

## Completed Audit Reports (May - August 2015)

## Annex A

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Accounts Receivable	<p>The Accounts Receivable (AR) Team carries out the function of raising invoices based on information provided by the services, receiving and recording the income in County's financial ledger, SAP. In addition, AR, in conjunction with the frontline services, undertake the debt management function whereby outstanding debts are followed up and recovered or recommended for write-off through the appropriate channels.</p>	<p>Audit testing indicates that invoices and credit notes are raised accurately by appropriate officers in a timely manner. The monitoring and reporting of non care debt is appropriate.</p> <p>Officers in the Income Team all have access to the same modules within SAP irrespective of their roles.</p> <p>Two officers are assigned access to the 'Customer Master Data Maintenance' module in SAP. The module is intended for use only by the Data Management Teams as it includes functionality to create, change, block and display customers. Access to the data module was assigned on a temporary basis until 25 May 2015 for the purpose of uploading invoices for overpaid salaries.</p>	Effective	<p>Review the access levels for all officers with a view to customising their access and undertake a house-keeping task to remove access from officers who have left their teams. <b>(M)</b></p> <p>The service should change the overpaid salaries invoicing process with a view to separating the customer information upload from the invoice upload. <b>(M)</b></p>

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Henrietta Parker Trust	<p>Surrey County Council (SCC) is responsible for managing the Henrietta Parker Trust Funds (HPT), which is a registered charity. The original objectives of the fund were to promote education of the public by the provision of technical and manual instruction in the domestic sciences and allied subjects.</p> <p>The fund balance at March 2015 was £1.3m, where £0.84m was held as investments and £0.42m was held as cash within SCC accounts. The totality of expenditure from the trust over the last 5 years was £62,000 spent on items such as kitchen equipment, whilst income from investments totalled £162,000. The fund balance has continued to grow over the last 20 years.</p>	<p>SCC is not managing HPT effectively. It has not been managed in accordance with the requirements of the Charity Commission and it is unclear whether SCC is a “charity trustee” or a “custodian trustee”</p> <p>Little progress had been made on an earlier Internal Audit recommendation to review options for the future use of the Trust fund. There was no evidence of written plans or strategies setting out how HPT money could or would be used.</p> <p>SCC does not have in place processes to ensure it complies with the new Charity Commission Statement of Recommended Practice.</p> <p>The cash deposits held by SCC on behalf of HPT had not received any interest for the financial years 2009/10 to 2014/15.</p>	Unsatisfactory	<p>SCC to clarify its status as either a “charity trustee” or a “custodian trustee” and put in place an appropriate structure to manage the HPT funds. <b>(H)</b></p> <p>Articles or association and other fundamental bases for governance that are required to manage HPT effectively should be established. <b>(H)</b></p> <p>Establish a formal strategy for using the HPT money and ensure that it is implemented and followed. <b>(H)</b></p> <p>Adopt appropriate accounting policies to ensure compliance with the annual reporting requirements for this size of fund. Create and submit annual accounts for the HPT. <b>(M)</b></p> <p>Appoint an independent audit examiner for the HPT. <b>(M)</b></p> <p>Ensure all interest due to the HPT is accounted for completely, calculating and paying into the fund any amounts due. <b>(M)</b></p>

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Fuel Cards – follow-up audit	<p>An audit of fuel card usage was carried out in 2014/15. Annual fuel card spend (October 2013 to September 2014) was £302,433</p> <p>The 2014/15 audit gave a Significant Improvement Needed opinion. It concluded that there was insufficient policy and guidance covering the use of fuel cards by SCC staff; and, that managers were not monitoring fuel card usage to a sufficient degree</p> <p>In line with the Audit Reporting and Escalation policy, a follow-up audit was included in the 2015/16 Audit Plan.</p>	<p>The five High Priority audit recommendations made in the previous audit have been implemented. In particular rules/guidance for the use of fuel cards have been issued and cards are now being managed more effectively as a result.</p> <p>There are 19 cards which are “named driver” cards. In these cases it is more difficult to identify whether or not fuel purchases are appropriate.</p> <p>The new guidance does not provide much advice on how to spot possible fraudulent card use.</p> <p>Only 18 out of 47 managers have accessed the Allstar system during 2015 to review fuel card transactions.</p> <p>Only 143 of the 190 registered fuel cards had been used in the three month period checked by the auditor.</p>	Some Improvement Needed	<p>Phase out “named driver” cards where possible <b>(M)</b></p> <p>Redraft guidance to include details of potentially fraudulent transactions such as mixed fuel purchases; non-fuel purchases; and, repeated non-capture of odometer readings and registration. <b>(M)</b></p> <p>Remind line managers of their responsibilities to monitor fuel card transactions and/or consider transferring this responsibility to the payments team. <b>(M)</b></p> <p>Cancel cards that have been lost or are no longer required. <b>(L)</b></p>



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<p>Community Learning and Skills</p>	<p>Surrey County Council's Community Learning and Skills Service (CLS) provides educational opportunities for adults and families in Surrey. CLS sits within Cultural Services that resides in the Chief Executive's Directorate within the County Council.</p> <p>One of the service's objectives is to utilise its Community Learning funding from the Skills Funding Agency (SFA) to widen participation among adults in learning.</p> <p>The Service is delivering a balanced programme through its Community Learning offer, both for targeted courses and for a broad universal offer via the seven dedicated adult learning centres in North and South West Surrey and other community venues.</p>	<p>The Auditor has identified a potentially high risk area for fraud and error arising in that CLS do not currently have in place a reconciliation process between AQUA and the SCC bank account, or between other income received from different sources to the SCC bank account.</p> <p>The actual method of reporting learner numbers in the annual Self-Assessment Report uses a head count base. This method does not provide sufficiently accurate information about actual attendees on CLS courses (enrolments).</p> <p>The majority of learner enrolment is processed via telephone. An online enrolment facility seems likely to be more efficient and more attractive for many Surrey residents.</p> <p>CLS is a front line service for SCC and interacts with both internal and external customers. The Auditor considers that more work could be done in terms of raising awareness among staff and tutors in terms of fraud and whistle blowing policies.</p>	<p>Some Improvement Needed</p>	<p>Implement appropriate monthly bank reconciliation procedures for cheques or cash received from all sources. The process should be reflected in a written procedure including clear segregation of duties. <b>(H)</b></p> <p>Ensure that local cash handling practices and the amounts kept in the local safes are in accordance with SCC policies and procedures.<b>(M)</b></p> <p>Review the methodology to capture annual learner numbers with a focus on what data would best meet service performance information needs. <b>(L)</b></p> <p>CLS management to continue the liaison with IMT service and urge the implementation of an online enrolment application. The online facility needs to ensure compliance with SCC data protection policies and procedures.<b>(L)</b></p> <p>The Auditor recommends a review of the processes within CLS for raising the awareness of fraud and whistle blowing policies.<b>(L)</b></p>

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Counter Fraud - Data Analytics	As part of Internal Audit's counter fraud programme data analytics is used to identify scenarios and trends that may be indicative of inappropriate use but are hidden in the mass of transactions. The Internal Audit team is skilled in the use of a range of computer aided audit techniques which allow interrogation of whole data sets to identify potential instances of fraudulent or erroneous transactions.	<p>Review of the use of journals found no anomalies. This gives substantial assurance that the journal system has not been used to either circumvent the procure to pay process; inappropriately reduce customer accounts or commit acts of false financial reporting.</p> <p>Review of vendor master data suggested that for the vast majority of records, data quality is of an acceptable standard. Some instances of duplicate VAT and Companies House numbers were passed to the data management team for follow-up.</p>	Effective	There were no audit recommendations.

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Highways Safety Inspections	<p>The main objectives of Highway Safety Inspection regime are:</p> <ul style="list-style-type: none"> <li>• To locate and identify defects on the highway, and where appropriate, adjacent to the highway.</li> <li>• To assess the potential risks of damage and/or injury to highway users that may result from these defects.</li> <li>• To ensure that appropriate measures are put in place to manage the risk.</li> <li>• To ensure that the measures are effective in eliminating, or at least minimising the risk.</li> </ul> <p>The existing contract with Kier was modelled on rectifying 30,000 defects per annum.</p>	<p>The level of satisfaction reported by residents has steadily improved with the most recently published report from the 3rd Quarter of 2014/15 showing the lowest level of dissatisfaction ever recorded.</p> <p>The volume of reported non emergency defects is significant with approximately 4,000 defects identified a month. Key performance indicators (KPIs) monitor speed of inspection and temporary repair, speed of permanent repair and quality of repair. At the time of this review the supplier was achieving the quality of repair KPI but was failing to achieve either of the timeliness KPIs.</p>	Effective	Only 3 low priority recommendations were made.

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Children's Safeguarding Quality Assurance (QA) Process	<p>The Surrey Children's Service QA Approach is one of the frameworks used for the improvement of children's safeguarding. It is set in the context of the findings of the 2011 Munro Review of Child Protection, which states that strong local quality assurance mechanisms are essential to ensure safe and effective practice in children's social care.</p> <p>The aim of the QA Approach is to develop and maintain a culture in which both quantitative and qualitative aspects of records and feedback are routinely examined.</p>	<p>The QA Approach framework was confirmed to be in place and the auditor concluded that the reports and improvement plans are appropriate and meet internal QA standards.</p> <p>The profile of QA needs to be enhanced so the team's work is more effective. The same recurring issues have been recorded by the QA team over a number of years and many of the actions agreed are not fully implemented.</p> <p>The auditor was not able to review the QA file for NW Care plans 0-6 months as the documentation was not retained by QA.</p> <p>Improvement Plans are structured under the headings Plan; Do; and Review; and do not clearly show what is being recommended, and who is responsible for delivery, within what timescales.</p> <p>Many improvement plans did not include an implementation timescale.</p>	Significant Improvement Needed	<p>All QA reports and related improvement plans should be presented to the Leadership Team to ensure managers take effective action; and, a summary should be provided to the Social Care Services Board. <b>(H)</b></p> <p>Establish a retention policy for QA audit files. <b>(M)</b></p> <p>The QA Team should revise the structure of the service improvement plans to clarify the recommendation itself, who is responsible for implementing it and in what timeframe. <b>(M)</b></p> <p>QA Team to ensure that all planned improvements include the agreed timescales and deadlines for completion and have a priority for importance allocated to them. <b>(M)</b></p>

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Managed Print Service	<p>SCC's printing and scanning equipment was assessed as no longer fit for purpose. In March 2013, a report was submitted to Cabinet which proposed the provision of a managed service solution delivering a range of printing methods including printing, photocopying, scanning and faxing.</p>	<p>The MPS project was piloted at the Highways office at Mellow in November 2014, and then a number of other site deployments. Technical challenges led to the planned deployment of two models of multi-functional printing devices being replaced by a third model. This delayed the remainder of the deployment whilst the best fit device was identified and ordered.</p> <p>The deployment recommenced in March 2015 and has already addressed a number of larger sites/offices. The solution being delivered does not yet contain the scanning and faxing capabilities originally envisaged.</p> <p>Target savings of £0.115m and £0.4m were included in the 2014/15 and 2015/16 budgets as 'behavioural change' savings. The 2014/15 savings target was not achieved due to project delays, although project set up costs were also delayed.</p>	n/a - Position Statement	There were no recommendations made.

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Risk Management	<p>The council's risk management strategy outlines the arrangements in place to ensure that the council identifies and manages the key risks it faces. SCC has adopted an integrated approach to risk management to ensure openness, transparency and evidence good governance. SCC's risk management framework complements the strategy and ensures a consistent approach to risk management across the organisation by detailing the authority's approach to risk identification, assessment, control and reporting.</p>	<p>One service has moved to a three level scoring of residual risk (in line with the LRR) rather than the numerical scoring of risk as used in all other operational risk registers.</p> <p>The profile of representatives at the forum is not consistent, and consequently can lead to some barriers when engaging with directorate or service management teams.</p> <p>There is no guidance for managing risk in partnerships (an area of significant developments for the council) and this should be addressed to ensure that decisions to enter into partnerships are based on a sound understanding of the risks and challenges, as well as the anticipated benefits.</p>	Some Improvement Needed	<p>Consideration should be given to revising the risk assessment methodology to ensure services are consistent in their compliance with the risk framework. <b>(L)</b></p> <p>Consideration should be given to SRF representatives supporting representatives from other directorate to provide independent challenge in DMT / SLT Risk workshops. <b>(L)</b></p> <p>Guidance should be produced to ensure that decisions to enter into partnerships are based on a sound understanding of the risks and challenges, as well as the anticipated benefits. A tool should accompany the guidance to determine the level of risk a partnership may produce, and so ensure that the application of risk management is proportionate to the risk generated. <b>(M)</b></p>



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<p>AIS Care Assessments</p>	<p>The council provides residents with access to social care advice, assessment and local support.</p> <p>There are a number of ways in which a resident with potential social care needs can be brought to the attention of the council including a self- referral; a referral from a carer, friend or family member; or from a professional such as a GP. Once the council is aware that the resident may have needs, it has a duty to provide an assessment.</p> <p>Adults Information System (AIS) is the software used by the council to manage adult social care. The system records service users' needs assessments; care packages; and, provides management information.</p>	<p>Inconsistencies exist between guidance documents the documents</p> <p>The quality of information recording varies across the Locality Teams. Exception reporting identifies some data recording omissions; however, the report format is inconsistent across the IQ Team. Furthermore, no clear process or deadlines for error correction exists.</p> <p>AIS has inherent system limitations including the absence of forced entry field functionality; management or caseload reporting; and limited hazard flagging capability.</p> <p>Audit testing identified that 34% of individuals do not have a care review planned. A third of individuals do not have progress recorded against outcomes.</p>	<p>Significant Improvement Needed</p>	<p>Guidance notes should be refreshed and consolidated to ensure information is both consistent and up to date. <b>(M)</b></p> <p>The service should agree specific timescales for data error corrections. <b>(M)</b></p> <p>The service must review the essential information fields in light of service wide impact and previous audit recommendations. <b>(H)</b></p> <p>The service must ensure that information collected is appropriately recorded. All consents to share information must be recorded under the appropriate tab in AIS including refusal to provide consent. <b>(M)</b></p> <p>The service should review AIS records to ensure all cases have an appropriate review date. Team Managers should conduct periodic checks on the review status of service users. <b>(M)</b></p>

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AIS Care Assessments cont'd		The majority of fields in AIS default to "no" or "unknown" it is difficult to assess if an officer has actively selected "no" or whether the system has defaulted to this entry.	Significant Improvement Needed	<p>The service should ensure that the recording of progress against an individual's target outcomes is evident in their records. <b>(M)</b></p> <p>Management should consider arranging refresher training on the specifics of AIS recording. <b>(M)</b></p> <p>The service should explore the capacity for the system to hold responses of 'undisclosed' this would clarify that the individuals were asked the relevant question and have actively responded by refusing to share the information. <b>(L)</b></p>



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<p>Agency Staffing Follow up</p>	<p>A review of the agency staff contract was undertaken in 2014/15 and a 'Significant Improvement' opinion was issued with two high priority and nine medium priority recommendations being made. Following the audit, Council Overview and Scrutiny Committee considered the findings of the report and were reminded that a follow-up audit on this topic would be reported back to Members in line with the Audit Reporting and Escalation Policy.</p>	<p>Regional conversations are taking place with 13 Local Authorities, including Surrey to move towards agreeing a 'Memorandum of Cooperation for managing the demand and supply of Children's Social Workers. This includes protocols around pay, recruitment, referencing and the standards of performance. The timing of the start of such an initiative is not in Surrey's control. Furthermore, consideration may need to be taken of other issues before a decision is taken on whether to sign the memorandum.</p> <p>A policy detailing the commitment Surrey will make to its locum Social Workers has now been agreed and communicated to locums. The policy should help ensure locum social workers receive the basic training and development (including supervision) required to deliver the role. However, the management arrangements to support this policy are not yet fully in place.</p>	<p>Some Improvement Needed</p>	<p>SCC should monitor the impact of the Memorandum of Co-operation on Social Workers and ensure it participates when appropriate. <b>(M)</b></p> <p>Children's Services should ensure the implementation of management arrangements to fully address its commitments (e.g. for supervision and practitioner development) in its new 'Locums Policy' <b>(M)</b>.</p>

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Agency Staffing Follow up Cont'd		HR & CSF are having ongoing discussions regarding the targets for locum to perm transfer, but as yet, the recommendation to produce aspirational targets remains outstanding. However, long serving locums are reviewed at monthly directorate meetings in the review of a monthly dashboard.	Some Improvement Needed	Children's Services should now agree targets for the reduction in the numbers of locum and agency social workers with HR. <b>(M)</b> .
		HM Revenue & Customs (HMRC) is focusing on contract Social Workers as part of a drive to stop 'false self-employment'. HMRC officials have told the organisation that it believes that the amount of supervision most independent social workers working through limited companies need means they may fall under IR35 rules, which would see them deemed as employees rather than self-employed and therefore charged more tax.		Children's Services should ensure that there is a clearly documented, IR35 compliant rationale for all Limited Company locums <b>(M)</b> .

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<p>Planning School Places</p>	<p>The Council has a statutory duty to provide a school place for every child of any parent who requests one and is required to monitor future demand and make appropriate changes to the educational provision within the County where necessary. Surrey anticipates that it will need 13,000 additional school places over the next five years.</p>	<p>During the Request for Quotations stage of software procurement, a cost estimate for one of the alternative systems was obtained, but it appeared not to have been formally supplied by the supplier. There is no indication of wrong doing.</p>	<p>Effective</p>	<p>When obtaining quotations for goods and services, Schools Commissioning should ensure that these come directly from the suppliers and are not 'presumed'. Comparisons of options should be against a single set of appropriately weighted criteria. <b>(M)</b></p>
	<p>Each year in January and February, Schools and Learning staff review the secondary and primary applications made to assess the likely expected demand in each part of Surrey against the projected pupil numbers and the extent that there will be places for all pupils needing one. The forecasting tool has moved from a long standing spreadsheet to new proprietary software.</p>	<p>Various scenarios on school places need consideration at different times and Excel templates are used. EDGE does not fully facilitate this work.</p>		<p>Consideration should be given to what software options might exist for scenario modelling. <b>(L)</b></p>

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Waiver of PSOs	The Authority's procurement rules are set out in its Procurement Standing Orders (PSOs). An exercise is currently in hand to harmonise the PSOs for SCC and East Sussex CC. The PSOs are a section of the Surrey C.C Constitution and therefore must be adhered to at all times. Waivers are only granted in exceptional circumstances and cannot be given if they would contravene the Public Contracts Regulations 2015 or any other applicable legislation.	Reporting retrospective waivers to PRG is helpful to address learning points, but does not automatically ensure there is wider organisational learning.	Some Improvement Needed	<p>Annually, the Buying Solutions Team should produce and share widely, summary statistics which identify where less than three quotations were provided from Requests for Quotations. This information should be used to identify any trends and where it may be necessary to consider more closely who is being asked for a quotation. <b>(M)</b></p> <p>A summary report on retrospective waivers, which are a breach of the SCC constitution, should be presented annually to the Governance Panel. Consideration should also be given to whether the PRG should refer more cases to HR. <b>(M)</b></p>
		A small number of Waivers were recorded incorrectly. The reasons for the waivers were not always clear. It was not apparent which conditions for a waiver approval had subsequently been met.		Consider the recording and formatting improvements to the waiver log identified by the Internal Auditor. The Procurement SMT, should periodically review the log's data to drive up compliance with the PSOs. <b>(M)</b>
		Several retrospective waivers related to one former employee.		Procurement Category Managers should ensure they have adequate supervision arrangements and access to reports (eg from CMS) on contracts at risk of missing procurement activity deadlines. <b>(M)</b>



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Consultants	<p>Surrey County Council (SCC) hires a number of consultants each year to provide subject matter expertise on technical, functional and business topics during development or implementation. There are strict criteria and rules for appointing consultants because of the associated costs and because internal resources could potentially be used as an alternative.</p> <p>The value of purchase orders (POs) raised in 2014/15 for services categorised in SAP as consultancy material groups totalled £5.458m.</p>	<p>SCC has a working definition of consultants, but this is open to interpretation and subjective opinion. There is some uncertainty amongst service users as to which type of services should be categorised as consultants.</p> <p>Some expenditure recorded in the General Ledger as Consultants does not fall within the agreed definition of consultants (eg Babcock4S costs).</p> <p>Consultants with an anticipated cost greater than £50k per annum are required to be approved by the Leader and the Chief Executive. The process for capturing such contracts and obtaining the requisite approval has not been wholly effective.</p> <p>Rates charged by some relatively low value consultants could not be verified as formal contracts were not in place or could not be found. Where contracts did exist, a lack of monitoring meant that a small number of consultants were being paid more than their agreed hourly or daily rate. PO creation and invoice checking protocols need to be reinforced to all service users.</p>	Some Improvement Needed	<p>A single clear definition of a consultant should be agreed, adopted and used across all related guidance and instruction. <b>(M)</b></p> <p>Babcock4S costs and costs associated with professionals engaged by Property Services should be coded to separate GL account codes from the next financial year. <b>(M)</b></p> <p>The next issue of PSOs should clarify how approval should be obtained. Proof of approval (where necessary) must be retained for reference purposes. <b>(H)</b></p> <p>Service users to be reminded to check for expired service contracts and to re-let as appropriate. POs for consultancy services must be supported by a priced quotation or contract specifying hourly/daily rates. <b>(M)</b></p>

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Fire Transformation Grant	<p>Two successful Fire Transformation Grant applications were made to DCLG in 2014. One, (for an Integrated Transport Function) was a syndicated bid submitted by Surrey Fire and Rescue Service (SFRS) on behalf of East Sussex and West Sussex Fire and Rescue Services as well. This resulted in £5,955k being made available for all the emergency services to work together to deliver efficiencies in the management of their transport functions</p> <p>The other successful bid (Immediate Emergency Care Responder) was made solely by SFRS but with SECamb as a co-signatory. This smaller grant of £337k is for clinical/trauma training for all Surrey fire fighters and for equipment eg public access defibrillators.</p>	<p>The successful “large lot” bid was based on the partnership spending £13.6m during 2015/16, including £5.955m DCLG funding. It was clear that the planned spend and investment outlined would not be made in total in 2015/16 as stated in the bid application. The following priority projects have been identified: Fuel; Telematics; Workshops; Storage and central supply hub; and, Staffing.</p> <p>The plan was to save £903k in 2016/17 from closing workshops and reducing the related premises and staff costs. The recurring savings from 2017/18 were planned to be £1.8m. A plan for delivering integrated workshops and the other projects is being established and is yet to be agreed by the ESCP Strategic Board. It is unlikely the planned savings will be achieved in the stated timeframe.</p>	Significant Improvement Needed	<p>Business cases and a programme delivery plan should be prepared for the Integrated Transport Function (ITF) and agreed with the Strategic Board and DCLG. <b>(H)</b></p> <p>Ensure the savings from the new plans for the work-streams are robust, achievable and agreed with the DCLG. <b>(H)</b></p>

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Fire Transformation Grant cont'd		<p>The small grant from DCLG of £337k was for clinical/trauma training for all front line fire fighters. The bid was a unique initiative that expected fire fighters to be trained to provide extra clinical resources across Surrey. The plan was to reduce the costs of the ambulance trust by SFRS fire fighters attending on average 20 calls per day. In the bid the projected savings in 2015/16 were £45k and from 2016/17 recurring benefits were £91k. To date no calls have been passed on to the SFRS as the agreements are not yet in place. It is not clear whether the plan will now be achieved and whether the planned savings will be achievable.</p> <p>The governance structure supports the delivery of the strategic direction of the ITF and establishes the arrangements over the Fire Transformation Funding, confirming that SCC will act as banker for the grant on behalf of the three fire authorities. The Auditor was unable to test the practical operation of arrangements, however, as no expenditure had been incurred on the related Fire Transformation Fund at the end of May 2015.</p>	Significant Improvement Needed	<p>Establish a revised benefits delivery plan for the joint working between SFRS and SECamb to confirm the realistic savings in 2015/16 for the programme. <b>(M)</b></p> <p>The Strategic Board should seek confirmation from the DCLG that they support the revised plans and related savings for both grants to ensure that most of the grant income is retained. <b>(H)</b></p>

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Capital Expenditure Monitoring	<p>The Council's Capital Programme is key to ensuring the delivery of services to Surrey residents. More than £750m is allocated to various capital projects over a 5 year rolling programme. The review was to ensure that robust controls for projects are in place, key risks are managed effectively and expenditure is monitored and reported to senior management and Members of the Council in a timely manner.</p>	<p>The guidance on capital expenditure published on the S::net was comprehensive.</p> <p>The Investment Panel and the Capital Working Group played an important role in ensuring that business cases for projects were robust and progress was reviewed regularly before reporting to the Cabinet each month.</p> <p>Changes to budgets and movements in variances from one month to the next were not clearly explained.</p> <p>From a total annual budget of £210m in 2014/15, £100m and £75m were allocated to Property Services and Environment and Infrastructure respectively. At year-end, capital budgets were underspent by £10m excluding the £8m spent on long-term investments. The forecast variance during the year fluctuated widely.</p> <p>External Audit requested re-profiling of capital budgets which was completed in 2014/15 for Property Services only and reported to the A&amp;GC in April 2015.</p>	Some Improvement Needed	<p>The changes to budgets and variances as well as the fluctuations to forecast variances at year-end should be clearly explained in the monthly Cabinet reports <b>(M)</b>.</p> <p>The Finance Service should identify good practices in capital budget monitoring including budget profiling (as seen in Property Services) and share best practices with all the services <b>(M)</b>.</p>

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Trust Funds follow-up audit	<p>An audit in 2013/14 found that the governance and reporting arrangements for trust funds was fragmented with responsibility being retained centrally and no independent forum to monitor them. There was continued growth in the funds and there were no formalised plans in place of how those funds were to be employed.</p> <p>This follow-up audit sought to confirm whether appropriate action had been taken to address these issues.</p>	<p>Surrey Educational Trust (SET) was set up as a charitable company limited by guarantee but was not registered with the Charity Commission.</p> <p>The Henry Blanchett Bequest charity was set up to provide books to individuals/organisations in the Epsom area, and the fund can make grants to this end. At March 2015 the fund balance had risen to £175,107 and there have been no payments from this fund for nearly 30 years. There are no effective governance arrangements in place for this charity.</p> <p>The Yarrow Lecture Fund is a 'removed charity' which ceased to exist on 25 September 2008. Since then investments have continued to be held in the name of the fund and the balance at March 2015 was £121,526.</p> <p>Most of SCC's trust funds are not being properly managed and there is a low level of knowledge of this area within Finance, Legal and the support services, leading to the incorrect advice being given.</p>	Significant Improvement Needed	<p>The SET should register as a charity in accordance with the Charity Commission regulations. It should prepare accounts that meet the requirements of the SORP, and arrange for its accounts to be subject to an independent audit examination. <b>(H)</b></p> <p>Ensure the Henry Blanchett Bequest fund meets the requirements of the Charity Commission, establish a board and plan for its use. <b>(H)</b></p> <p>Seek guidance from the Charity Commission on how to apply the Yarrow Lecture Fund balances of £121,526 at March 2015. <b>(H)</b></p> <p>Increase the levels of knowledge and understanding of managing charities of officers within legal, finance and services. <b>(H)</b></p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Highways Schemes - Integrated Transport Schemes (ITS)	<p>Each year Surrey County Council (SCC) undertakes around 100 highways improvement schemes for the local area committees. The Integrated Transport Schemes (ITS) amount to approximately £3m per year, with contributions from local committees of approximately £2m, the remaining £1m is funded by SCC from S106 contributions or other funding sources.</p>	<p>The estimated costs of schemes were found to be agreed with the clients, at the beginning of each scheme or project contract. For nine of the ten contracts tested, additional costs were incurred. The Variation Orders (VO's) were authorised within the approved limits in the Standing Orders.</p> <p>Many of the VO's were not priced when they were issued. This results in the additional costs not being known until the contractor prepares their final accounts.</p> <p>There is nothing in the highways contract between Kier and SCC explaining the VO processes. Such a process would confirm who can issue and authorise VO's, provide estimates, obtain the approval of clients, distinguish between 'significant' additional costs and others.</p> <p>The Auditor found difficulty in retrieving some documentation relating to the highways schemes. Most of the communication (especially with the client) is via emails which remain in the employee's email inbox and are not readily accessible.</p>	Some Improvement Needed	<p>Ensure all VOs contain estimated costs when they are issued. Any significant additional costs should be agreed with the client (Local Committee) before the VO is signed. <b>(M)</b></p> <p>Establish procedure notes for the issue of highways scheme VOs <b>(L)</b></p> <p>The documentation for the highways schemes should be retained in the relevant scheme folder. <b>(M)</b></p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Surrey Choices	<p>Surrey Choices (SC) is a company established by Surrey County Council (SCC) in 2014 to manage the delivery of day services and community support options for people with disabilities. The objective was to ensure financial benefits and service outcomes were achieved while retaining the public sector ethos and values of SCC.</p>	<p>Management information provided by SC is inadequate to enable the services to be effectively monitored. The performance information dashboard which was planned to be in place during 2014 has not been delivered</p> <p>The target for the Personalisation Team in SC was to complete 270 reviews of care plans. During the past year only 56 had been reviewed. This is a significant reduction compared to that planned and has implications for delivering care packages, improving outcomes and maximising benefits of our families, friends and communities strategy.</p> <p>From 1 April 2015 SC were providing respite care at The Squirrels Site in Banstead. A block contract was agreed with SC to provide 10 beds at The Squirrels Site in Banstead. It was later agreed to provide 6 beds at the pro rata rate. The capacity for the new respite service is not yet being fully utilised by SCC. This means SCC is not getting best value for the block amount it is paying for this service.</p>	Significant Improvement Needed	<p>SCC should ensure that SC provides the performance management dashboard as required under the terms of the contract. <b>(H)</b></p> <p>SCC should review the effectiveness of the Personalisation Team in SC with a view to increasing the rate of care plan review. <b>(H)</b></p> <p>SCC should seek to maximise the usage of respite care beds for the remainder of 2015/16 and negotiate competitive best value spot rates to be applied from April 2016. <b>(M)</b></p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Surrey Arts Musical Instruments (follow up)	<p>The budgeted income for the Surrey Arts Music Service is £3.8m, with music tuition fees representing £2.18m. The Musical Instruments Hire Shop holds instruments with a replacement cost of £1.3m. These Instruments are hired out to those taking music lessons or lent to schools free for projects and ensembles. A 2013/14 audit gave a significant improvement opinion.</p>	<p>Surrey Arts management produced an Instrument Hire Policy. This document still needs significant further development and the Auditor has facilitated a discussion within the Service over the topics and details which might be added into the policy. There is a commitment from the Service to update this policy by November 2015. This policy, along with the wider considerations of the future of Surrey Arts, should drive improvements in asset management and outline the sort of service that can be afforded by residents. The policy should also help generate the income required for Surrey Arts to be increasingly financially self-reliant from Surrey CC through increased fees and charges, grants and other sources of income.</p>	Significant Improvement Needed	<p>The Instrument Hire Manager, with the support from his line manager, should complete the revision of the Instrument Hire Policy and re-present it as a draft Musical Instrument Asset Management Strategy to the Surrey Arts Senior Management Team (SMT) for approval. <b>(H)</b></p> <p>The Surrey Arts Management Team should ensure that it closely monitors the delivery of agreed activities and tasks from the service improvement schedule developed during the audit. <b>(M)</b></p> <p>A clear timetable should be set for the full entry of all SCC musical instruments into the Paritor system, with a completion date no later than 31 March 2016. <b>(M)</b></p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Energy and Environmental Impact	<p>The Authority spent £9m in total on electricity and £3.9m on gas in 2014/15. Annually, it has to report both its equivalent CO<sub>2</sub> emission and pay a government levy) and its Green House Gases emissions in a public report.</p> <p>The Council now has a Carbon and Energy Policy 2015 -19 and a target to reduce its emissions by 10%.</p>	<p>Members agreed a Carbon and Energy Policy in 2014/15 and this set a new target for the authority to reduce its carbon emissions by 10% over a five year period.</p> <p>SCC appears to be finding that some of the potential schemes it has had in mind have very long payback periods and relatively low rates of return that are either marginal or which do not fit well with other financial demands on resources. The authority faces a significant challenge in meeting its own policy unless it can identify new initiatives to invest in, that both save money and reduce emissions.</p>	Some Improvement Needed	<p>A tighter schedule for the production of the CRC data return and the GHGs data and narrative report should be produced for the 2015/16, so that there is more time available for scrutiny by Internal Audit. <b>(M)</b></p> <p>Two low priority recommendations on raising awareness of energy saving opportunities were also made.</p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Absence Management Follow-up	<p>An Internal Audit report on Absence Management published in February 2015 highlighted a number of anomalies with the accuracy of sickness absence data and made a number of recommendations aimed at improving absence management.</p> <p>A follow-up review of Absence Management was specifically requested by the Audit &amp; Governance Committee.</p>	<p>Since the publication of the original audit report in February 2015, HR Management has taken positive action to encourage more proactive absence management across all service areas.</p> <p>Sickness absence is showing a downward trend, indicating that the twelve month rolling average days lost per FTE has reduced from 6.76 in July 2014 to 5.99 in July 2015.</p> <p>Sickness absence data affecting 294 out of 9,546 staff (3.1%) had been input to SAP but not processed through to the Workforce Reports (WR). Further investigation indicated that SAP had not recognised these inputs as they had failed certain data validation controls.</p> <p>For certain individuals, reported sickness absence data was higher in the WRs than in SAP. This was because periods of current long term sickness which started before the twelve month rolling period were included in the WR day count</p>	Some Improvement Needed	<p>Conduct a review of absence data which is input to SAP but which does not get processed through to the Business Warehouse or the Absence Dashboard and is therefore not reported in the WR. <b>(H)</b></p> <p>Confirmation is sought from senior HR management that sickness days from outside the twelve month period should continue to be included in the absence count. <b>(M)</b></p>



<b>Audit</b>	<b>Background to review</b>	<b>Key findings</b>	<b>Audit opinion (1)</b>	<b>Recommendations for improvement (Priority) (2)</b>
Pensions Admin	<p>Surrey County Council (SCC) administers the Surrey Pension Fund (SPF) which is part of the Local Government Pension Scheme (LGPS). Pensions-related data is held on the Altair system.</p> <p>At 5 August 2015, there were 167,453 records held on Altair for the SPF. Of these, 33,322 were active employees, 19,542 were pensioners, 30,864 were deferred pensioners, and 3,210 were widows or dependants. The remainder included those who had died or exited without liability.</p>	<p>The procedure for admitted bodies notifying details of staff to be added is satisfactory. However there is scope for making errors when inputting details. Currently, no immediate feedback is returned to the admitted body to confirm details of staff added to the scheme and for their checking purposes.</p> <p>Admitted bodies send an annual return stating individual monthly employee and employer contributions made during the tax year. The Pensions Administration team check that stated figures are mathematically correct and in line with the stated contribution rates, but there is no reconciliation routine to check that total stated contributions reconcile to sums remitted into the SPF bank account.</p>	Effective	<p>After personal data has been input to Altair, a report from Altair should be sent to the newly admitted body for confirmation purposes and so that details can be checked. (L)</p> <p>For admitted bodies, it would be good practice to perform an annual reconciliation of total individual contributions to total contributions remitted by admitted bodies. The Pensions Services Manager should liaise with the Senior Accountant in the Finance Pension Fund and Treasury team to determine the best approach. (L)</p> <p>3 other Low Priority recommendations were made</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>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

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