

Completed Audit Reports (March - April 2016)

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Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
CRSA - Governance Policies	SCC's Code of Corporate Governance refers to a list of 32 policies that are of key importance to ensuring good governance. Using a cyclical programme of Control Risk Self Assessment Questionnaires (CRSA), the extent to which staff are aware of the contents of specific policies and comply with them is assessed each year.	<p>Responses highlighted that there was only a low level of awareness of the relaunched IT Security Policy with a third of all managers unaware of the changes and simplified policy document.</p> <p>There is a strong awareness of the Strategy Against Fraud and Corruption and managers demonstrated good knowledge of their responsibilities to prevent fraud and corruption. The survey did highlight that awareness of the Fraud Awareness eLearning could be increased.</p> <p>Managers demonstrated good awareness and knowledge of the Whistle Blowing Policy and the Council's Safer Recruitment Policy.</p>	Effective	<p>Results of the survey to be shared with the Information Governance Risk Board to ensure that steps to promote the IT Security Policy are identified and implemented. (M)</p> <p>The fraud awareness eLearning should be effectively promoted to all new starters including a refresh for existing staff. (M)</p>

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Organisational Ethics	In order to satisfy the requirements of the Public Sector Internal Audit Standards (PSIAS), Internal Audit are required to evaluate the design, implementation and effectiveness of the Authority's ethics related objectives, programmes and activities.	<p>The present arrangements provide assurance that the routine actions of members and officers, and the consequent decisions taken by the council, are based upon strong ethical principles.</p> <p>The council does not currently have a published Supplier Code of Conduct or an Ethical Procurement Policy Statement. The Committee on Standards in Public Life (CSPL) published a report in June 2014 on Ethical Standards for Providers of Public Services, with subsequent guidance on how to implement this being published in December 2015.</p> <p>The audit identified that a majority of policies and procedure notes reviewed did not explicitly mention ethics, or define the ethical expectations of the council. This omission included the Code of Conduct, although implicit reference is made through the formal recognition of the seven 'Nolan Principles'</p>	Effective	<p>Consider the CSPL guidance document and the specific examples of good practice related to ethical procurement and supplier practice, with a view to ensuring the council is explicit about its ethical commitments around procurement and delivery of public services through third parties. (M)</p> <p>Consider including a statement of ethical behaviour within the Code of Conduct in order to explicitly clarify the council's expectations for its employees. (L)</p>

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Locally Managed School Capital Projects	<p>SCC is responsible for all community school capital maintenance work, which will flow from the school's Asset Management Plan. Individual schools are responsible for funding ongoing repairs and maintenance either directly, or through participation in the buyback schemes with Property Services.</p> <p>Where the premises are owned by SCC, or the school has voluntary controlled status, then the Governing Body should seek the prior consent of SCC to any works proposed to the premises, irrespective of value, in accordance with established procedures which are intended to ensure that appropriate construction and Health and Safety standards are complied with.</p>	<p>In one case reviewed by the Auditor, payments representing 48% of the total contract value were made prior to the contract being formally signed.</p> <p>The Auditor was unable to obtain broad assurance over the transparency and effectiveness of local arrangements for obtaining quotations and determining the final choice of contractor for those capital projects reviewed.</p> <p>The Auditor would have expected to find clearer audit trails in place for obtaining and evaluating quotations, with documented reasons for selecting the winning contractor.</p> <p>In some instances formal contracts/agreements between the school and the architect or project manager were not kept on file. This presents an unnecessary risk to the schools in question should issues concerning insurances, warranties and guarantees of work have arisen.</p> <p>For four of the five schools visited by the Auditor, no formal agreement existed with the contractors that clarified the rights and obligations of each party for the work being undertaken. Should the school have received a sub-standard product and/or a service that differed from that expected, there may have been little recourse to compensation or means to challenge the contractor.</p>	Significant Improvement Needed	Where the audit of an individual school has led to specific findings or recommendations, these have been communicated to the individual school.

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Public Health Payments to GPs and Pharmacies	<p>Public Health commissions various services to improve the health and wellbeing of the residents of Surrey. Service providers include General Practitioners (GPs), pharmacies, and other community based organisations</p> <p>The Public Health Team is funded directly by a ring-fenced grant provided by Public Health England. In 2015/16 the service received a grant of £35.5 million. The overall spend for services provided in Surrey by GPs and pharmacies in 2013/14 and 2014/15 was approximately £1.3m and £1.2m respectively.</p> <p>The purpose of the audit was to seek assurance that payments to GPs and pharmacies are effectively managed, approved and monitored.</p>	<p>Public health agreements (PHA) are in place with all except three providers from the test sample. Individual payment claims are not checked against the provider's service offer which may result in payments being made for services which do not align with their PHA.</p> <p>The service holds a large spreadsheet to log provider claims and payments made since April 2013. Payment files produced for the payments team, do not have password or cell protection applied to them.</p> <p>Complicated processes, reconciliations and macros are executed during the payment process. The service does not hold documented operating procedures to support the process or reconciliations.</p> <p>The service conducts limited verification on the validity of the submitted claims</p> <p>PHA specifications include the provision to audit public health service providers for payment claims and associated activity data. There is no evidence of this being undertaken by the service. As a result a large amount of trust is placed on the integrity of GPs and pharmacies to only bill for services they have actually delivered, compared to other council vendors.</p>	Significant Improvement Needed	<p>The service should consider either hard coding GPs service offer onto the claim form or they should conduct checks to ensure that the council is only paying for services agreed in their respective PHAs. (H)</p> <p>Cells in the payment file should be locked to ensure the file cannot be inadvertently amended (H)</p> <p>Develop comprehensive operating procedures which include the checks performed to verify the quality and accuracy of the activity data and thresholds for raising queries. (M)</p> <p>Put in place signed and dated PHAs for all GPs and pharmacies that provide a public health service. Where one does not exist payments should be stopped until a signed agreement is returned. (H)</p> <p>Maintain reconciliation records for discrepancies they have investigated and resolved. (H)</p> <p>Analyse data trends and correlations to inform the verification of payment claims. (M)</p>

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Capital Expenditure Monitoring	<p>The Council approved a capital budget of £175.4m for the 2015/16 financial year which formed part of the Council's overall 5 year Medium Term Financial Plan (MTFP) 2015-2020 for capital expenditure totalling £696m.</p> <p>The audit sought to establish whether appropriate systems are in place to manage and monitor the capital programme.</p>	<p>The capital programme for 2015/16 is £176.2m and there is a projected underspend of £16.4m. This is almost 10% and is a significant sum that is not being optimised.</p> <p>The audit took a sample of 10 capital schemes to test. All sites were physically tested to assess value for money. Good value was noted with most of the capital schemes and expenditure was largely to budget or under budget. Invoices were reviewed and the Auditor was able to confirm that expenditure had been correctly accounted for and authorised. All works were identified on site and had been correctly recorded in the asset register.</p> <p>The quotation for the Godalming Library refurbishment was estimated at £382,149. The final account was £542,711. The most significant additional cost related to the installation of a fire alarm costing £46,614.</p>	Effective	<p>SCC should develop arrangements to enable the capital programme to more effectively bring forward schemes that could start in place of other schemes which are delayed. (L)</p> <p>Consideration should be given to the specification stage of capital schemes to ensure that all relevant aspects are included. In particular, all significant works should be specified including fire prevention within the initial tender documentation. (M)</p>

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Procure to Pay (Accounts Payable)	<p>Procure to Pay (P2P) is one of the key financial functions of Surrey County Council (SCC) and is organised as part of the Shared Service Centre within the Business Services Directorate. SCC expenditure in 2014/15 was £1.4bn on 470k transactions and in 2015/16 the council is forecast to spend around £1.5bn on about 463k transactions.</p>	<p>Teams within the Procure to Pay process have detailed written procedure notes but procedure notes for the Data Management Team (DMT) has been 'work in progress' for some time.</p> <p>Although the FISCAL software is currently not used by the DMT to check duplicate vendors, this check will be included in the imminent upgrade.</p> <p>The contract to provide the e-invoicing facility via the Supplier Portal was awarded to Taulia Inc and commenced in July 2015 with payments being made from that date.</p>	Some Improvement Needed	<p>The Data Management Team within the Finance and Procurement Group to document the procedures undertaken by their staff so that effective and consistent working practices continue regardless of staff turnover. (L)</p> <p>Implement the upgraded version of the FISCAL software and use it to its full potential to detect duplicate payments and vendors. (M)</p> <p>Staff in Procurement, Shared Services and Finance should continue to work closely to clearly document the assumptions and monitor the costs to ensure that the 'Invest to Save' money used for the e-invoicing system implementation, is returned, and savings - including contributions from East Sussex County Council - are tracked and reported to senior management and Members if required. (M)</p>

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Suspensions and HR Case Management	<p>An audit of staff suspensions was requested by senior HR management as it was apparent that some suspension cases were taking a long time to resolve.</p> <p>A new Case Management System (CMS) was implemented in September 2015 and CMS is now used to manage information relating to all HR casework including suspensions.</p> <p>As well as looking at the procedures for dealing with suspension cases, this audit looked at the implementation and use of CMS to ensure that casework data, particularly suspensions data, is captured, updated, monitored and managed effectively in order to ensure efficient resolution of cases.</p>	<p>The management reports which are automatically generated from CMS are expected to offer better information and control than was previously available although not all of the reports delivered by the system suppliers are up to the standard required.</p> <p>A CMS user manual does not specify expected standards (such as timeliness and accuracy of input) to be followed when using CMS.</p> <p>Although most of the data fields in CMS were completed, there were some gaps eg of 544 closed cases, 130 did not have an outcome code.</p> <p>In the past two years, there were six recorded suspensions involving fraud, theft or possible theft. Only two of these were reported to the Chief Internal Auditor. While HR staff might reasonably assume that the responsible line manager has informed Internal Audit, as a backup it would be useful if HR could notify details of suspected irregularities to Internal Audit.</p>	Some Improvement Needed	<p>HR Management should continue to expedite provision of the specified system reports as these are integral to the effective management, supervision and control of team casework performance. (H)</p> <p>Enhance the CMS user manual to include expected standards and conventions which should be specified so that staff are fully aware of their responsibilities with regard to CMS data input and monitoring. (M)</p> <p>Remind staff to check that data recorded on CMS is complete and accurate. HR advisors should be required to perform a weekly review of CMS cases to ensure that data is up-to-date, complete and accurate. Specification of such checks should be included in the user manual. (M)</p> <p>HR management should refer details of all suspected financial irregularities to the Chief Internal Auditor. (M)</p>

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Off Contract Agency Spend	<p>As part of the Internal Audit planning process for 2015/16, the Director of People and Development requested a review of agency staff expenditure to understand why certain business areas were recruiting staff directly from agencies other than Surrey County Council's (SCC's) appointed outsourced recruitment provider (Manpower UK Limited).</p> <p>More recently there has been a significant change to the arrangements for recruiting agency staff. In February 2016, Manpower was replaced by a new provider, Adecco UK Limited.</p>	<p>Considerable effort has been made by Adecco to engage with all agencies supplying temporary staff resource.</p> <p>The contract manager has reviewed the details of the recruitment agencies that had provided temporary staff in the recent financial year. Relevant details had been forwarded to Adecco to facilitate discussions with the aim of all agencies signing an agreement to provide staff resource through the Adecco contract. Initial indications are that Adecco had already been successful in securing sub-contracting agreements with many of the agencies listed.</p> <p>Independent analysis of SAP information by the Auditor suggests that the number of off-contract agencies and the related spend has reduced.</p>	n/a	<p>There were no audit recommendations. An audit of the Adecco Contract has been included in the 2016/17 Annual Internal Audit plan.</p>

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HIV Service	The NHS and Surrey County Council are jointly responsible for providing the HIV Service in Surrey. The Service comprises a mixture of clinical services, support in relation to health improvement and long term condition management.	<p>Arrangements for the continuity of the HIV Service beyond the contract end date (31 March 2016) have not yet been finalised.</p> <p>There are no agreed regular anonymous quality assurance surveys being completed by service users.</p> <p>The contract requires reporting on 7 outcomes to be measured against the Commission of Social Care Inspection 'Independence, Well-being and Choice', which is currently not being done.</p> <p>The Contract Managers have not provided an annual report to be presented at the Annual Review meeting.</p> <p>The Contract provides for ongoing monitoring of services. From discussions with key officers, there was no evidence of any such monitoring or inspection visits carried out by the Public Health Team even though the contract facilitates this.</p>	Some Improvement Needed	<p>The Public Health Service should work with Procurement and Commissioning to agree a forward plan to maintain the HIV Service. (H)</p> <p>Ensure that quarterly contract monitoring reports provide information on outcomes and surveys in compliance with the contract terms. (M)</p> <p>The officer responsible for monitoring the contract should ensure that the contract provider submits an annual report in accordance with the contract terms. (M)</p> <p>Responsibility for contract management and carrying out of inspection visits at contractor sites should be assigned to existing officers thus ensuring the service provider meets the contract terms and service specification. (M)</p>

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Direct Payments	<p>Direct Payments (DPs) are financial payments made to individuals and carers to enable them to meet their assessed care and support needs. The payment replaces directly commissioned services and the purpose of the DP is detailed in a support plan.</p> <p>This audit considered the effectiveness of reconciliation checks in safeguarding public funds.</p>	<p>Recently updated DP Guidance will significantly improve the management of DPs and reduce the level of surplus balances.</p> <p>The increase in use and commitment to move the majority of DPs to pre paid accounts enables easier monitoring, negating previous issues previously identified with reconciliations.</p> <p>All reconciliation records were available and over 92% of the DPs reviewed showed no apparent evidence of inappropriate spend.</p> <p>While checks are being done in a timely manner, it appears there is not a consistent approach to querying potentially inappropriate spend, although good practice is evident in some teams.</p>	Some Improvement Needed	<p>Support plans should provide unambiguous detail of what the DP should be used for. (M)</p> <p>The service must investigate all 19 cases where the Auditor has queried appropriateness of spend. (M)</p> <p>Where receipts for cash are not included with reconciliations, individuals should be reminded of the requirement to do so. (M)</p> <p>Where close family members are carers, they should be supported to ensure they have proper respite breaks. (M)</p> <p>During the upcoming DP Guidance awareness training, officers should be reminded of the requirement to contact Internal Audit regarding suspected financial irregularities. (M)</p>

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Property Local Authority Trading Company (LATC)	The Investment Strategy approved by the Cabinet on 23 July 2013 led to the establishment of a Property Local Authority Trading Company (LATC) named Halsey Garton Property (HGP) Ltd.	An Investment Advisory Board (IAB) was formed and approved by the Cabinet. The IAB reviews submitted business cases for investment opportunities and recommends them to the Cabinet as appropriate. There are 2 Gateway processes with defined criteria which are used to review the business cases for robustness and transparency. The business cases that are recommended to the Cabinet are usually considered as Part 2 items due to the confidential nature of commercial information. Three property investments have been made by the Property LATC during October 2015 and March 2016 following the due processes required by the IAB and the Cabinet.	Effective	There were no audit recommendations.

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Revenue Budgetary Control	Sound revenue budgetary control is vital to the council achieving its objectives within increasingly tight financial resources. The system of budgetary control provides officers with reports from SAP and a range of locally maintained spreadsheets to monitor income and expenditure against the budget during the course of the year.	Overall information and support for budget holders is effective and the council's financial performance continues to be measured favourably by the external auditors.	Effective	There were no high or medium priority audit recommendations.

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Children's Data Management	<p>The Children's Schools and Families (CSF) Directorate manages significant volumes of personal data which need to be held confidentially and in accordance with the Data Protection Act.</p> <p>The audit focused on breach management, specifically the reporting of data breaches within CSF and the steps taken to reduce the risk of further breaches occurring.</p>	<p>Not all breaches were supported by a breach template. Use of a template was not being enforced, and some breaches were reported by e-mail, phone, or personal attendance. This raised the issue of audit trail and assurance that all relevant data was being collected.</p> <p>Issue of follow-up instructions to line managers from the IG team are recorded but not always supported by a clear audit trail: the same applies to confirmations from the relevant line manager that required actions have been completed.</p> <p>The audit highlighted issues with the IG team's lack of access to information about organisational and employee detail and the identification and recognition of staff who handle personal data and where they are based. Furthermore, there is lack of access to information about who has undertaken relevant e-learning courses and classroom courses.</p>	Some Improvement Needed	<p>A breach template should be raised for all reported breaches. (M)</p> <p>Names of responsible managers should be recorded for easy reference purposes. (M)</p> <p>Proof of remedial action taken should be evidenced. Where this is not possible, spot-checks to ensure that remedial action has been carried out should be performed by the CSF IG team. (M)</p> <p>The IG Manager should aim to identify the CSF staff population and which locations or organisational units pose the greatest risk to data governance (M)</p> <p>A policy to determine the categories of staff that should be expected to attend IG-related classroom training should be prepared and agreed by the Head of Performance and Support. (M)</p> <p>Comprehensive training records should be maintained with details of staff that have completed e-learning and classroom training. (M)</p>

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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