>The audit identified some concerns about the relative value that the implications boxes currently offer to users of reports, and misconceptions about the relevant level of professional knowledge of those officers completing the boxes on topics outside of their area of expertise.</p> <p>There were mixed views amongst those interviewed as part of the audit, concerning the merits of appointing independent advisors – or professional co-opted members - to committees to address perceived gaps in technical knowledge</p>	Some Improvement Needed	<p>It is recommended that a working group of officers and members revisit the purpose and nature of Implications Boxes within the reporting template in order to assess whether the current process is fit for purpose, and what could be done to improve the process without overcomplicating it. <b>(M)</b></p> <p>Consider introducing a new Implication Box to cover the matters pertinent to the Public Health agenda. <b>(M)</b></p> <p>Consider undertaking a wider consultation into the merits of using external experts to advise and enhance select committee scrutiny. <b>(M)</b></p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Effectiveness of Public Health Integration into SCC	<p>On 1 April 2013 responsibilities for public health were transferred from Primary Care Trusts (NHS Surrey) to Surrey County Council.</p> <p>The review focussed on how well Public Health is embedded within the council, and assesses relationships with other SCC services.</p>	<p>A lack of a common understanding of council systems and processes may create pressures on other services to provide information which with adequate training could be accessed by Public Health officers.</p> <p>As priorities change services commissioned by the Public Health Team may remain unchanged from the PCT days. Opportunity to identify duplication of services or jointly commission services may be overlooked.</p>	Effective	<p>Identify any skills gaps in the team and allocate refresher training to enable the team to extract basic financial information readily from SAP and gain an awareness of the council's information governance and security requirements. <b>(M)</b></p> <p>As contracts come up for renewal the opportunity should be taken to work under the strategic direction as set by members to inform future commissioning of Public Health agenda driven services. <b>(M)</b></p>
Overseas Pension Verification	<p>There are arrangements in place to verify that people in receipt of pension payments from Surrey County Council are entitled to receive them, however, these may not identify pensioners that had lived and died abroad and therefore a pension verification certification exercise was carried out for overseas pensioners.</p>	<p>A pension verification certification request was sent to all 166 non-UK resident pensioners over the age of 75. The certificate or other acceptable documentation was received from 152 pensioners and a notification was received that two pensioners had recently died, however no significant overpayment had arisen. At the time of writing the audit report there were six pensioners where no response has been received, one where mail is being returned to sender and one where the service provider has confirmed that the pensioner died about 4-6 weeks ago.</p>	Effective	<p>It is recommended that Pension Services try to contact the remaining five pensioners via their bank, prior to suspending the pension payments. <b>(L)</b></p>

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Pension Administration	<p>Pension Administration is a key financial system and as such is subject to an annual audit under the council's managed audit arrangements.</p> <p>On 1 April 2013, all Surrey County Council employees who were not already members of the LGPS were automatically enrolled into the pension scheme, subject to meeting the specified criteria.</p>	No errors were identified following audit testing of pension payments; deductions; lump sum payments; transfers in/out; and, auto-enrolment.	Effective	There were no recommendations made.

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Information Governance	<p>The Council has to comply with legislation in relation to personal and sensitive data and information it holds and uses in the discharge of its duties. Policies and procedures are in place to ensure that all staff are aware of, and comply with their responsibilities in maintaining high standards of data and information governance which in turn should reduce the number of breaches happening. This audit review sought to ensure that adequate arrangements are in place to comply with these requirements and prevent loss of reputation and financial penalties imposed by the Information Commissioner's Office.</p>	<p>Three Information Governance (IG) Teams deal with IG issues in ASC, CSF and Corporately. The policies/procedures in place were in need of review and the S:net links to guidance on Corporate and ASC IG were incomplete.</p> <p>Links to Children's IG were not working at all.</p> <p>IG training is provided via e-learning and classroom courses and is mandatory to all staff in ASC, CSF and to those with GCSX e mail access. Accurate and up to date training statistics are not provided to managers to monitor completion.</p> <p>The Bring Your Own Device (BYOD) initiative was piloted and implemented without any input from the Corporate Information Governance Manager (CIGM) and the BYOD policy was incomplete. The PSN security requirements have since changed, leading to greater restrictions over the use of personal IT equipment accessing the network.</p> <p>The 'Good' licences purchased by SCC can no longer be used if SCC is to gain PSN accreditation.</p>	Significant Improvement Needed	<p>Develop and communicate the 'one stop shop' page on the S:net on Information Governance. The Governance Panel's views should be sought on the inclusion of the Information Governance Policy as a Corporate Policy <b>(H)</b>.</p> <p>Re-instate Children's IG guidance on the S:net and include links to the Corporate IG policies/ procedures, the Caldicott Guardianship and the ICO <b>(H)</b>.</p> <p>Accurate and up to date training statistics on classroom courses and team meetings should be maintained by the Corporate Training Team (CTT) by ensuring attendance is confirmed to the CTT by the trainer <b>(H)</b>.</p> <p>The CIGM should work with IMT service and the sponsors of the Modern Worker Project to formulate a holistic policy for BYOD initiative to include functionality and cost implications for recipient staff and SCC <b>(H)</b>.</p> <p>IMT should continue with the replacement of 'Good' with the MobileIron solution to ensure compliance with Public Sector Network (PSN) requirements <b>(H)</b>.</p>

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Appraisals	<p>Historically, the collection of data on appraisals has been challenging at SCC. Significantly, the process for logging them electronically was reported as difficult to use, resulting in the information not being recorded and stored centrally in the Council's SAP Master Data system. For 2012/13, the SAP process was not used to collect data, and this was instead done through line managers' responses to a template created by HR &amp; OD. This data, and feedback on the template process, has been analysed with a view to improving the capture of accurate data on staff appraisals.</p>	<p>Two errors were noted in calculating the appraisal completion rate: an incorrect formula was used to average directorate level results; and, staff exempted from receiving an appraisal were wrongly included in the nominator and denominator of an equation. Once corrected, the overall completion rate fell from the reported 83.5% to 61.9%, with both ASC and CSF Directorates showing appraisal completion rates of less than 50%.</p> <p>Data provided to the auditor by HR &amp; OD indicated that 4886 staff received an appraisal for the 2012/13 financial year. The auditor was unable to ascertain, however, the identity of these staff. Attempts to re-export the data from SAP were unsuccessful in producing a list of 4886 individuals who had received an appraisal.</p> <p>Conversations with HR &amp; OD and Shared Services staff revealed uncertainty as to which staff had been classified as eligible to receive an appraisal. As the data category did not have a clear definition, questions remained unanswered as to where, for example, teachers and firefighters were included in the cohort.</p>	Significant Improvement Needed	<p>HR &amp; OD should ensure that future performance management calculations of appraisal completion are subject to thorough and rigorous quality checks. <b>(H)</b></p> <p>HR &amp; OD should implement a process for recording appraisals which allows consistent reporting of completion rates. <b>(H)</b></p> <p>HR &amp; OD should implement a process for reporting appraisals which is designed in such a manner as to allow reproducible results (i.e. the same report from SAP for the same time period should always generate the same results). <b>(H)</b></p> <p>HR &amp; OD should clearly define which staff are included in appraisal completion performance management. <b>(H)</b></p>

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Review of Integrated Waste Data System (Audit Position Statement)	<p>The report from a consulting company AEA to Surrey Waste Partnership (SWP) and SCC's Public Value Review on Waste recommended the investment in Information Technology software to include a shared waste data system.</p> <p>The Waste Collection Authorities (WCA) and SITA Surrey Ltd. use a number of different systems to record their waste information which is sent to SCC for updating and calculating the charges and credits due.</p>	<p>The SWP agreed the purchase of a new system and that SCC and the 11 districts and boroughs would fund it on a 50:50 basis. A comprehensive Business Case presented to the SWP included details of the Business Need, Processes followed, Supplier Selection, the Product and Costs and Logistics.</p> <p>Total cost of the project was £148k over 4 years, with upfront costs of £70k in Yr1 and annual costs of £78k over 4 years.</p> <p>The Project Initiation Document identified the Project Definition, Milestone Payment Plan and schedules to include Technical Specification, Company Status, Pricing and Tenderer Warranties.</p> <p>A detailed System Requirement Specification covered reports, business processes, workflows, user profiles etc.</p> <p>Regular reviews of the Project Plan were undertaken by the Project Manager with the supplier to monitor progress of the project. Delays in implementation were communicated to the SWP, the Project Sponsors. Timescales were revised for 'Go Live' dates from January to April 2014.</p>	n/a	There were no recommendations made.

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Commercial Services – follow-up review	<p>Commercial Services (CS) is a trading department of SCC positioned within Schools and Learning. It offers catering in schools, academies and council offices, building cleaning in council offices, schools and academies; and maintenance of gym and design and technology equipment in schools.</p> <p>A review of CS completed in March 2013 carried a Major Improvement Needed audit opinion due to fundamental weaknesses in governance arrangements. This follow-up audit considered the progress made in implementing the recommendations arising from the previous audit.</p>	<p>Governance arrangements have, on the whole, been improved. Updated, documented Governance Arrangements are in the process of being approved by the Chairman of the Children and Education Select Committee, raising the profile of the service.</p> <p>Reporting and communication with the corporate centre have been strengthened through improved financial monitoring and monthly written reports to the Assistant Director for Schools and Learning.</p> <p>It remains, however, that an annual strategy or business plan has not yet been produced. The Head of CS is aware of the need to address this and the limitations placed on performance monitoring through the absence of formalised objectives.</p>	Some Improvement Needed	There were no recommendations made.

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Payroll	The Payroll system is a key financial system and as such is subject to an annual review by Internal Audit.	The Payroll system is working as intended and new processes such as the realtime submission of tax is working as expected. However feeder systems for the payroll system have areas in need of improvement in terms of timeliness and quality of data.	Some Improvement Needed	<p>The auditor is of the opinion that all late onboarding forms should be reported to the Recruitment and Resourcing Manager and where persistent non compliance is identified this should be escalated with the service. <b>(M)</b></p> <p>Surrey's Safer Staffing policy makes little distinction between social care and non social care staff in terms of requiring references as a pre-employment check. As a minimum, if no references have been received prior to an employee starting they should be treated like an employee awaiting a DBS disclosure and a risk assessment performed. <b>(M)</b></p> <p>In order to ensure that absence is appropriately recorded and monitored; the areas identified in the auditor's working should be, as a minimum, polled to determine if their very low use of annual leave and/or sickness absence is factually correct. <b>(M)</b></p>

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Short Stay Schools	In April 2013 Short Stay Schools also known as Pupil Referral Units PRUs achieved the same status as other maintained schools. In order to provide assurance that the schools were able to manage finances under their new status a short review was carried out.	The risks envisaged by the Service on the transition of the schools to maintained status have not materialised in a manner requiring a full audit.	n/a	There were no recommendations made.
Review of Highway Asset Management and Property Information (Position Statement)	The audit reviewed the extent to which SCC is ready to comply with the Code of Practice on Local Authority Infrastructure Assets when preparing the annual return for the Whole of Government Accounts.	The Asset Systems and Strategy Team (ASST) Manager and her staff have overall responsibility for gathering the information and preparing the annual return. They are part of the Asset Planning Group in Highways. The ASST Manager has been pro active in participating in networking events, seeking clarification on guidance and collating benchmarking information as a way of preparing and improving the content of the annual return. The Auditor is of the view that SCC is moving in the right direction to achieve this goal.	n/a	There were no recommendations made.

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Revenue Budgetary Control	<p>Revenue budgetary control is one of SCC's key financial controls over the effective use of resources and against significant error in the financial statements going undetected.</p> <p>SCC has also introduced a risk-based system for monitoring budgets and during 2013/14 has been rolling out a new budget forecasting tool.</p>	<p>The Authority has established robust overall processes for setting its annual budget. The revenue expenditure budget for 2014/15 was agreed by the Full Council at £1.652bn after taking account of a contribution from earmarked reserves of £11m.</p> <p>Audit testing of budget compilation routines confirmed that key budget compilation and monitoring tasks had been diligently completed.</p>	Effective	The audit made four low Priority Recommendations

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Finance Dashboard	<p>The Financial Management Public Value Review (PVR) set out an objective to make better use of SCC's financial system and technology by purchasing and implementing new functionality.</p> <p>An original deadline for the implementation of this project was planned for the fourth quarter of 2012/13.</p> <p>The Finance Dashboard rollout that began in August 2013 is now complete. The roll out of the Budget Forecasting Tool is now in progress on a phased basis with implementation now due for completion by September 2014.</p>	<p>An existing public sector framework contract was used, which had the advantage of assisting with timescales. The framework allowed the successful supplier to sub-contract the production work to another company, leaving the successful supplier to project manage them. The sub-contractor did not actually perform well and the required close management by the supplier was perceived to be weak.</p> <p>A recent survey of budget holders indicated a reasonable level of satisfaction with the Dashboard Tool and the Forecasting tool. However, some feedback on the user-friendliness of the Forecasting Tool warrants further thought, potentially leading to some further work on the tool, along with a subsequent user satisfaction assessment.</p> <p>The overall cost of the project may be understated by the opportunity costs of the Finance and other staff involved in the project. This may affect the results of any subsequent cost benefit analysis.</p>	Some Improvement Needed	<p>SCC procurement practice should seek to avoid contracts for the delivery of complex or technical services which allow substantial sub-contracting to the point that the successful tender only project manages delivery, to other companies whose capacity the Authority has not fully assessed. <b>(M)</b></p> <p>Further consideration should be given to addressing 'look and feel' issues identified by users that relate to the Forecasting Tool. <b>(M)</b></p> <p>Further discussion should be held on the feedback from the survey on the Forecasting Tool, which considers whether there is a wider need to adjust the project in certain areas. <b>(M)</b></p> <p>Future investment in the development of financial systems should consider the opportunity cost of all significant resources related to the project being considered. All the opportunity costs associated with this project should be reflected in the Post Implementation Review (PIR). <b>(M)</b></p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Risk Management	<p>SCC defines corporate and Service priorities. SCC's Risk Management Strategy, Policy and Framework are its official methodology for managing risk and opportunities in relation to achieving these Service priorities.</p>	<p>Directorate Leadership Teams (DLTs) and Service Senior Management Teams (SMTs) play a key role in discussing risk matters. The extent these discussions can be easily linked to individual risk registers varies from Service to Service.</p> <p>Service risk registers may not a clear, complete and comprehensive set of risks to the delivery of Service priorities because there is not always a clear matching of Service priorities to risks and opportunities identified. This does not mean that active risk management on specific risks or challenges is not adequate, but it is an important shortcoming in the format of risk management records.</p> <p>Most Directorate and Service Risk registers available on SCC's SNET are usually reasonably current but others are sometimes not updated for several months. There has been an improvement in the situation during the year, largely as a result of reminders via the Strategic Risk Forum.</p>	Some Improvement Needed	<p>DLTs and SMTs should better link their meeting discussions to their risk register. Most new topics raised should either create a new Risk Register entry or be considered as informing judgement on risks already reflected on the register. <b>(M)</b></p> <p>Each Service risk register should include clear linkages between entries that relate to the challenges and opportunities in achieving Service objectives and service priorities, as defined in their summary Service plans, or key annual discussions of Service priorities. <b>(H)</b></p> <p>The monitoring of the frequency that risk registers are being updated should be developed, perhaps integrating performance with other corporate monitoring systems. <b>(M)</b></p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Risk Management (contd)		<p>The leadership risk register had not been presented to Cabinet for some time.</p> <p>SCC has yet to develop a finalised, quantified and useful risk appetite statement. Once achieved, managers will be more transparent about which risks they are tolerating and which they can realistically treat.</p>		<p>At least twice each year, the Leadership Risk Register should be presented to the Cabinet for consideration, discussion and amendment as appropriate. <b>(M)</b>.</p> <p>SCC should utilise one of the methodologies widely used in other sectors to help elucidate a meaningful statement of SCC's risk appetite. <b>(M)</b>.</p>
		<p>Recently, attendance of representatives from priority Services at the Council Risk and Resilience Forum meetings have been low or inconsistent.</p>		<p>The Assistant Chief Executive should use the experience of the recent flooding and lessons learned to re-promote the role of CRRF and the associated projects which it has been helping to facilitate. Through this re-promotion, improved attendance of representatives of Priority 1 and 2 Services should be encouraged. Services should be required to send appropriate substitutes when the standing representative is unable to attend. <b>(M)</b>.</p>

## <sup>1</sup> Audit Opinions

<b>Effective</b>	Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
<b>Some Improvement Needed</b>	A few specific control weaknesses were noted; generally however, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
<b>Major Improvement Needed *</b>	Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
<b>Unsatisfactory</b>	Controls evaluated are not adequate, appropriate, or effective to provide reasonable assurance that risks are being managed and objectives should be met.

\* For audit reports issued from 1 April 2014, the audit opinion "Major Improvement Needed" is renamed "Significant Improvement Needed"

## <sup>2</sup> Audit Recommendations

**Priority High (H)** - major control weakness requiring immediate implementation of recommendation

**Priority Medium (M)** - existing procedures have a negative impact on internal control or the efficient use of resources

**Priority Low (L)** - recommendation represents good practice but its implementation is not fundamental to internal control

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