

Completed Audit Reports (November 2014 – February 2015)

Annex A

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Supply of Equipment	<p>The council and Surrey Clinical Commissioning Groups jointly fund equipment services in Adult Social Care (ASC).</p> <p>The service is provided by Millbrook Healthcare and this contract is due for renewal in April 2016.</p> <p>A whole system review, led by ASC, is currently underway to look at equipment services across the council.</p>	<p>The contract appears to be operating as expected. No evidence was found of SCC being charged unnecessarily for new equipment. It is possible, however, that prescribers are preferentially ordering more expensive equipment where lower cost equivalents are available.</p> <p>Weaknesses in coordination between council and health prescribers both increases delivery costs and limits the extent to which individuals' care services are joined up.</p> <p>Financial savings are available through better management of prescriber behaviour, which is currently generating unnecessary delivery charges. For illustration, eliminating multiple deliveries caused by lack of coordination with other prescribers and individuals has the potential to save up to £100k, in excess of 2% of the service budget.</p>	Some Improvement Needed	<p>Management should consider removing high cost items from the catalogue where lower cost equivalents are available. <b>(M)</b></p> <p>Management should consider ways to encourage coordination between SCC and health prescribers. <b>(M)</b></p> <p>Management should arrange workshops to train prescribers and encourage the use of service user led orders. <b>(M)</b></p> <p>Management should monitor the use high cost delivery speeds and 'service user led' orders by teams, and revise the protocol for direct 'verbal' requests. <b>(M)</b></p> <p>Management should consider how to change prescriber behaviour in particular with regards to: deadlines for same/next day delivery; speed of delivery; and multiple deliveries. <b>(M)</b></p>

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Financial Assessments and Benefits	<p>Adult Social Care (ASC) teams participated in a Rapid Improvement Event (RIE) held in June 2013. The event looked at the end to end process of social care charges.</p> <p>The event identified a number of proposals:</p> <p>To transfer the responsibility for the 'paying for care' conversation from care practitioners to the Financial Assessments and Benefits advisors; and, to set timescales for the completion of financial assessments so that the assessments is completed in advance of service provision.</p> <p>The new process was rolled out in November 2013.</p>	<p>Individual actions proposed in the RIE have been implemented. However, the cumulative impact has not yet been realised.</p> <p>Data sets are held on the number of referrals and financial assessments completed per month, however, these are held in separate systems. The Auditor was unable to identify the number of clients awaiting a financial assessment.</p> <p>The current KPI's do not include targets or reference to ranges of acceptable performance.</p> <p>Data suggests that that over the last six months there has not been any improvement in the timeliness of assessments. Furthermore, historic data is unavailable therefore, at this time the Auditor is unable to offer an opinion on the effectiveness of the new processes.</p> <p>A review of the 20 largest billing charges posted in the period June to August 2014 suggests 43% are retrospective charges. A delay in charging causes instant debt to the council.</p>	Some Improvement Needed	<p>The service should consider monthly reporting to committees and management teams on the number of clients that have been referred to the service but are waiting for a financial assessment. <b>(M)</b></p> <p>The service should consider developing simple actionable metrics including targets to be achieved or reference to upper and lower ranges of acceptable performance. <b>(M)</b></p> <p>Management should conduct close monitoring of the financial assessment processes and resources to identify improvements in the timeliness of assessments. <b>(M)</b></p> <p>The service should consider an aged report on clients waiting for a financial assessment in order to concentrate resources on high risk clients. <b>(M)</b></p> <p>The service conducts periodic reviews to obtain client feedback. <b>(L)</b></p>

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Pension Fund Investments	<p>The Local Government Pension Scheme (LGPS) is a funded scheme, which operates distinctly from the non-funded public sector schemes and has its own regulatory framework. The funds received through employer and employee contributions are invested and administered at individual pension fund authority level with the agreement of elected members who are accountable to the local council taxpayers.</p> <p>The Pensions Investment audit is a Key Financial System audit and is concerned with ensuring controls are in place to account for deposits received and invested.</p>	<p>It was found that quarterly reconciliations of SAP to the Northern Trust (NT) Global Custodian account had not been completed.</p> <p>Audit testing of drawdown requests found one instance where the actual amount paid to the fund manager exceeded the amount requested.</p> <p>An independent adviser to the Pension Fund had recently been appointed as a Director of a Global Investment company. This may present a perceived conflict of interest.</p> <p>Detailed review of the risk register identified a number of additional risks for consideration.</p> <p>Testing of fund manager fee payments identified a payment that had been accrued to the wrong account period.</p> <p>Results of testing indicate that independent controls assurance statements had not been obtained for two fund managers, representing 11.5% of funds invested.</p>	Some Improvement needed	<p>Quarterly reconciliations to the Northern Trust account should be completed in a timely manner. (H)</p> <p>Fund drawdown requests should be accurately actioned. (L)</p> <p>The Pension Fund Board should ensure that any potential conflict of interest is managed appropriately in relation to the use of independent advisers. (L)</p> <p>The Pension Fund Board could consider the Pension Funds exposure to additional risks highlighted by the auditor. (L)</p> <p>Fund manager payments should be accounted for in the correct financial period. (L)</p> <p>The Pensions Team should provide for clawbacks in their accounting treatment where this arrangement has been negotiated. (L)</p> <p>The Pension Fund Board should review all controls assurance statements in order to consider any limitations identified in the report. (L)</p>

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Property Asset Management System (PAMS)	<p>Property Services are responsible for the management and maintenance of SCC's property portfolio (&gt;1,500 assets) valued at more than £1bn.</p> <p>Property Services jointly procured Atrium Property, with Hampshire County Council (HCC) commonly referred to as PAMS in late 2012/13 via a contract with Atrium Software Ltd. The system is being implemented on a module by module basis over 3 phases while ensuring that payments to contractors in PAMS interface with SAP at the same time.</p> <p>Most of Phase 1 went live on or after 2 April 2013 and was reviewed as part of this audit.</p>	<p>PAMS implementation was delayed due to differing priorities of SCC and HCC; the need to gather and clean the information; and delays in Atrium support.</p> <p>Master Data in PAMS is not complete.</p> <p>All Contracts in PAMS are not populated in the Contract Management System.</p> <p>Advanced reporting facility to add value in meeting requirements are yet to be developed.</p> <p>Help Desk staff do not comply with the ordering process resulting in duplicate orders being raised unnecessarily and then cancelled.</p> <p>Sample of reactive orders are not checked as previously agreed with Internal Audit.</p> <p>The current method of filing paid invoices is inefficient and not a good use of resources.</p> <p>SAP interface runs are not frequent, regular or complete.</p>	Some Improvement Needed	<p>Master data in PAMS should be maintained on an ongoing basis. <b>(M)</b></p> <p>All contracts should be recorded in PAMS and Procurement's Contract Management System. <b>(M)</b></p> <p>The advanced reporting facility should be developed to add value to meet service requirements. <b>(L)</b></p> <p>Help Desk staff should be reminded to comply with the procedures for placing orders and cancelled orders should be regularly reviewed. <b>(M)</b></p> <p>The sample checks agreed with Internal Audit should be implemented. <b>(M)</b></p> <p>The process for filing paid invoices should be resolved using the payment report from IMT. <b>(H)</b></p> <p>Interface files should be complete with regular and frequent runs. <b>(M)</b></p>

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Bus Operating Contracts	<p>SCC has &gt;100 bus operating contracts in place providing bus services to Surrey residents in areas where commercial providers do not operate. The total contracted value is in the region of £11m per annum including £1m paid in a single instalment in October each year to Transport for London (TfL) in return for the London buses which operate services into Surrey. In addition, 3 other types of contracts, namely Minimum Subsidy (MS), De Minimis (DM) and Minimum Cost (MC) contracts are in operation. Bus operators on MS and MC contracts are paid a fuel subsidy by the DfT and from 1 Jan 2014, this is paid as a grant to SCC to administer.</p>	<p>The number of contracts in operation at any given time cannot be easily established due to the use of an obsolete access database by the team to hold the information.</p> <p>The system does not hold audit trails and is not fit for purpose as it is not supported by IMT.</p> <p>The referencing of contracts is not logical and since the operator is able to switch from one type of contract to another with the approval of the Bus Service Planning Team, it is not possible to trace the history of a given contract.</p> <p>Some contracts with no end dates have been operating for a number of years with little or no review.</p> <p>Numerous manual processes are used to complement the end to end processes that make the operations of the team both resource intensive and inefficient. However, the team has numerous experienced staff.</p> <p>Work is underway to move to framework contracts.</p>	Some Improvement Needed	<p>Priority should be given to the work that is already underway to implement a suitable alternative and a user friendly IT system which will enable transparency and audit trails of all operations that take place in the Bus Service Planning Team. <b>(H)</b></p> <p>Referencing of contracts should be reviewed and a logical sequence adopted clearly separating the routes and days of operation. <b>(H)</b></p> <p>Contracts with no end dates should be awarded as one year contracts and reviewed annually. <b>(M)</b></p> <p>The proposed procurement arrangements of moving to Framework Contracts should be progressed as appropriate. <b>(M)</b></p> <p>The new system should be supported by IMT to reduce the manual processes and support the planning and delivering of the bus service required for the residents of Surrey. <b>(M)</b></p>

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SAP Application Controls	<p>SAP is the Enterprise Resource Program (ERP) for Surrey County Council and as such performs many critical financial processes such as Payroll, Accounts Payable and General Ledger. As a key element of the IT infrastructure and a key financial system SAP is included in the annual audit cycle.</p> <p>This audit focused on the maintenance and change control processes in place.</p>	<p>The 'change environment' is well documented and policy and procedures are in place.</p> <p>The documenting of approval decisions has historically been weak but this has improved significantly since January 2014.</p> <p>Testing of low priority requests for change found no discrepancies.</p> <p>Organisational changes, impacting on the SAP landscape are being well managed.</p> <p>Partnership working impacting on the use of SAP must be carefully risk assessed particularly where access to data is concerned.</p>	Effective	<p>A process is agreed with the lead for partnership working to produce a list of expected transfer/access arrangements. IMT staff can then vet access against this list. <b>(M)</b></p> <p>Partnership staff are required to sign off an acceptable usage policy prior to access. <b>(M)</b></p>

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PSN – Public Services Network	<p>The Public Services Network (PSN) is a key facet to central government's Information Communication Technology (ICT) Strategy. PSN is an evolution of the UK Government Connect Secure Extranet (GCSx) and envisions a single secure, open logical network shared by government bodies for the efficient exchange of information. PSN compliance requirements are neither harder nor easier than GCSx compliance; however connection will only be given to those that are presently compliant at the time of review by the PSN Compliance team.</p>	<p>An independent assessor has been commissioned to assess the security of the network and they are appropriately accredited to review government level installations.</p> <p>The rules of engagement have been clearly defined with the assessor to ensure that only non-destructive testing can be used.</p> <p>Action plans have been generated in response to the findings identified by the external assessor. All actions have been undertaken in a timely manner. Those findings where a 'take no action' has been tabled are reasonable and risk assessed.</p> <p>Review of pass findings and comparison to this year's findings demonstrates that weaknesses are not being repeated.</p>	Effective	None

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Fuel Card Analytics	<p>As part of Internal Audit's counter fraud programme data analytics is used to identify scenarios and trends that may be indicative of inappropriate activity but are hidden in the mass of transactions. In the last 12 months Surrey County Council has made 4691 separate transactions for the purchase of fuel. The total value of these inclusive of VAT is £302,433. There are a total of 240 cards divided amongst 49 groups. The annual average card spend is £1260 with the largest spend on a single card being £8135 during the period of review.</p>	<p>There was no policy in place and no procedure for business as usual processes.</p> <p>The data indicates that assumptions concerning how controls function are incorrect and that any vehicle producing a SCC fuel card at a petrol court, regardless of ownership, would have the bill paid.</p> <p>Cards are being shared amongst vehicles/users.</p> <p>There is no assurance that private vehicles are not using the fuel cards.</p>	Significant Improvement needed	<p>Draft a policy that explicitly forbids the sharing of fuel cards between cars unless the card is allocated to a named individual. <b>(H) Note: this has now been actioned.</b></p> <p>Managers should consider multiple instances of card use in a day, particularly those transactions for the same fuel and determine if they are reasonable. <b>(H) Note: included in above policy</b></p> <p>A policy should require odometer readings to have some degree of accuracy (eg to closest 10 miles) <b>(H) Note: included in policy</b></p> <p>Cost centre owners/managers to regularly review transactions on the Allstar system for reasonableness. To include looking at the time, date and location of the transaction. <b>(H) Note: completed as above</b></p> <p>A lease car policy or policy statement within the fuel card policy should consider the possibly of aligning lease car commuter fuel usage to the employee expenditure claimable mileage policy statement. <b>(H) Note: action to be completed</b></p>

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ASC Provider Portal	<p>A review of ASC sourcing and administration in 2013 identified the need for front line teams to be supported by an IT solution, the provider portal, to enable them to organise care packages efficiently.</p> <p>It was envisaged the portal would enable approved providers and Friends, Family and Community Services to upload details regarding their service availability and capacity on a real time basis and ASC teams to access this information to make placements.</p> <p>A budget of £400,000 was provided on the understanding that the system would be implemented during 2013/14.</p>	<p>Delays in the early stages of the project meant the audit was unable to review an implemented system as originally planned. Instead an audit position statement was issued.</p> <p>There was an initial delay of approximately three months in awarding the contract to a developer, following a challenge on the award decision by an unsuccessful bidder. There was then a further four month delay in signing the contract and raising the order as a result of personnel changes; a change in Project Manager and Project Sponsor. These initial delays pre-date the current project team.</p> <p>At this time the expected date for Portal implementation is July 2015.</p> <p>At the time of the audit the Auditor found no documented strategy on how providers will be incentivised to use the portal. Subsequently the Auditor has received a high-level stakeholder engagement strategy and the first Surrey Information Portal provider engagement planning meeting is due to be held on 4 March 2015</p>	n/a – position statement issued	No recommendations made.

## <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