

**Completed Audit Reports (November 2012 – January 2013)**

**Annex A**

<b>Audit</b>	<b>Background to review</b>	<b>Key findings</b>	<b>Audit opinion (1)</b>	<b>Recommendations for improvement (Priority) (2)</b>
<p>Follow Up Review of Direct Payments: Controls Mitigating Fraud</p>	<p>A review of Direct Payments (DPs) was included in the 2011/12 Annual Audit Plan. This report follows up the recommendations of that review agreed in a management action plan.</p> <p>The April 2012 Audit looked specifically at the controls in place to mitigate fraud in DPs and did not assess the efficacy of the care provided or the capacity of self directed support to transform lives.</p>	<p>Adult Social Care Management have substantially improved the DP framework and made significant progress in reducing the number of overdue Social Care Reviews (SCRs).</p> <p>Testing indicated that progress has been made in reducing the number of overdue SCRs (732 reduced to 292) and that the impact of amendments to the reconciliation procedure have not yet been felt (40-50% of service users failing to provide reconciliations in a timely manner in both reviews).</p> <p>Due to the results of the testing, particularly the remaining outstanding SCRs, the Auditor is as yet unable to provide reasonable assurance that the controls to prevent fraud in DPs are now adequate. However, it should be noted that in the Auditor’s opinion the appropriate measures are in place but there will be a time lag before they impact the results of audit testing. The Auditor would expect to see further improvement in a future review.</p>	<p>Major Improvement Needed</p>	<p>No new recommendations</p>

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Unofficial School Funds	Schools are required to have their unofficial funds audited. This is the money obtained locally for anything as opposed to the delegated money for educational purposes supplied through the authority. A check of audit certificates; approval of governors; and, independence of auditors, took place across a large sample of schools	<p>Of the 112 schools reviewed:</p> <ul style="list-style-type: none"> <li>• 77 were found to be fully compliant;</li> <li>• 23 were partially compliant e.g. there may have been delays in the accounts being submitted for independent audit or approval by governors, or a deficiency in the independence of the person examining the accounts;</li> <li>• 12 either did not provide the required information to the Internal Auditor within the time frame requested or have agreed they have not been compliant with the procedures. For the former, the auditor has agreed revised submission dates for schools to supply the relevant information.</li> </ul>	Some Improvement Needed	Chairmen of Governors at schools identified as non compliant to be informed of the requirements to adhere to the Surrey Scheme for Financing Schools for School Unofficial Funds. <b>(H)</b>

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Corporate Purchasing Cards	<p>There are 400 plus card holders spending £1.9million per annum using the card. This audit looked at compliance with purchasing card rules to provide assurance that the risk of misuse is low.</p> <p>The auditor checked records for a sample of 30 card holders from across services identified as potentially high risk areas or in areas not previously audited.</p>	<p>In the vast majority of cases card usage was found to be correct and the guidance complied with. However, the testing had identified a number of failures to comply with the Rules and Guidance including some inappropriate expenditure. This was exacerbated by the failure of some managers to monitor purchasing card expenditure.</p>	Major Improvement Needed	<p>Ensure all card holders and line managers are aware of their responsibilities relating to purchase cards. <b>(H)</b></p> <p>There should be a clear escalation process to deal with possible breaches of rules identified by the Card Compliance Team. <b>(H)</b></p> <p>Guidance regarding use of the card when existing contracts are in place should be clarified (eg book purchases). <b>(H)</b></p> <p>The guidance should make it clear that eligible expenses relating to refreshments and travel should be claimed via the Portal, rather than paid for using a purchasing card. <b>(H)</b></p> <p>Senior management should be reminded that cards should only be used by the named user. <b>(H)</b></p> <p>Card holders and their line managers should be made aware of changes to guidance for card use. <b>(H)</b></p>

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Schools Basic Need (SBN)– Capital Programme	<p>Property Services (CAE) are responsible for meeting additional need for school places each year (Schools Basic Need), through new build, temporary provision and adaptations.</p> <p>The capital budgeted for this task between 2012-2017 was £360m, but was reduced to £244m in October 2011.</p> <p>A new joint design and procurement partnership with three other authorities hopes to deliver substantial savings on the cost of additional places over this period.</p>	<p>There is no regularly updated, single monitoring report that shows the final version of the number of additional school places need (which can vary up until May each year), alongside the number of additional places actually delivered. Financial reports do not always reflect all significant known expenditure variances in forecasts.</p> <p>The deployment of demountables in 2012/13 now appears not to be viewed as a best value solution.</p> <p>Designs for some major school building schemes to expand places were agreed before budgets were substantially reduced. Some schemes to be delivered by the Joint Programme Office later in the current programme may have few opportunities to secure the desired level of savings.</p> <p>Some performance issues have been raised on two major school places capital projects which related to SCC’s asbestos surveys contractor.</p>	Some Improvement Needed	<p>SCC monitoring reports should more clearly track the delivery of additional classrooms and other major scheme by scheme deliverables. Financial reports should show the degree of scheme completion. <b>(M)</b></p> <p>Property Services should undertake a robust evaluation of alternatives to the temporary demountables used to meet SBN in 2012/13 and report to Investment Panel on the proposed solution for 2013/14 and lessons learned from the 2012/13. <b>(M)</b></p> <p>Consider a contingency strategy in the event of a significant shortfall in the savings that can be achieved by the CPO. Risk register entries should be updated. <b>(M)</b></p> <p>There should be better communication with the asbestos contractor on work plans as well as performance discussions with the contractor whereby they are encouraged to develop their total capacity and prioritise work on schools where SBN and capital works need to be progressed during the school summer holidays. <b>(M)</b></p>

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Records Management	This audit of records management focussed on risks relating to this that had been recorded in service risk registers.	Overall the results regarding the reliability and security of council records were positive. All areas attended by the Auditor had retention schedules in place and auditees demonstrated an understanding of their purpose.	Effective	No high/medium priority recommendations were made.

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Surrey Superfast Broadband	<p>SCC's Corporate Strategy 2012-17 commits the authority to achieving access to superfast broadband (SFBB) for all households and businesses in Surrey.</p> <p>BT's commercial roll out of SFBB-enabling technology will reach some 80% of Surrey's premises by the end of this year. Over time, market-led coverage is likely to expand to 90%.</p> <p>In order to achieve both 100% SFBB coverage and a start to delivery by 2013 in the more rural area in Surrey, SCC has decided that some public investment will be required to incentivise the market. SCC has set aside £20m in its capital programme for the delivery of this project in 2012/13 and 2013/14.</p>	<p>The order in which SFFB will be enabled in the intervention area is at the supplier's discretion in order to minimise overall cost.</p> <p>There is no set of over-arching priorities for the selection of socially excluded residents and small businesses that might particularly benefit from an earlier SFBB upgrade in the very few areas not covered by the standard solution. These properties are called 'infill' properties.</p> <p>Although there is some data available on the need for SFBB, there is not yet a clear set of comparator data on the 'spend' and the 'delivery promise' for each local authority. It is therefore difficult to assess value for money.</p> <p>There is no clear indication of any limit on BT's capacity to fully deliver on all the contracts that it has won across the UK in a timely manner. Delays in receiving approval for State Aid could potentially cause a 'bottleneck' for BT in mobilising its resources in early 2013.</p> <p>An earlier than anticipated national auction of 4G franchise rights is potentially highly significant to both levelling up Internet access and the commercial viability of fixed line SFBB.</p>	Some Improvement Needed	<p>The SFBB Team should seek to engage in soft influencing of BT to give some priority to service delivery in area patches with particular social and economic needs. <b>(M)</b></p> <p>Develop criteria to allocate and prioritise funding for 'infill' properties taking account of factors such as, opportunities to create jobs or tackle social isolation/exclusion. Consider developing community involvement and solutions for SCC residents who may not be able to access 'cable into the home' style Internet. <b>(M)</b></p> <p>Seek reliable information on a standard basis from other authorities which may then allow it to make a clearer assessment of VFM. <b>(M)</b></p> <p>The SFBB Team should seek to engage in soft influencing of BT as soon as possible to ensure that it is ready for a quick start on survey work in Surrey immediately after the Christmas holidays. <b>(M)</b></p> <p>SCC may wish to revisit its strategy on 4G in more depth, particularly now that the award of first licences has been made. It should also update its project risk register for this development. <b>(M)</b></p>

Audit	Background to review	Key findings	Audit opinion (1)	Recommendations for improvement (Priority) (2)
Special School – Funding of Residential Places	<p>Currently, funding of residential special schools is based on Surrey County Council (SCC) purchasing a level of capacity at each institution on a planned number of placements. For the 2011/12 school year, Surrey's maintained special schools received £4.1 million of funding from the Council for residential placements. From 2013, central government will change funding arrangements for schools, with levels being calculated based on actual, rather than planned, usage.</p>	<p>Most schools visited for this audit were not offering to pupils the full number of residential places for which they had been given funding in the 2011/12 academic year. Occupancy rates for existing places varied considerably, though the clear trend was a shortfall on the uptake of residential services with half the schools filling less than 50% of funded places.</p> <p>The current practice of not including a residential requirement on a pupil's statement of SEN is not consistent with published SCC SEN strategic objectives. The Auditor could not identify an agreed SCC definition of 'residential accommodation'. In the absence of guidance from the Schools and Learning Service or a requirement on a pupil's SEN statement, schools offered different residential services linked to individual pupil development with insufficient reference to wider SCC strategic objectives.</p> <p>The Auditor is not satisfied that the Schools and Learning Service currently have sufficient management information on residential provision at special schools in order to effectively commission services, conduct robust business planning, or monitor progress against SEN objectives.</p>	Unsatisfactory	<p>The Head of Schools and Learning should consider engaging with the Heads of Surrey's special schools to agree new arrangements for funding residential places which takes into account the number of beds at each school and establishes a defined occupancy rate. <b>(H)</b></p> <p>The Head of Schools and Learning should consider a review which encompasses both strategic planning and current operational practice, and make such revisions to ensure they are consistent with one another. <b>(H)</b></p> <p>The Head of Schools and Learning should consider devising and implementing a precise definition of 'residential accommodation' which precisely defines the service that is being commissioned. <b>(H)</b></p> <p>The Head of Schools and Learning should consider requiring schools, as part of the commissioning process, to report at agreed regular intervals on nightly planned and actual occupancy rates. <b>(H)</b></p>

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Illuminated street furniture (ISF)	<p>In March 2010 the Council commenced a 25 year PFI contract for the replacement and maintenance of street lighting assets. In parallel with this is a second contract covering maintenance of 'illuminated street furniture', that is signs, bollards etc. Whilst this work is also undertaken by the PFI contractor (Skanska) the contract operates independently from the PFI contract and has its own operational arrangements and performance measures.</p>	<p>Overall our testing indicated that the contract was running smoothly with the contractor achieving the targets set within the contract. Client side management has also been successful in negotiating a reduction in the contractor's rates following a benchmarking exercise with other authorities.</p> <p>It was noted that the contract Schedule of Rates (SoR) had been incorrectly updated in relation to one particular area which had led to overcharging which should now be recovered from the contractor.</p>	Some Improvement Needed	<p>Management should continue to benchmark and assess the performance of the various elements of the ISF contract in order to demonstrate that 'Value for Money' continues to be obtained for the Council and the residents of Surrey. <b>(M)</b></p> <p>Should the contract require renegotiation at any stage in the future then management should consider revisiting the subject of financial deductions. Consideration should be given to the level of these charges to ensure they remain relevant in order to ensure that they remain a viable tool in performance management. <b>(M)</b></p> <p>Management should raise the matter with the contractor and re-examine the SoR to confirm that the appropriate updates have taken effect. Going forward the SoR should be test checked post annual updating to minimise any risk of recurrence. Finally, management should review the contractor's monthly accounts and recover any overcharges they identify. <b>(H)</b></p>



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Asset Management ICT	<p>Since 2010/11 the council has been engaged in a large scale improvement of its IT infrastructure. This is intended to drive efficiencies in the workplace and replace equipment and software that has reached the end of its life cycle. The value of this investment is in excess of £4 million and thus the management of these assets is crucial to achieve value for money from this investment.</p>	<p>As part of the move to a centralised server based architecture, applications are for the most part stored and deployed to end users from remote Application servers. However, a search (using the Applications Manager tool) for local installations of software identified 35 “unknown” installations.</p> <p>The audit concluded that the new physical devices installed as a result of this project are actively managed and locatable</p>	Some Improvement Needed	IMT to investigate the “unknown” installations and manage appropriately. <b>(H)</b>

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Surrey 'TravelSmart' Programme	<p>In July 2011, SCC was successful in its Local Sustainable Transport Fund grant funding bid of £3.9m from the Department of Transport for its TravelSMART scheme.</p> <p>Surrey TravelSMART's aim is to promote economic growth and increase sustainable travel (walking, cycling and public transport) in Guildford, Woking, and Redhill &amp; Reigate.</p>	<p>The DfT state that failure to comply with all the requirements of the grant agreement could result in funding implications. The distribution and discussion of issues raised by various grant award letters and bulletins to date could have been better.</p> <p>Hourly charge-out rates used to cost staff activity on the LSTF project may contain ineligible expenditure. The total time spent on these projects may be understated due to time recording and authorisation issues.</p> <p>Various factors have resulted in underspends against the original 2012/13 allocations for the two LSTF-funded projects. SCC has benefited from a fortuitous offer of re-profiling.</p>	Some Improvement Needed	<p>The Transport Policy Team (TPT) Manager should ensure greater emphasis is given to the details of Grant Determination letters, DfT bulletins and other materials, ensuring these are disseminated and discussed with staff. <b>(M)</b></p> <p>The TPT Manager should review the eligibility issues raised by the Auditor regarding staff charge out rates used in quarterly claims, taking account of any further guidance from the DfT. They should also devise a spreadsheet tool that can amend the staff costs previously charged in claims if needed. <b>(M)</b></p> <p>Improve monitoring of time charged to this project with checking by management on the completeness of timesheet submission and authorisation. <b>(M)</b></p> <p>The LSTF Delivery Board should receive a monthly financial report on grant expenditure incurred. This should include a work-in-progress figure for their elements of delivery and an estimated outturn figure for the year-end. Staff should be set targets to deliver eligible expenditure where appropriate. <b>(M)</b></p>

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Building maintenance	<p>The County Council's buildings are assets which require proper maintenance in order to ensure that they function as efficiently and effectively as possible in supporting front line services. Deterioration of buildings if not checked can lead to significant future financial burdens, disruption of services and potential legal and health and safety implications.</p>	<p>Following negotiated changes to the method of payment to the contractor an exercise has subsequently been undertaken with the assistance of Procurement which shows that, based around some prudent assumptions, savings in the region of £322,000 or 11.3% for 2011/12 have been secured.</p> <p>Compensation Events (CEs) arise where the nature of works change from that specified impacting on time and / or costs. The contractor should advise the client of these and provide a costed breakdown of the impact on the scheme which the client will review and agree. In all cases looked at by the auditor, where CEs arose there was no supporting documentation detailing how the CE had been costed and any impact assessed.</p> <p>A review of a sample of files indicated that management of works could be enhanced in a number of areas.</p> <p>Condition surveying is a key process underpinning any robust asset management plan. This audit review highlighted a number of concerns, e.g.</p> <ul style="list-style-type: none"> <li>&gt; the large number of entries with either no assessed completion date or cost,</li> <li>&gt; the high number of works categorised as condition 'C' or 'D' (major defects / life expired, potential imminent failure)</li> </ul>	Some Improvement Needed	<p>Management should continue to monitor the information provided by the contractor in particular where this shows a rebate is due. <b>(M)</b></p> <p>Management should ensure that all CEs are supported by a relevant, detailed breakdown of adjustments to costs / timings which will assist in the budget monitoring process. This documentation should be retained on file in support of the variation. <b>(H)</b></p> <p>Based on the review of files a series of recommendations were made on improvements around:</p> <ul style="list-style-type: none"> <li>&gt; Budget setting</li> <li>&gt; Compliance with Procurement SO</li> <li>&gt; Completeness of documentation</li> <li>&gt; Application of contract uplifts</li> <li>&gt; Recovery of overcharged sum <b>(H)</b></li> </ul> <p>Management should ensure that the condition survey information is subject to regular review and updating. Schemes which remain scheduled for previous financial years should be revisited and scheduled as appropriate. <b>(H)</b></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>Major 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