

Completed Audit Reports (February - March 2015)

Annex A

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Surrey Choices	<p>In December 2013, the Cabinet approved a business case to create a local authority trading company (later named Surrey Choices), for some services for adults with disabilities that were at that time, delivered in-house.</p> <p>Surrey Choices was incorporated on 3 March 2014 and went “live” in August 2014.</p>	<p>Transitional planning was largely effective in setting up the company and beginning to provide services to residents.</p> <p>Mechanisms were found to be in place for the monitoring of service delivery, both in terms of fulfilling client requirements and satisfying the council that appropriate standards of care and financial prudence are being observed.</p>	Some Improvement Needed	No recommendations requiring action by Surrey County Council.
Members' Interests	The requirement for elected members to disclose their interests is stipulated in the Localism Act 2011. The council's Members' Code of Conduct sets out the local requirements that support this legislation.	<p>Overall the arrangements in place meet the minimum legal requirements.</p> <p>While the council's Members' Code of Conduct requires members to register their “pecuniary” interests, it does not also require “non pecuniary” interests to be registered. This is in contrast to both DCLG guidance and the approach taken by other neighbouring councils.</p>	Some Improvement Needed	In the light of supplementary guidance issued by the DCLG, consider whether the Members' Code of Conduct should be amended to require disclosure of “non pecuniary” interests. (M)

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Control Risk Self Assessment (CRSA)	<p>SCC's Governance Panel advises on the adequacy of governance arrangements and proposes areas for improvement through the Annual Governance Statement.</p> <p>The Annual Control Risk Self Assessment audit of selected corporate governance policies helps to inform this process.</p> <p>The policies chosen for the 2014/15 review were:</p> <ul style="list-style-type: none"> • Corporate Complaints Policy • Surrey Compact • Complaints against Members 	<p>Although the list of Corporate Policies would appear to be largely appropriate, there are some other policies that may require consideration by the Governance Panel (eg the Gifts and Hospitality policy and the Safeguarding Policy) for inclusion in the corporate governance framework.</p> <p>Survey responses suggested a good level of understanding of the Council's Complaints Policy. The corporate policy is further supported by specific procedures in several directorates and services and useful supporting materials on complaint handling on the SNET. There may be some advantage in future of re-promoting the details of Complaints Service Leads on the SNET and reminding staff what to do where the complainant is unhappy with the Stage 1 response.</p> <p>It is likely that the funding for the Surrey Compact support that is paid by SCC will be reviewed and may reduce or cease.</p>	Some Improvement Needed	<p>The Governance Panel should more demonstrably act as the Editorial Board for the policies to be included within the list of corporate governance policies. However, the detailed work on maintaining these policies should remain with the policy authors within Services. (M)</p> <p>The Customer Relations Team should update the Service Contact Leads list on SNET and consider the other feedback from the CRSA survey in its awareness raising activities during 2015/16. This might include, for example, raising awareness of the process of escalation where the complainant is unhappy with the Stage 1 response. (M)</p> <p>The Strategic Partnership Manager for the Surrey Compact should consider options suggested by the Auditor for managing the potential eventuality that direct funding for the Surrey Compact organisation may be reduced or withdrawn. (M)</p>

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Absence Management	<p>Absence management for Surrey County Council is governed by the "Absence Management Policy". The policy sets out the reporting and management of absence due to sickness or injury; Fit Notes (previously known as medical certificates); Return to Work discussions; and, dealing with short and long term absence.</p> <p>The policy aims to minimise absence levels across the Council and provide reasonable support to those absent to assist their return to work at the earliest opportunity. The subsequent procedures are designed to provide a clear process to maximise attendance at work, ensuring effective service delivery, and minimising any work related causes of sickness absence.</p>	<p>The Auditor contacted a sample of 20 employees with a sickness record that indicated the possibility of poor recording. The Auditor established if the lack of sickness was genuine or the result of non-reporting. Two examples of non-reporting were identified.</p> <p>The Auditor heard multiple anecdotal accounts of failure to properly record sickness, a preparedness to substitute sick for annual leave and cultural barriers to proper sickness recording.</p> <p>The auditor found that 13% of all sickness reported in the period reviewed was recorded on a Z1 or "Awaiting Mgr Recording code". Any sickness absence data segregating by illness type reported is less reliable than it should be.</p> <p>Only 18% of HR dashboard users accessed the system on a monthly basis and 53% of users had never accessed the system.</p>	Some Improvement Needed	<p>Management must consider the impact of the non reporting on the reliability of data used for guiding policy on sickness and wellbeing. An informed decision must be made to either tolerate a system whereby data is less accurate than it could be or to take actions to reduce the failure to report sickness. (M)</p> <p>Management should seek to minimise the level of Z1 coding of sickness. (M)</p> <p>Senior management should commit to a minimum expectation of managers checking their dashboard – the Auditor would suggest monthly – and take action to ensure this is achieved. (M)</p>

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Fire Station Capital Project Management	<p>The Medium Term Financial Plan 2013/18 includes £13.6m in capital projects to be delivered for SFRS, including Fire Station reconfiguration, Fire Stations minor works, the new Guildford Fire Station, and replacement of a Fire training tower. The first of these is of particular financial import as the successful completion of the project is anticipated to result in savings to SFRS of £2.4m.</p> <p>Timescale slippage on the reconfiguration was the highest risk on the SFRS Risk Register (as at September 2014).</p>	<p>Clear business needs were identified for the creation of new stations in Salfords, Spelthorne and Elmbridge, a range of options were considered, and appropriate approvals obtained at the outset of the projects.</p> <p>There was evidence of adequate planning and stakeholder engagement between Property Services and SFRS on all three projects although it was not clear how risk was being managed within the project.</p> <p>Project updates are regularly reported to the Programme Board, though inconsistency was noted in the risk analyses. There was scope to improve the information provided on project delays and progress against milestones.</p> <p>A clear business need was established for the installation of temperature sensors in the Fire House at SFRS headquarters in Reigate. Evidence of good planning, stakeholder engagement, defining of user requirements, risk management and work scheduling for this project was noted.</p>	Some Improvement Needed	<p>SFRS and Property Services should consider ensuring that project updates and risk assessments present a consistent representation of uncertainty. (M)</p> <p>Consider jointly agreeing a revision to the information provided in reports to governance bodies, notably in regard to explaining project delays, achievements towards milestones, and accurate risk analysis. (M)</p>

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Schools Financial Value Standard (SFVS) - self assessment	<p>The SFVS has been designed with schools to help them in managing their finances and to give assurance that they have secure financial management in place.</p> <p>Schools are required to complete and send the completed self-assessment return to SCC annually.</p> <p>In order to develop an Internal Audit schools programme for the 2015/16 Annual Plan, a review of the robustness of SFVS assessments was undertaken for a sample of schools.</p>	<p>From the sample of schools reviewed, Internal Audit is content that Governing Bodies and school management have in general fulfilled their responsibilities for the process of completion and submission of the SFVS assessment.</p> <p>From documents analysed, it is apparent that more work needs to be done in raising awareness of fraud and whistle-blowing policies amongst staff and governors. This has become an important area given the delegated powers to the schools and a high degree of autonomy in managing financial matters.</p>	Some Improvement Needed	<p>No overall audit recommendations</p> <p>Where the audit of an individual school has led to specific findings or recommendations, these have been communicated to the individual school for further review by the Auditor.</p> <p>It is proposed that the schools programme within the Annual Internal Audit Plan for 2015/16 be based on proactive anti-fraud and corruption measures rather than a 'traditional' review of financial controls as sufficient assurance can be derived for the latter from the SFVS process.</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Corporate Parenting Board	<p>The Corporate Parenting Board (CPB) has been established to ensure that Surrey County Council discharges its statutory duties effectively as Corporate Parent for the Council's Looked After Children and Care Leavers</p>	<p>The CPB Terms of Reference make reference to legislation but do not say which legislation applies nor stipulate any statutory requirements relating to Corporate Parenting.</p> <p>The CPB Terms of Reference state that the Board will advise the Council, its Cabinet and the CLT on their Corporate Parenting roles. However, evidence could only support that the Corporate Parenting Board formally reports to the CSF Select Committee, not the Council or Cabinet.</p> <p>Corporate Parenting training is offered to all elected Members in the form of workshops held several times a year. Records were obtained that show that of the 81 members, 29 have attended Corporate Parenting training since May 2013 and 11 in the last term of the Council.</p> <p>Attendance was good for all Board members with one exception, the Surrey Police representative who had neither attended nor sent a replacement since at least June 2013.</p>	Effective	<p>It is recommended that the CPB Terms of Reference mention key statutory duties to aid the oversight of these to ensure these are met by the Council. The Terms of Reference approval date and the next review date should also be shown. (L)</p> <p>Terms of Reference are reviewed to clarify how the Council and Cabinet are kept apprised of CPB related matters. (L)</p> <p>Consider encouraging further Member attendance/participation at Corporate Parenting training to ensure that they are fully aware of the Corporate Parenting legal framework and their Corporate Parenting role and responsibilities. (L)</p> <p>Request that Surrey Police send a regular representative to CPB meetings. Consider revising the Terms of Reference to formalise a procedure for escalation in the event of regular non attendance by any Board member. (M)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Health and Wellbeing Board	The Surrey Health and Wellbeing Board (HWB) has a statutory duty to produce a Joint Strategic Needs Assessment which looks at the current and future health and care needs of Surrey's residents to inform the planning and buying of health, wellbeing and social care services. The HWB also has a duty to jointly produce a Health and Wellbeing Strategy.	<p>The HWB has successfully agreed a Health and Wellbeing Strategy based on the initial Joint Strategic Needs Assessment.</p> <p>The Strategy comprises five key priorities and it was apparent that these priorities have been discussed by the HWB and that plans are in place for achieving the desired outcomes.</p>	Effective	<p>The HWB should establish a list of substitutes and consider whether individual meetings have sufficient representation of interests. (L)</p> <p>The Board's Terms of Reference should be amended to reflect the need for it to have oversight of expenditure, but no commissioning role. (L)</p>
Appraisals – follow-up audit	An Internal Audit report issued in April 2014 gave an audit opinion of Significant Improvement Needed and highlighted errors made in calculating the appraisal completion rate which had led to incorrect figures being reported which suggested 83.5% appraisal completion rather than the true percentage of 61.9%.	This follow-up audit concluded that appropriate actions had been taken in response to previous audit recommendations. A robust system is now in place for calculating and reporting rates of completion, exemptions and appraisals "in progress".	Effective	No recommendations made.

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
General Ledger	<p>The SAP General Ledger supports internal accounting and the production of the annual financial statements.</p> <p>General Ledger is updated by SAP modules i.e. Payroll, the SRM ordering system, Accounts Payable and Accounts Receivable. Furthermore, a number of secondary financial systems either interface with SAP automatically or require semi-automated data transfer into the SAP ledger.</p>	<p>Only one person is trained on how to transfer data between SIMs and SAP and procedure notes are incomplete. This interface has some processes that could be further automated and the file transmission software could be updated to a more secure version in line with other such software used.</p> <p>There is no reconciliation on Code 8161 (ACL PDQ income holding a/c) and any introduced should incorporate information from an independent source, perhaps using a PDQ processing transaction report.</p> <p>Babcock4S (B4S) are responsible for certifying 8 GL codes, one of which has many Profit Centres. As at January 2015, for Period 8 (Nov 14), B4S had reconciled three of the codes, which includes the code for Schools Local Bank Accounts. The Schools Cheque book coded (£77.5m) and Schools Tranches (£90.5m) were amongst those not yet addressed.</p>	Effective	<p>Further staff should be trained in the processes around the SIMS/SAP interface and systems notes should be enhanced. (M)</p> <p>Reconciliation of the Adult Community Learning (ACL) income should involve the use of information from PDQ card payment machines. (M)</p> <p>B4S should be reminded of the need to provide adequate assurance on the reconciliation of specific Schools balances within the appropriate timeframes. (M)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Organisational Ethics	<p>In order to satisfy Public Sector Internal Audit Standard (PSIAS) 2110.A1, Internal Audit are required to evaluate the design, implementation and effectiveness of the Authority's ethics related objectives, programmes and activities.</p> <p>The findings of this work will contribute to the Annual Governance Statement for 2014/15.</p>	<p>The Council has effective arrangements in place to ensure its decisions and operations are open, accountable and in line with recognised ethical standards.</p> <p>The Officer Code of Conduct enshrines the four Surrey values and a number of the Seven Principles of Public Life.</p> <p>Within the Member Code of Conduct, SCC has mentioned only the compulsory requirement for members to declare their pecuniary interests.</p> <p>SCC complies with the Transparency Code requirement to publish expenditure that exceeds £500, but does not comply with voluntary practice – ie publishing all transactions exceeding £250.</p> <p>Audit work in 2014/15 has shown how irregular practices can flourish where proper management oversight is not in evidence. Where cultures are actively managed, good practice is apparent, but where managers are not actively managing there is an increased risk of unacceptable behaviour and irregular practice.</p>	Effective	<p>Consider reviewing the Officer Code of Conduct to align more clearly with the Seven Principles of Public Life, in particular with Selflessness, Openness and Leadership. (L)</p> <p>In the light of supplementary guidance issued by the DCLG, consider whether the Members' Code of Conduct should be amended to require disclosure of "non pecuniary" interests. (M)</p> <p>Consider whether there would be any additional benefit in disclosing the recommended level of data as described in the Local Government Transparency Code 2014 and publish data of all transactions exceeding £250 (L)</p> <p>The Chief Internal Auditor to raise awareness of management responsibilities in relation to fraud, through a presentation, to include recent case studies, to the Extended Leadership Team. (L)</p>

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Payroll	<p>Surrey County Council employs more than 25,000 employees and in addition provides payroll services to a number of external agencies. As such, very significant amounts of money are paid in salaries on a weekly and monthly basis and the payroll system is a key financial system of the Council. Consequently, Payroll is subject to an annual audit review by Internal Audit as part of its overall annual assessment of the robustness of internal controls.</p>	<p>The various payrolls operated by Shared Services have been run in line with the agreed timetables, ensuring that staff are paid on time and that financial accounting information is up to date. Analysis of the values of transactions processed via these payrolls and examination of budget reports was conducted to obtain broad assurance that the expected values of staff costs were processed via the various payrolls.</p> <p>Fieldwork for a wider audit on absence management has recently been completed which identified some scope for improvements in the completeness of recording of sickness absence within SAP.</p> <p>Overpayments can arise if an individual, for whom a leaver's form has been completed/submitted, takes annual leave.</p> <p>The nature of some payments made under the Recognition Payment heading are a weak match to the policy description for such payments. This could potentially lead to the unintended proliferation of such payments, approved or otherwise.</p>	Some Improvement Needed	<p>Consider what additional long stop controls might be needed in areas where there is incomplete reporting of sickness in SAP to minimise the risk of pay overpayments. (M)</p> <p>Consider if there is any means of reminding managers to recheck payments for leave nearer the actual leaving date. This might involve producing a risk identification report which highlights which employees are leaving and who will be paid for more than five days leave, so that a request can be made to their line manager to recheck that these employee's have not taken additional unrecorded leave. (M)</p> <p>HR&OD to consider whether to widen the definition of permitted payments under the recognition payment heading, or ask Shared Services to implement a new ad hoc / bulk pay adjustment to agreed scales policy and a new wage type. (M)</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Review of Business Continuity Planning	The Council should have adequate business continuity arrangements in place to ensure that service delivery can resume as soon as possible following disruption due to emergency incidents.	<p>The guidance on the S-net and the external website for creating and maintaining robust business continuity plans (BCP) and business impact assessments (BIA) is comprehensive. However, some critical services are not complying with the requirement.</p> <p>The internal re-structure of the EMT completed prior to the departure of the deputy Head of Emergency Management was a good example of business continuity planning.</p> <p>Adequate efforts have been made in implementing business continuity arrangements for external suppliers with effect from 1 April '15. This will be monitored by the Statutory Responsibilities Network (SRN) in 2015/16.</p> <p>While the business case for gaining ISO 22301 certification has not yet been considered by the Continuous Improvement and Productivity Network due to financial pressures, alternative solutions to raise the profile of the EMT have been suggested by the Head of EMT.</p>	Some Improvement Needed	<p>Heads of Services should be responsible for maintaining up to date BCPs and BIAs while the EMT is willing to assist in completing them (M).</p> <p>The Heads of EMT and Procurement and Commissioning should ensure that arrangements agreed are in place and the SRN should monitor them (M).</p> <p>Continuous Improvement and Productivity Network to decide on the arrangements going forward in place of the costly ISO 22301 certification (L).</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Review of Emergency Management	To review the current arrangements in place for Emergency Management and determine the extent of their robustness in the event of emergency incidents.	<p>The Constitution of the Council has the Emergency Management and Business Continuity Policy dated June 2011 instead of the Corporate Resilience Policy (CRP) which came into effect in January 2014.</p> <p>The extensive work done by the Flooding Task Group following the floods in late 2013 and early 2014 resulted in a number of recommendations approved by the Cabinet.</p> <p>There are budget constraints within the Emergency Management Team (EMT) for meeting training requirements and emergency expenditure.</p>	Some Improvement Needed	<p>The Head of Emergency Management should ensure that the CRP is included in the Constitution of the Council (H).</p> <p>The recommendations of the Flooding Task Group should be regularly tracked for implementation and updated as required (L).</p> <p>The Head of Emergency Management should address the budget requirements for the team as a priority (M).</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Domestic Abuse (DA)	<p>The Auditor considered the strength of the Council's domestic abuse policy, comparing it to policy recommendations from key anti domestic abuse organisations and similar organisations (other councils/NHS trusts). The Auditor examined the training program and the process under development for directing training resources. The Auditor verified the data collection and management within the service.</p>	<p>The Auditor found the service's management of this complex and challenging data set to be based on sound principles blending the hard data available, such as police data regarding arrests, with soft data provided by outreach organisations regarding reported incidents.</p> <p>The Auditor found that the Council is clear in its zero tolerance approach in strategy and policy. The Council undertakes awareness raising via electronic means on the council intranet and also via media campaigns placing posters across the Council.</p> <p>The Council policy includes almost every key element recommended by national DA organisations. The Auditor concludes that the Council's Domestic Abuse Policy is up to date and of a high quality.</p>	Effective	No recommendations made.

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