Completed Audit Reports (May-July 2014)

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
AIS Assessment Process	Adults Information System (AIS) is the software used to manage adult social care in Surrey. It records service users' needs assessments, subsequent packages and provides core management information.	Independent audit research found higher proportions of negative responses than indicated in the responses collected by the RIE. The Auditor attributes this to the small sample size of the independent research, the questions asked, the fact that this was a response to Internal Audit and the methodology employed. Despite this the research is still an indication that there are practitioners who still hold very negative views of AIS contrary to the research conducted by ASC.

The Auditor found assessments an area that is subject to continual change. Shifting values in areas where support may be required, changing means of provision, greater consideration of carers or social capital and technological advancements have all contributed to the complexity and continual change of social care assessments.

The pace of change is likely to continue as developments regarding the convergence of health/social care and further technology require adaptations to the process. | Effective | ASC should seek the support of colleagues in the Policy and Performance team to provide advice regarding the nature of gathering data via survey, interview or group work to maximise the likelihood of data collected reflecting the genuine situation. **(L)**

The Auditor advocates an approach of continual improvement, listening and developing the process accordingly (as employed in the RIE) rather than believing that there is a single, perfect solution. **(L)**

Social Care Assessments should be continually monitored and periodic data regarding staff/service user satisfaction is gathered to inform continual improvement of the process. **(L)** |

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Review of Community Homes and Short Break Respite Care	Surrey County Council owns and operates seven residential community homes and two respite homes. The review focussed on providing a cost and quality comparison of Surrey's community homes and - where possible - against national data. This review combined two audits: Community Homes and Homes for Children with Disabilities.	Spending per placement varies widely by local authority, the national average spend of an in-house placement per child per week is £4,135 compared to Surrey's spend per placement of £3,040. While Surrey in-house placement cost is therefore lower than the national average, Surrey placements are approximately 15% higher than comparable authorities The percentage of looked after children placed outside the council boundary and more than 20 miles from where they use to live is 21.4% compared to the national average of 30%, and 16.7% average for the comparable authorities. This indicates Surrey County Council is where possible placing children locally The council's 7 in-house residential homes can accommodate up to 40 children. Target occupancy is set at 90% of the total available beds; trend analysis indicates falling occupancy since August 2013. Ofsted inspections collect evidence based on observations by inspectors and what they learn from the people using the service. It is unclear if the service conducts their own customer experience evaluations.	Effective	The service ensures the usage of in-house placements is regularly monitored for compliance with the placement strategy and excess capacity remains within tolerated limits. **(L)** The service conducts, at regular intervals, customer experience evaluations of Surrey's community homes. **(M)**

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Special Schools – Funding for residential provision	Most children with Special Educational Needs (SEN) attend mainstream schools but some children, with the most severe and complex needs require the specialised teaching and educational aids available in special schools and classes. In 2012 Internal Audit reviewed the usage of residential provision at a sample of 23 Surrey maintained special schools, including the number of placements and funding formula at each institution. This audit was a follow-up review to assess how effectively agreed recommendations had been implemented.	Central government arrangements for schools have changed since the time of the last audit, with funding now based on actual usage. To ensure accurate funding levels, SCC collects occupancy data from schools on a monthly basis, with budgets being updated at the end of each term. The SEN Strategy has not been updated since 2010, and a disconnect exists between Schools and Learning Service's stated strategic objectives and the delivery of residential provision. However, a consultant has been appointed to undertake a wide-ranging remodelling of SCC's residential (maintained) school provision. Testing revealed that all schools have sufficient capacity to offer residential places for which they are funded, and that their reported occupancy is supported by documented attendance records.	Some Improvement Needed	Schools and Learning Service should consider explicitly referencing the review proposals against Internal Audit findings to ensure risks of not being able to commission a coherent and cost-effective residential service are fully addressed. **(M)**

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Accounts Payable	Surrey County Council makes regular payments to suppliers for the goods and services procured. The end-to-end process within the Procurement function includes the Accounts Payable stage, when payments are made to these suppliers. These payments are processed through the Council's financial ledger system (SAP).	The routing of invoices is meant to be direct from supplier to the Shared Services Centre. Sometimes suppliers send invoices to Service Departments and sometimes this generates duplicate invoices and the risk of duplicate payments. A new system interface produced a small number of payments which paid the supplier twice for specific activities. These were promptly identified and the amounts recovered.	Effective	Further consideration should be given to discussing with both Services and suppliers the benefits of sending invoices directly to Shared Services. In some cases, reports may need to be issued to those Services which that are not complying with Procurement Standing Orders in respect of this requirement.**(M)** Where new systems are developed, checks should be made to confirm that data is passed appropriately between systems. This should include the total value and volume of transactions, but also some detail checks on a sample of the transactions. **(M)**

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Operation Horizon	In 2011 Project Horizon was launched in partnership with Surrey Highways and May Gurney, to investigate radical options to address the historic backlog and improve overall road condition without the need for a £200m funding investment. In January 2013 the Environment & Transport Select Committee was advised of the intention to seek approval to adopt a new five year investment plan. Operation Horizon's primary aim is to reduce critical (red) rated roads by improving their condition at a rate of 100km p.a. rather than the existing rate of 60km p.a. Cost savings are to be achieved by longer term planning, new materials, improved road design and waste management.	The target of 100km of roads being replaced has been achieved during the first year of Operation Horizon, with 131km completed in total. The budget outturn for Year 1 of Operation Horizon is expected to be £31m (a 55% increase) due to more expensive to repair roads selected. Budget constraints could result in work that is planned in later years not being completed. The 12% discount on Kier MG invoices is not recovered on a monthly basis as required by the contract. It was unclear how the 10 year warranty for Superflex (used in 18 schemes) is agreed and recorded. SCC should always be entitled to the volume discount agreed on the schedule of rates but Kier MG disagree in respect of specialist orders being placed by the Integrated Team. This should be clarified. Parked cars causing obstruction to planned road works are relocated, with information to assist the car owners to recover their vehicle posted on RoadZone. Communication between the Roadwork's Desk and the Contact Centre would benefit from an agreed protocol.	Some Improvement needed.	Budgets and the five year forecasts must continue to be tightly controlled to ensure the programme is completed as planned. **(M)** A process should be put in place for monthly payment of discounts due with the outstanding balance recovered from Kier MG immediately. **(H)** Information on warranty conditions being met should be captured to ensure warranties can be invoked when necessary. Warranties should be stored securely, be easily retrievable and enforced during their 10 year life. **(M)** All discounts defined in the discount schedule should be reviewed to clarify where the risk falls in each case and the liabilities of all parties. **(M)** Introduce an agreed protocol between the Roadwork's Desk and the Contact Centre for relocated vehicle information in RoadZone to enable efficient responses to the public. **(M)**

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Social Care Debt	The council is required to charge individuals who receive residential or nursing home care; and it has the power to charge for non-residential services. Social care debt is managed by multiple teams from Adult Social Care (ASC), Shared Services, Finance, and Legal & Democratic Services. The recovery of social care debt differs from other types of debt due to the council's statutory duty to meet individuals' care and support needs. As such, services cannot be withdrawn on the basis of non-payment.	During 2013/14 the level of social care debt decreased by £1.44m. This includes £0.73m of debt written-off, which reduces council income but creates a more accurate picture of collectible debt. New processes introduced in 2013/14 should ensure debts do not remain inactive for long periods. Improvements in recovery of aged debt and dunning block practices are evident. Direct debit continues to be promoted as the preferred payment method. However, the proportion of invoices paid by direct debit (64%) appears to have reached a plateau. Working relationships between teams need strengthening to ensure debts are effectively managed in a consistent and cohesive manner. Imminent changes to charging included in the Care Bill present an emerging risk to the management of social care debt.	Some Improvement Needed	All teams must make key information available in a timely manner. **(H)** Alternative ways to promote direct debits should be investigated, including: creating an incentive to pay by direct debit; engaging a community partner to assist and advise individuals; and discussing direct debit performance with other local authorities. **(M)** ASC management should consider incorporating a discussion about the impact of changing payment methods into care reviews. **(M)** Managers from each of the teams involved in the management of social care debt should consider implementing a Service Level Agreement between themselves. **(M)** Shared Services should review how they are addressing upcoming changes to charging in relation to the Care Bill. **(M)**

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Accounts Receivable	Surrey County Council provides a number of care and non-care services to its residents, other individuals and organisations. The details of the services provided and their users are held in various systems within the Council. Using this information, some or all of the cost of providing these services is charged to the recipient of the service/s by raising invoices on a regular basis.	Audit testing of the Accounts Receivable system did not highlight any concerns for management. Monitoring and reporting of the levels of debt appears to be functioning satisfactorily and a review of a sample of accounts showed them to have been raised in both an accurate and timely manner. Excessive costs are incurred generating invoices for services of low value that could have been paid for at point of provision.	Effective	Management should consider repeating the process of informing service users of the financial benefits of collecting very low value payments at the point of provision rather than generating invoices, each of which has an associated cost to raise.**(L)** Management should consider using data from SAP to identify where the majority of low value invoices are generated and consider providing specific guidance/support to those areas.**(L)**

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Review of Capital Expenditure Monitoring	Surrey County Council's capital programme is integral to delivering services to residents. The Council approved a capital budget of £187.3m for 2013/14, which formed part of the Council's five year Medium Term Financial Plan (MTFP) for capital expenditure of £699m.	There is adequate scrutiny of capital expenditure by officer groups at senior management level (Investment Panel (IP) & the Capital Working Group (CWG) and at Member level (Cabinet). Business cases for capital projects are reviewed by the IP to confirm robustness. IP requests additional information to validate the robustness which may result in projects being delayed. The Terms of Reference for the CWG has remained in draft form since 2012. The minutes of the CWG provides inadequate details and includes numerous undefined abbreviations. High-level monthly budget monitoring reports are presented to the Cabinet for review and approval. The forecast under spend at year-end was £38.6m, of which £35.8m was to be requested to be carried forward to 2014/15. In addition, £40.3m was forecast to be spent on long-term investments on property purchases which is not part of the planned mainstream capital programme resulting in the net over spend of £1.7m as reported in February 2014.	Some Improvement Needed	Services along with their service accountants should provide all the relevant information for each capital project in sufficient detail to enable the Panel to review and confirm robustness of the business case without unnecessary delay **(M)** The ToR for the CWG should be adopted as soon as possible **(M)** Detailed minutes should be maintained in the interest of transparency. Sensitive items in the minutes should be marked 'Restricted' and kept securely but made available as and when required **(L)** The budget holders of capital projects in services should allocate realistic timescales as far as is practical and with the full understanding of the implications of delays **(M)** The full year forecasts should be more transparent & show the monthly fluctuations for each project. This should address IP's concerns raised on budgets allocated to projects in 2014/15 **(M)**

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Project Management follow-up	On 24 June 2013 the Audit and Governance Committee received the Annual Governance Statement (AGS) for 2012/13. Within its assessment of the Internal Control Environment, the AGS concluded that Project Management was an area requiring improvement, specifically to emphasise the importance of stakeholder engagement; robust business cases with a strong financial rationale; and proper tracking of envisaged benefits to ensure their realisation. A follow-up review was undertaken to assess the position in 2013/14.	There was a limited amount of corporate information available detailing the extent of projects being run within the council in terms of their objectives, costs, progress and relationship to corporate objectives. The term 'project' is used loosely within the council to cover many different types of work, which complicates identifying how many projects exist. For a sample of projects examined in detail, there was no single method of project management employed by the respective Project Managers and although a 'one size fits all' project management approach may not always be appropriate, the variety of methods employed does not allow for consistency or comparison. The Auditor found no direct evidence that an increased focus on strong project management had been implemented council-wide since the findings reported in the 2012/13 AGS.	None [Position Statement]	The Strategic Director for Business Services has agreed that the developing Network Leadership Model should drive good practice and provide support to project managers across the authority to draw upon.

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UNiCORN	Project UNiCORN is a Surrey County Council (SCC) lead procurement venture for the provision of voice, data and technology services from British Telecoms. The potential value of the contract for the supplier when all partners are on boarded is estimated to be in the region of £120 million.	By using competitive tendering, seeking a supplier for the medium to long term (5-12 years) and having a scales of economy mechanism UNiCORN is designed to deliver the saving required by Medium Term Finance Plan (MTFP) for connectivity infrastructure. The estimated overall saving in the business case for year 1 was £500,000. UNiCORN has enabled an actual revenue budget reduction of £1.3M in that first year. The audit review indicates that this is a high risk area both in terms of value as well as the degree to which the supplier must be managed. All evidence indicates that this management is occurring to a satisfactory level. Recommendations are in regards to business continuity and structured business process methodology.	Some Improvement Needed	In light of the timescales indicated in the contract for acknowledging and formalising change requests and the failing of the supplier to achieve those targets, the auditor recommends that a time frame, such as six months or less is agreed to allow for this process to develop. After which if the change process has not aligned with the Contract KPIs senior management formally challenge the supplier to improve. **(H)** Issues with the supplier should be captured in an issues log, possibly supported with a key communications log. This will aid in issue escalation and monitoring. **(H)**

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Superfast Broadband	The Surrey Superfast Broadband programme is on course to deliver in line with the contract agreed between BT and SCC. SCC's original aspirations of delivering nearly 100% Superfast Broadband coverage across the County will probably not be achieved during the life of the current programme due to complete at the end of 2014 because of some potential challenges on BT's ambitious commercial programme in the 80% of the Surrey not covered by the Superfast Surrey programme.	As yet, there has been no Surrey specific assessment of the economic impact of the Authority's investment in Superfast Broadband, or a Value for Money assessment comparing SCC's investment in its Intervention Area to that offered by other local authorities to their residents. Those residents in the Intervention Area where a fibre solution was not initially modelled may be the last to receive any service improvement. SCC may lose the opportunity to develop innovation in community participation and alternative technology solutions. Commercially sensitive data has been stored on the Cloud shared space which is not subject to the full rigor of the access controls over SCC IT storage.	Some Improvement Needed	The Investment Panel should help ensure that there is some form of post project appraisal of the investment in terms of how much economic impact the project had and whether SCC's offer provided particularly good value for money by broad benchmarking of what was achieved elsewhere for various budgets. **(M)** The SFS Delivery Manager should re-engage resources around developing innovative village broadband inclusion schemes that can be rolled out alongside anything that BT may be able to offer. **(M)** The Delivery Manager should ensure that all sensitive data is only held on the SCC IT network. Discussions should be held with the IMT Security Manger as to any non-standard use of IMT within the team to ensure that SCC staff continue to observe any core IT security standards during innovation. **(M)**

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Surrey Arts	In August 2013 Surrey Arts consolidated its operations at a new facility in Guildford. The move has allowed it to bring together in one location its extensive holding of musical instruments and costumes, which represent an important revenue stream. In order to identify both areas of good practice, opportunities for improvement, and maximise the potential benefits of being located in a new facility, the Head of Cultural Services asked Internal Audit to review asset management.	Recent acquisitions of instruments have been funded through a grant from central government to support national initiatives promoting music lessons in schools. Changes to these initiatives, however, has created a misalignment between stock holding and demand from hiring schools. The Service does not have an articulated approach to generating revenue from the hire of instruments. Records of stock are at present incomplete, though the introduction of a new music tuition management system offers the opportunity to create a comprehensive database. Schools and individuals who hire instruments are required to sign an agreement which stipulates that they are responsible for loss or damage while it is in their possession. The auditor could not locate five signed agreements from a sample of 31 documents (16%). The Service does not have an asset disposal policy.	Significant Improvement Needed	Surrey Arts should consider creating an asset management strategy which effectively joins up all activities related to the acquisition, monitoring, maintenance and disposal of its musical instrument stock. **(H)** Surrey Arts should consider creating an articulated income strategy which details future plans for using its assets to generate revenue. **(H)** Surrey Arts should strongly consider prioritising the creation of a comprehensive database of its instrument stock. **(H)** The Service should review its records management arrangements to ensure that all signed hire agreements are safely kept until the instrument is returned. **(M)** Surrey Arts should consider articulating an asset disposal policy which details how value from unwanted instruments can be reclaimed. **(M)**

[1] **Audit Opinions**

Effective	Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
Some Improvement Needed	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.
Significant Improvement Needed	Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
Unsatisfactory	Controls evaluated are not adequate, appropriate, or effective to provide reasonable assurance that risks are being managed and objectives should be met.

[2] **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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