

Completed Audit Reports (December 2015 – January 2016)

Annex A

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Highways Contract (Lot 1)	<p>The Core Highways Maintenance contract (Lot1) was won by May Gurney, for a period of five years, ending in April 2017 with an option for the extension of the contract for a further four years. May Gurney were acquired by the Kier Group in July 2013.</p> <p>Members now need to consider whether they wish to approve the extension of the contract. This will take account of an assessment of value for money provided by the contract. There is a risk that an uneconomically viable contract could result in termination of the contract and a need to re-procure the service with the associated cost and service interruption potential.</p>	<p>The Lot1 contract allows the purchase of special one-off non contract items known as Star Rated Items. This allows engineers to order special materials for bespoke work/schemes. Where a Star Item is likely to be required for future works, there is an expectation that a fixed price is agreed following proper procurement processes. In practice it is not clear to the Auditor whether this has happened but from April 2016 procedures will change to ensure three quotations are mandatory for any non-contract items above £10,000 to align with SCC Procurement Standing Orders.</p> <p>Problems with recording works in Maximo led to large volumes of work in 2013 and 2014 being wrongly coded as Star Items which prevented easy analysis of the scale of use of Star Items.</p> <p>The annual value of the Highways contracts (all Lots) delivered by Kier began rising sharply from a £35m pa base to £69m pa following the launch of 'Project Horizon' a roads replacement programme. A specific paper on Project Horizon was not presented to Cabinet for approval. The impact of Project Horizon will need to be taken account of when considering the procurement approach, should a recommendation be made to further extend the contract with Kier.</p> <p>Internal Audit reviewed the draft Value for Money report prepared by Procurement which concludes that <i>"up to this point the contract has delivered value for money"</i>.</p>	n/a	There were no formal audit recommendations.

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Deputyships	<p>Where an individual lacks the mental capacity to manage their own financial affairs, this responsibility may be passed to an appointee or deputy. The council may apply for either of these roles but cases are only taken where there is no other person available to help the individual manage their finances.</p> <p>Surrey County Council is a corporate appointee or deputy for approximately 600 individuals and the total value of the deputyship accounts is around £4million.</p>	<p>Roles and responsibilities have been clarified and documented.</p> <p>Guidance on case closures addresses previous Internal Audit recommendations and management know they need to draft procedures for payment of personal allowances.</p> <p>Social care debt relating to deputyship accounts is being addressed. New processes should allow more accurate reporting and improved management of debt.</p> <p>Auditor was unable to give full assurance that the payment log in its current state is an accurate reflection of all transactions.</p> <p>Audit testing of 190 payments for evidence of a supporting invoice or appropriate payment request and accurate recording in the payment log, found 34 payments with some level of discrepancy either in the audit trail or recording in the payment log.</p>	Some Improvement Needed	<p>Assistance with formatting the payment log should be sought from Corporate Finance. (M)</p> <p>The Deputyship Team must investigate all payments where there is a discrepancy and take corrective action. (H)</p>

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ASC Contract Management	<p>Most services manage day-to-day issues relating to contracts for services, sometimes with some support from Procurement and Commissioning team colleagues and in other cases, fully independently.</p> <p>Adult Social Care has a number of contracts that are deemed to be 'strategic and critical contracts'.</p> <p>This audit review considered the contract management arrangements for Home Based Care (HBC) and for Surrey Independent Living Council (SILC).</p>	<p>Overall, contract management arrangements for Home Based Care (HBC) are satisfactory. There is a very good Service Specification in place that links to national standards and SCC aims and objectives.</p> <p>A re-launched of the set of KPIs for HBC has led to some delays in data returns from providers. The emphasis within the KPIs on taking on new referrals may need rethinking and the Service could perhaps use this as an opportunity to revisit Service User outcome based monitoring and payment.</p> <p>SILC have expressed some criticism that the Authority was not fully promoting Direct Payments. The reducing numbers of referrals was highlighted and points were made that there appeared to be a partial trend back to local authority commissioned services, along with anecdotal cases of delays in SCC referral.</p>	Some Improvement Needed	<p>Consider to reviewing the current basket of KPIs. Where KPIs returns are not received, providers should be challenged to provide robust explanations or face the phased application of Service credits as allowed for under the terms of the framework agreement. (M)</p> <p>Commissioning staff should give further consideration to the implications of the continuing fall in the number of residents with needs referred for potential support on Direct Payments. (M)</p>

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<p>Training Course Cancellations</p>	<p>HR management monitor the number of staff trained each month and the number of training course cancellations. HR management are concerned that the number of classroom-based course cancellations appears to be high, and asked Internal Audit to review the position and to make appropriate recommendations where necessary.</p>	<p>Between 1 January and 21 October 2015, there were 13,790 classroom attendances and a further 6,290 cancellations. This represents a cancellation rate of 31.3%.</p> <p>265 staff cancelled five or more courses in the ten month period under review. Such activity would not routinely be detected by line managers and suitable exception reports are not available.</p> <p>Staff can book and cancel classroom-based training without line manager approval.</p> <p>Course attendance sheets are supposed to be submitted to the Training Administration Team (TAT) to enable them to record details of attendance and non-attendance. However, for the period under review 29.6% of registers had not been returned, which affects the accuracy of attendance and cancellation data.</p>	<p>Some Improvement Needed</p>	<p>Consideration should be given to re-introducing the requirement for managers to give advance approval of staff applications to attend training courses. (M)</p> <p>A suitable management exception report should be devised to highlight exceptional booking and cancellation activity to staff managers, the Training Administration Team and the HR Service Partners. (M)</p> <p>Updated lists of expected course attendance should be made available to trainers on the day of the course, to give them more accurate information, and to enable attendance registers to be compiled more accurately and efficiently. (M)</p> <p>Course trainers must be urged to submit course attendance returns immediately after each course. Analyses of non-returns should be carried out to identify trainers with the highest non-compliance rates. (M)</p>

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General Ledger	<p>Surrey County Council (SCC) uses the SAP Accounting module to maintain a General Ledger (GL) of all accounting transactions and to enable the production of periodic financial accounts.</p> <p>A chart of accounts is maintained on SAP which incorporates the master data (such as cost codes and GL accounts) to be used. As at November 2015, the master data consisted of 1,393 active GL accounts and 5,810 active cost codes.</p>	<p>The results of audit testing indicated good compliance with procedures and no significant errors were noted.</p> <p>There were a number of uncleared transactions from prior years within key control accounts eg:</p> <p>GI/IR - £4,221k Advance Recovery - £666k</p> <p>The balance on GL Account 8113 (Uncleared Cheques) was £622k. This included sums for cheques issued before 01 January 2015 totalling £385k. Current policy is that uncashed cheques are not cancelled from the account until they are six years past the cheque issue date.</p> <p>The balance on GL Account 8134 (untraced income) was £122k and consists of bank remittances from prior years that could not be matched to any expected income.</p> <p>SAP document 8000244687 contained several accruals relating mainly to LSTF capital projects managed by Highways. Some project accruals appear to have remained unchanged for up to six months.</p>	Effective	<p>Continue to ensure that sufficient resources are applied to investigate, correct and eliminate non-reconciling items from key control accounts (including GR/IR, external payroll deduction accounts, external pension contribution accounts, advance recovery and BACS Recall). (M)</p> <p>Review the policy for waiting six years before uncashed cheques are cancelled from the relevant GL account. (L)</p> <p>A clearer policy and procedure for dealing with unidentified income should be established. (L)</p> <p>Details of accruals for the LSTF projects should be jointly reviewed by Finance and Highways staff to ensure they are up to date and as accurate as possible. (L)</p>

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IT Feeder Systems	Surrey County Council has various applications which are currently only used by specific services, for specific needs and there should be a valid and clear business case for each of these systems which includes the support, hosting and maintenance arrangements.	<p>Internal Audit carried out a review to ensure that the system for managing the Non-Corporate System Applications was adequate, and that effective internal controls applied to these systems. It was felt that in light of the discussions with officers; and the compliance testing carried out, the system currently operating is sound.</p> <p>IMT are managing the system effectively and are ensuring that any software procurement is managed adequately via the Technology Boards.</p>	Effective	There were no recommendations arising.

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Administration of LAC Finances Follow up Audit	As part of the 2014/15 annual Internal Audit Plan a review of the Administration of LAC Finances was carried out. The review found numerous control weaknesses and a total of 13 recommendations were made. These recommendations were agreed in a Management Action Plan (MAP) in September 2014. By April 2015 the service had made progress to address the majority of the high priority recommendations. The follow up audit report sets out the progress made against the MAP.	<p>The September 2014 audit testing identified, from a sample of 35 children that 12 (34%) did not hold a JISA or CTF. The Auditor re-tested these children's records. Testing indicates savings information remains incomplete in 6 records</p> <p>The last updates of account reference numbers were made in October 2014. No further LCS updates have been made.</p> <p>Discussions with officers suggest they are unclear of their responsibilities in regards to updating account reference numbers on LCS.</p>	Some Improvement Needed	<p>LCS should be routinely updated with account reference numbers or where not available notes should be made of steps taken to obtain the account information on LCS. (H)</p> <p>The service should produce guidance on the Finance Teams' responsibilities for recording and updating LCS with savings account information. (M)</p>

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<p>Schools Compliance Audit - Schools Fraud Checklist 2015/16</p>	<p>Based upon the conclusions of the previous schools audit report "Review of self-assessment process for SFVS - 2014/15", it was proposed that the schools programme within the Annual Internal Audit Plan for 2015/16 be based on proactive anti-fraud and corruption measures.</p> <p>20 schools were selected to receive an audit inspection. The sample included primary, secondary and PRU schools.</p>	<p>The Auditor was not satisfied with the level of controls around the procurement system in schools.</p> <p>Instances of no formal signed contracts in place, or agreed terms and conditions with the contractors were identified.</p> <p>Weaknesses in control systems related to the monthly pay reports, resulted in some allowances being paid to some staff in error.</p> <p>The Auditor identified a few discrepancies in the process of allowing additional payments to Headteachers.</p> <p>In a few cases, the overtime recording system was not properly controlled.</p> <p>Contracts of employment are not always being signed by the employees and/or are not being renewed as appropriate.</p> <p>Other weaknesses in the recruitment system, travel expense arrangements and lettings.</p>	<p>Significant Improvement Needed for the procurement system observed in schools;</p> <p>Some Improvement Needed for other audited areas as detailed in the Audit Report.</p>	<p>Where the audit of an individual school has led to specific findings or recommendations, these have been communicated to the individual school.</p> <p>There were no service level audit recommendations.</p>

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Members' Allocations	<p>Surrey County Council's 81 councillors receive an annual allocation of funding which is given to help their local borough or districts communities. The allocations are used to enhance the environmental, economic or social wellbeing of residents in Surrey. For the financial year of 2014/15 each councillor was assigned £10,300. with a total budget of £834,300. The bids for funding are led by the relevant councillor within the associated borough or district and administered through the Community Partnerships Team.</p>	<p>The audit confirmed that the procedures and funding of Members' Allocations is performed satisfactorily.</p> <p>The Guidance and eligibility criteria for allocations are adequate but processing staff are using various documents.</p> <p>The application form is not robust enough in requesting quotations and estimates for goods or services, therefore not determining if bids were excessive or not value for money.</p> <p>Benefits gained by the local communities were evident from the 53 samples selected. However, evidence monitoring and assessment of any patterns in funding requests within communities was not fully effective.</p>	Some Improvement Needed.	<p>Ensure that all guidance and procedure documents are reviewed periodically, and produce one single document as appropriate guidance for all Local Support Assistants (LSA) to use. (M)</p> <p>Quotations, estimates and a quantification of the direct benefits to the community should be requested at the time of application (M)</p> <p>Reference to a deadline for the applicant to submit to the council their evidence of how their allocation was spent must be included within the application form and the funding agreement. (M)</p> <p>There should also be increased emphasis on the LSAs to ensure that this evidence is both received and reviewed within a 12 month limit of initial funding. (M)</p>

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Public Health Contracts	<p>From 1st April 2013 the responsibility for local public health transferred from NHS Primary Care Trusts (PCT) to local authorities. Local authorities have a duty to improve the health and wellbeing of their local population. Consequently Surrey County Council has taken ownership of managing relevant public health service contracts and is required to commission appropriate public health services.</p>	<p>Quality measure and innovation payments should be quantifiable and an audit trail of such payments should be readily available not only for the purposes of knowledge management but also for the transparency in payment processes.</p> <p>First Community Health Care collects client feedback, but this is not formally reported back to the commissioners.</p> <p>Contract risk monitoring and recording processes are developed; however the arrangement for recording of this information is fragmented.</p> <p>A review of the contract register identified that seven contracts have expired and contract values are recorded in various formats; life of contract value and in some cases annual contract value.</p>	Some Improvement Needed.	<p>Ensure transparency over the authorisation and record keeping of all payments (especially for quality measure and incentive payments which are outside the core contract). (M)</p> <p>Implement clear measurable targets for the First Community Health Care contract and implement KPIs. (M)</p> <p>Periodically review carer and client feedback (M)</p> <p>Ensure all contracts are current with updated contract variations are in place as appropriate. (M)</p> <p>Ensure that all identified risks are assessed and an appropriate mitigating action and risk ownership is recorded on the risk register. (M)</p> <p>Ensure that all contracts irrespective of their value are routinely uploaded to CMS. (M)</p> <p>Assign responsibility for maintaining and updating the contract register to a specific officer or team to ensure consistency of recording. (M)</p> <p>Ensure the contract register is regularly updated and implement the recording of key KPIs in the register. (M)</p> <p>Consider recording the top 2/3 contract specific risks on the contract register. (M)</p>

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Families, Friends and Communities (FFC)	<p>The FFC programme seeks to increase community capacity and reduce the related cost of care and support.</p> <p>The Medium Term Financial Plan (MTFP) for 2014/15 included savings for ASC of £42m. The planned savings for the FFC support programme were £13.3m, which made it the most significant element of ASC's overall savings plan. Overall £7m of savings were actually achieved in 2014/15.</p> <p>Building on lessons learnt, a plan for 2015/16 is in place. Regular financial and qualitative monitoring is underway to ensure continued achievement of better outcomes at lower cost throughout 2015/16. The 2015/16 MTFP includes savings for FFC of £10m with a further £4m of additional in-year savings relating to direct payment refunds.</p>	<p>There is clear evidence that there are changes to frontline practice that are having the desired effect. The development of FFC has been managed within current resources. With the uncertainty over the funding in future years it will be important that the momentum of FFC continues.</p> <p>High quality information is pivotal to supporting the FFC approach. Some information available to residents via the Surrey Information Point was found to be outdated and some links did not work.</p> <p>Finance has confirmed that to the end of December 2015 savings from reassessments are £3.848m and savings for new community care packages are £0.076m. The average amount saved per reassessment so far in 2015/16 has been around 18%. This is an improvement on the 15% rate achieved in 2014/15.</p> <p>Total FFC savings (excluding direct payment reclaims) for 2015/16 are forecast to be £4.8m against original planned savings of £10m</p>	Some Improvement Needed	<p>Ensure all information on the Surrey Information Point is kept current and links tested to ensure they work. (M)</p> <p>SCC should ensure that all savings targets including those for FFC are realistic. (H)</p> <p>The budgets for Adult Social Care should be revised to reflect additional pressures and realistic savings. (H)</p>

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Treasury Management (TM)	<p>Treasury Management is the management of the SCC's investments and cash flows, its banking and money market capital transactions; the effective control of the risks associated with those activities: and the pursuit of optimum performance consistent with those risks.</p> <p>TM activity is carried out by the Pension Fund and Treasury team based in County Hall. As at 2 December 2015, there was £184.6m on short term deposit and there were long term loans totalling £397m.</p>	<p>The TM function complies with all the CIPFA code requirements and performs effectively although there is some scope for marginal improvement in terms of:</p> <ul style="list-style-type: none"> a) producing a comprehensive office manual complete with written procedures, and b) holding paper-based records more securely. 	Effective	<p>An office manual, incorporating the existing treasury management practices, should be produced. (L)</p> <p>A formal procedure for investigating reasons for cash flow forecasting variances should be prepared and incorporated into the office manual. (L)</p> <p>TM staff should continue to periodically review details of deposits recorded on SAP. (L)</p> <p>The contract for the provision of external advisory services should be signed as soon as possible. (L)</p> <p>Paperwork should be held more securely and locked away overnight in the lockable cupboard. (L)</p>

¹ Audit Opinions

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

² Audit Recommendations

Priority High (H) - major control weakness requiring immediate implementation of recommendation

Priority Medium (M) - existing procedures have a negative impact on internal control or the efficient use of resources

Priority Low (L) - recommendation represents good practice but its implementation is not fundamental to internal control

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