

## Completed Audit Reports (August - September 2014)

Annex A

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Energy Management	<p>This audit involved assurance work on Energy and Environmental matters undertaken on a government return; a SCC report that is published on the external website; and a presentation to Members ahead of a policy review.</p>	<p>The time timetable to complete year-end checking of data used for statutory returns on SCC's use of carbon fuels remains challenging. Errors could lead to prosecution of officers and fines for SCC.</p> <p>Progress against some environmental targets has not been regularly reported to Members.</p> <p>Currently, there are no clear targets in the Medium Term Financial Plan for energy saving investment.</p> <p>SCC spend on outsourced services contains substantial spend on energy and other activity behind carbon emissions.</p>	Some Improvement Needed	<p>Develop data collection and processing systems on energy use so that automated routines facilitate the production of regular exception reports. This may reduce the time needed for the year end checking exercise and provide more time to investigate potential anomalies. <b>(M)</b></p> <p>Consider how best to report progress on the targets in the new Carbon and Energy Policy. E.G. include in the annual Green House Gases report on the SCC external website. <b>(M)</b></p> <p>SCC's new Energy and Carbon Policy should include a target for savings to be delivered on expenditure on energy against the Authority's MTFP 2015/16 - 2019/2020. This quantification will require further development of SCC's methodologies to appraise energy investment. <b>(M)</b></p> <p>The new Energy and Carbon Policy should set out the broad expectations of the authority with regard to sustainable energy behaviour and cashable cost savings from improved contract and supply chain management. <b>(M)</b>.</p>

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Agency Staff Contract	<p>This Authority's agency staff contract is accessed by managers across the organisation with an overall cost £11.7m in 2013/14 (£12.7 in 2012/13). The commercial aspects of this contract are managed by Procurement whereas the more operational and day to day contract management is the responsibility of HR who help manage the contract on behalf of Services. Previous audits identified some problems with the operation and delivery of this contract.</p>	<p>The MSTAR agency framework contract due to commence in April 2013 was only signed in August 2014. This contract provided for reduced rates compared to the previous contract. Panel Vendors will need to be informed of the rates and may no longer wish to supply SCC with candidates in some harder to recruit roles.</p> <p>Several Childrens Services teams have a high number of agency staff in them, as well as use of long term locum staff. Service quality would potentially be strengthened with more permanent staff in these roles.</p> <p>Childrens Services have been raising issues regarding the performance of Manpower on this contract, which has contributed to them going 'off contract' to secure the temporary staffing that key services have needed.</p>	<p>Significant Improvement Needed</p>	<p>Ensure there are robust plans in place for a rapid implementation of the new MSTAR contract signed with Manpower in August 2014. These plans should ensure careful monitoring of the Panel Vendors response to rate reductions and the new routes to market that procurement are establishing. <b>(H)</b></p> <p>Childrens Services should produce aspirational targets for the phased replacement of some of the long term locums in Children Services with permanent staff, along with a set of measures designed over a period of time to stimulate such change. <b>(H)</b></p> <p>HR and Manpower should continue to work together to meet some of the specific concerns of Childrens Services on Manpower's performance, but particularly with regard to the quality and relevance of CV sent to managers and on the functionality of Manpower's system which leads to so many requests for the cancelation of orders. <b>(M)</b></p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Agency Staff Contract cont'd		<p>The way that some agency staff were recruited 'off-contract' created some short term risks in terms of procurement and having adequate information held centrally on the agency staff engaged.</p> <p>The target for Panel Vendor agencies passing their safeguarding inspection audits conducted by Manpower is 85% overall. For sensitive roles, this target should be 100%.</p> <p>A large number of agency staff timesheets are paid via auto- authorisation, where the relevant line manager has not actually authorised the timesheet as required.</p> <p>The KPIs for the Manpower contract do not currently include a meaningful target which helps demonstrate the delivery of VFM.</p>	Significant Improvement Needed	<p>Where Childrens Services need further flexibility on procurement arrangements, they should ensure that they use the procedures within SCC Procurement Standing Orders to request such flexibility and also ensure that there is adequate planning and co-ordination with other Departments on how changes are to be implemented. <b>(M)</b></p> <p>IMT should ensure that it does not go off contract to secure agency staff in a way that breaches SCC procurement rules. <b>(M)</b></p> <p>Review all IMT agency roles and the associated cost every three months. <b>(M)</b></p> <p>Consider how to increase the target for the percentage of agencies that pass safeguarding inspection audits. <b>(M)</b></p> <p>Monitor which managers are failing to manually authorise timesheets for agency staff and consider what escalation to Service management is appropriate. <b>(M)</b></p> <p>Arrangements for the new MSTAR contract and other routes to market need to be supported with effective measurements of value for money. <b>(M)</b></p>

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<p>Grants to Voluntary Bodies</p>	<p>The Council provides grant funding to voluntary bodies within Surrey to deliver a range of its services. Grant funding should support the Council's Corporate objectives; Voluntary, Community and Faith Sector (VCSF) Framework and meet SCC's Grant Criteria.</p> <p>Grants should be able to demonstrate that agreed outcomes are met, value for money, high quality and sustainable services for the benefit of Surrey residents. A new Grant Criteria and Funding Opportunities Guide was presented to Cabinet in May 2014 for their consideration and to reinforce strategic aims to optimise Social Value.</p>	<p>Regular monitoring that agreed services were being delivered under the Guildford Action for Families (GAFF) grant was not in evidence since 2009/10.</p> <p>A Partnership Agreement has been used for the GAFF grant instead of a Grant Agreement. This provides no legal assurances. The agreement was not signed for 2013/14 but has been signed for 2014/15.</p> <p>The GAFF grant was only offered to the provider given the funding and not widely advertised as is usually required. There may be new and improved providers that have moved into the area since this was last checked and so this arrangement may not represent best value for money.</p> <p>There was a lack of evidence of regular monitoring of the Local Prevention Framework (LPF)/EIKON grant.</p> <p>There is no record that EIKON was asked whether the LPF service to be delivered was reliant on funding by any other bodies or whether they received any other SCC funding.</p> <p>Within the grant application process and documentation, there appears to be no requirement to make a declaration of potential conflicts of interests, or say there are none.</p>	<p>Some Improvement Needed</p>	<p>Reintroduce regular reviews in respect of the GAFF grant to ensure that the service and outcomes in the Grant Agreement are delivered; this to be done before any more funding is released. <b>(H)</b></p> <p>Clarify the legal status of the funding agreement for the GAFF grant to ensure that the funding agreement in place is legally compliant. <b>(H)</b></p> <p>Review the market place before further funding is released to GAFF to see if any new providers are now available. <b>(M)</b></p> <p>Hold Partnership meetings in respect of the LPF/EIKON Grant at the required frequency to discuss performance. <b>(M)</b></p> <p>Find out if EIKON receives any other funding in respect of delivering the LPF service. <b>(M)</b></p> <p>Require all future grants applicant to declare any potential conflicts of interest, or confirm there are none, and record this on the grant application. <b>(M)</b></p> <p>A copy of the signed Grant Agreement should be held by Finance before grant payments are made and this should be recorded on the Grant Register. <b>(M)</b></p>

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LATC Governance Arrangements	SCC currently owns a number of Local Authority Trading Companies (LATCs) including business services, property services and Adult Services. This audit looked at the high level governance arrangements in place for LATCS, specifically the role of the Shareholder Board.	<p>The review found that the measures proposed are effective for ensuring good governance across LATCs. The structure and remit of the Shareholder Board is considered to be effective in safeguarding the interests of the Council.</p> <p>The audit highlighted areas where improvements could be made to further strengthen governance arrangements; revising the quorum of the Shareholder Board; agreeing procedures for the review of the company Articles of Association; clarifying the right of inspection to company account; and, consideration of declaring interests at Shareholder Board meetings.</p>	Position Statement – no opinion given	<p>Consideration should be given to increasing the quorum of the Shareholder Board. <b>(L)</b></p> <p>Arrangements for reviewing the Articles of Association should be clarified. <b>(L)</b></p> <p>Consideration should be given to establishing the right of the Council to inspect accounts and other records in the Articles of Association. <b>(L)</b></p> <p>Consideration should be given to establishing procedures for the declaration of interest at Shareholder Board meetings to ensure that Members or Officers appointed as Directors of LATCs are not counted in the decision making process. <b>(L)</b></p>

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Management of Citrix Systems	This review was intended to review general management processes and configuration surrounding this key IT infrastructure component. Due to delays in the upgrade project, a position statement on the project was created instead of the intended review.	<p>The delivery of the upgrade to the Citrix system is a key feature of the modern worker initiative. The costs and time estimates associated with this project have required significant re-scoping.</p> <p>The original go-live date for the Citrix upgrade was April 2014, in July 2014 the go-live date was reported as anticipated to be January 2015. In August 2014, the anticipated go-live date had slipped again to March 2015.</p> <p>The original agreed budget for the project was £575k; however the most recent forecast is £1,151k which is twice the original project estimate.</p>	Position Statement – no opinion given	None as due to issues with the project team testing could not commence in detail, hence the position statement.

<p>Administration of Looked After Children's Finances</p>	<p>Children may have personal money from various sources; benefit payments (Disability Living Allowance (DLA)), Child Trust Fund (CTF); Junior Individual Saving Accounts (JISA); relatives or compensation payments. Surrey County Council, as the corporate parent for looked after children (LAC), has a duty to ensure that any personal money held on behalf of children is protected from loss, misappropriation or mismanagement.</p>	<p>There are a number of areas of concern arising from this audit, most notably inequitable financial arrangements for children and the failure of the council to fulfil certain statutory duties. Key concerns include:</p> <ul style="list-style-type: none"> <li>• No clear procedures for recording of children's personal finances they enter with or accrue during their time in care;</li> <li>• Unavailable central guidance leading to inconsistent local practices being developed;</li> <li>• Surrey Savings Scheme is intended to promote financial capability however failure to circulate guidance limits effectiveness of the scheme;</li> <li>• Audit testing of a sample of children who should have long term savings, suggests 34% do not hold a JISA or CTF. This suggests the council is not complying with legislation and is failing to fulfil its statutory duty to promote financial capability for LAC in line with national policy.</li> </ul>	<p>Unsatisfactory</p>	<p>Confirm which LAC who have been in care for 12 or more consecutive months, hold JISAs. <b>(H)</b></p> <p>Review records and historic HMRC returns of all LAC to establish which children hold a CTF. <b>(H)</b></p> <p>Take appropriate action for all children who do not have a CTF or JISA. <b>(H)</b></p> <p>Maintain/monitor a central record of LAC's savings, JISAs and CTFs. <b>(H)</b></p> <p>Update Foster Carer and Carer Handbooks with policies and procedures for recording of children's personal finances including DLA. <b>(H)</b></p> <p>Update/ circulate 'LAC Savings Accounts' guidance so that a fair/ consistent approach is taken in safeguarding children's personal savings and promoting financial capability. <b>(H)</b></p> <p>Review of LAC records to identify children who receive DLA. <b>(H)</b></p> <p>Implement transparent reporting of LAC savings. <b>(H)</b></p> <p>Include a request and confirmation of the LAC's savings accounts within the Leaving Care Policy and Procedures note. <b>(H)</b></p>
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## <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>Significant 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.

## <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