

Summary of Key Audit Findings for Quarter 4 2017/18

Financial Assessments and Benefits Operations

Surrey County Council undertakes financial assessment of service users of ASC services, both residential and non-residential, in accordance with the council's charging policy (based on DoH legislation and guidance). The assessments are undertaken by the Financial Assessments and Benefits (FAB) Team when eligibility to receive a service has been established.

SCC provides social care services to around 22,000 service users and the social care debt for the council at 31 March 2017 was £17.74m. Of this, £7.54m is deferred and secured debt, giving a net (unsecured) balance at 31 March 2017 of £10.2m.

Included within scope of this audit were the following areas:

- Roles and responsibilities within the new end to end processes;
- Review of key controls, processes maps and procedure notes;
- Scrutiny Committee oversight of key service information, including outstanding debt.

In concluding our work, we were able to give an audit opinion of **Reasonable Assurance**. This was because:

- Process maps and system design and controls were adequate;
- A significant percentage (81%) of initial contacts by FAB Team members were made within the target of 3 working days of the referral being made;
- 64% of tested financial assessments were made within 20 days of the referral being made;
- A 'debt project team' had recovered £2.3m of previously outstanding debt from 90 older cases.

Some opportunities for improvement were, however, identified and agreed with management.

Grass Cutting Contract

Grass cutting is a Highways-led strategy which aims to enhance resident experience by creating an attractive place to work and live. The Council is responsible for the grass on land owned by the highway authority so that people can use roads and pavements safely. This includes all grass verges that are not on trunk roads that are the responsibility of Highways England.

The service is delivered through Agency Agreements with the Boroughs and Districts (B&Ds). Currently the contracts are in year 2 of a 4 year contract. However, further budget constraints have required that a new contract is negotiated moving forward. This will result in a 36% decrease in the total contract value from £1.8m to £1.2m.

The key control objectives of this review were as follows:

- The service delivery specification set out in the Agency Agreements includes levels of service, waste management and environmental considerations;
- The contracts include a disputes procedure enabling either party to raise issues arising during the course of the contract;
- The basis for setting the contract value is transparent and provides best value to the Council; and

- The Council has considered the impact should the B&D withdraw from the Agency Agreements, including potential reprocurement arrangements to ensure service and business continuity.

Based on the audit work carried out, we were able to provide an audit opinion of **Substantial Assurance** in this area, with a number of areas of good practice being identified. Only a couple of opportunities for improvement were found, none of which were considered to be of a high risk nature.

Gifts & Hospitality (follow-up audit)

Surrey County Council's Code of Conduct and Gifts & Hospitality policy set out guiding principles for the acceptance / refusal and registration of any gifts or hospitality offered to any officer or contractor during the course of their duties. The 2016/17 Gifts & Hospitality Internal Audit report was issued in August 2016, with an opinion of Significant Improvement Needed. The report raised 3 High Priority, 7 Medium Priority and 3 Low Priority recommendations.

This follow up audit has been included in the 2017/18 audit plan to review progress to date towards implementing those recommendations.

Based on the work carried out, we were able to provide **Reasonable Assurance** over the control environment in this area. We found that:

- The council had taken positive steps to address the recommendations previously made through revision of guidance and policy documents, and increasing awareness of the requirements to offers; and
- That adequate scrutiny of the entries to the registers was now in place via HR.

No control weaknesses or further opportunities for improvement were identified.

Nursery Education Funding (follow-up audit)

Surrey County Council receives funds from the Department for Education within the Dedicated Schools Grant for the provision of free early education for eligible 2, 3 and 4 year olds. These services are delivered by an array of maintained, private, voluntary and independent settings. In Surrey, the grant funds 1251 settings at a cost of approximately £41m in 2016/17.

Childcare providers that are registered on the Surrey Directory of Early Years Providers are able to offer free places and claim funding, on the behalf of parents or carers, directly from the council. The Early Years Free Entitlement (EYFE) team manages the application and payment process.

An audit of Nursery Education Funding was undertaken in October 2015. The report contained six agreed actions. Two were rated as high priority and the overall opinion was Significant Improvement Needed (equivalent to Partial Assurance). A Management Action Plan (MAP) was agreed for implementing these agreed actions.

This follow up audit was originally scheduled for 2016/17 but was delayed due to the implementation of the Free Early Education Portal, the extension of free provision to 30 hours for eligible children, and a staffing restructure. It was carried forward to form part of the agreed Internal Audit Plan for 2017/18.

Based on the work that we completed, we can upgrade our opinion to **Reasonable Assurance**. This is as a result of four of the six recommendations being fully implemented, with the remaining two being partly implemented. In this latter category was the need for the service to undertake a rolling programme of monitoring and verification work through audit visits to settings.

Appropriate action to address the outstanding recommendations of this audit have been agreed with management within a formal action plan, which will be monitored through routine action tracking.

Efficiency Savings

The Section 151 Officer stated in her report to Council in February 2017 that the financial challenges facing the council had become even more serious. During 2017/18, the council had to deliver already stretching service reduction plans of £104m to balance the 2017/18 budget.

The budget monitoring report to Cabinet in November reported that forecast savings were expected to be £79.5m against the £103.9m target (a shortfall of £24.4m, which included £9m savings which had not been identified).

The main variations reported were:

- £10.8m shortfall in ASC mainly related to whole systems demand management;
- £2.5m shortfall in Early Help;
- £2.5m shortfall in Waste Disposal.

Taking into account increases in service demand, shortfalls in savings targets, budget underspends and extra service savings achieved, the full year forecast at 31 October 2017 was that the revenue budget would be exceeded by £18.1m although there was significant risk that a further £13m could be added to the forecast overspend.

The purpose of our audit was to provide assurance that controls are in place to meet the following objectives:

- Suitable planning and scrutiny of savings proposals and targets;
- Effective tracking and reporting of progress against savings targets;
- Consultation between Finance and Service management to ensure that reported savings figures are accurate;
- Accounting for variances between target savings and achieved savings;
- Timely reporting of significant changes to savings expectations throughout the year; and
- Management preparedness to deal with shortfalls.

Based on the sample of areas examined, we have been able to provide **Reasonable Assurance** over the controls operating within the area under review. Some opportunities for improving arrangements were, however, identified, particularly in relation to strengthening the supporting plans to show how identified savings are calculated, how risks are to be managed, and how the savings will be delivered.

Order to Cash

The council provides a variety of care and non-care services to residents, individuals and organisations. Where services are chargeable, invoices are raised and issued to customers. The Order to Cash process encompasses sales order requisitioning and sales order creation, customer

account creation and maintenance, posting of receipts, monitoring of debt, debt recovery, and where necessary, write-off.

In the first nine months of 2017/18 (April to December), 34,291 invoices for non-care debt were been raised with a value of £199.3m. Non-care debt outstanding at 31 Dec 2017 totalled £24.3m.

This system is considered to be a key financial system and as such is subject to annual review, particularly in relation to the adequacy and effectiveness of controls in place in the following areas:

- Prompt and complete invoicing of services provided;
- Efficient creation of new customer accounts;
- Prompt and accurate posting of receipts to debtor accounts; and efficient resolution of unallocated receipts;
- Effective recovery of debt in line with existing policies;
- Appropriate management review and challenge of aged debt; and
- Effective management authorisation of write-offs, refunds and credit notes.

We were able to provide a **Reasonable Assurance** opinion, with improvements being required around aged debt and general debt collection. In all cases, appropriate actions have been agreed with management.

Pavement Horizon

The council is responsible for maintaining over 10 square km of pavement (nearly 4 square miles). Minor repairs such as potholes or raised block paving are repaired throughout the year as they are identified. Alongside this there is a planned pavement maintenance programme (Pavement Horizon), in which slurry treatments are undertaken to take out small imperfections and increase the lifespan of the pavement, or reconstruct pavements where the structure has significantly deteriorated.

Over the next five to six years the council will invest up to £20m into this programme of works.

The objective of our audit was to provide assurance that appropriate controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.

We were able to give an overall opinion of **Reasonable Assurance** on the basis that a review of a sample of projects showed all had been completed within the criteria set down by the Programme, to budget, and achieving the expected outcomes.

Governance arrangements, including appropriate levels of reporting and scrutiny, were also found to be established and effective.

General Data Protection Regulation (GDPR)

The General Data Protection Regulation (GDPR) (Regulation (EU) 2016/679) is a regulation by which the European Parliament, the European Council and the European Commission intend to strengthen and unify data protection for individuals within the European Union (EU). The GDPR will apply in the UK from 25 May 2018.

The audit was a planned review approved as part of the Internal Audit Plan for 2017/18, with the objective of providing assurance that the Council has put into place sufficient controls and carried

out adequate preparation to enable it to comply with the GDPR from the date it comes into force in 2018.

Specifically we reviewed whether:

- Appropriate, up-to-date and relevant policies / procedures were in place;
- Adequate preparation, demonstrated by clear strategic leadership and appropriate resourcing, had been put in place;
- The Council was fully able to demonstrate compliance with the 'accountability principle', including the production and maintenance of a complete information asset register;
- Procedures were in place to ensure that all data subjects give 'clear affirmative consent' in relation to the processing of personal and/or sensitive data, where applicable;
- Enhanced procedures for reporting data breaches were approved and communicated, with clear responsibility given to a designated Data Protection Officer; and
- Changes to individuals' legal rights were fully reflected in any policy changes made.

Overall, we were only able to provide an audit opinion of **Partial Assurance**.

This was principally because:

- Actions were outstanding in a number of key areas (data portability, updating policies/procedures, the Subject Access Request process, legal basis for processing data, children's information) and presented a risk that the Council would not achieve full compliance with GDPR by the time of its introduction in May 2018.
- Two of the most important areas referenced by the ICO highlighted the importance of GDPR awareness / communication, and the statutory requirement to appoint a DPO. There was no evidence that any corporate communication or awareness raising campaign around this major legislative change had been prepared at the time of the audit. In relation to the appointment of a DPO, at the time of the audit no appointment had been made to the role.

The findings of the review were discussed with management and 10 actions (3 high priority) identified to address the issues were agreed, together with appropriate timescales for implementation. Our assurance work in the area of GDPR will continue in 2018/19.

Risk Management

Effective risk management is an integral part of management and corporate governance to ensure the continued delivery of council services and providing organisational resilience during periods of major change and transformation.

The council's risk management strategy is developed to support the achievement of key priorities, goals and service delivery. It is supplemented by the risk management plan that sets out the risks and actions for the year.

The purpose of our review was to provide independent assurance of the adequacy of risk management arrangements in place. To that end, we were able to give an opinion of **Substantial Assurance**.

Overall we found that that progress was being made against the 2017/18 risk management plan. Risk management processes, roles and responsibilities were clearly defined and risk register

recording is clear and consistent. The council is continuing to embed a consistent risk management culture.

A review of the Leadership Risk Register (LRR) identified that risks are cross referenced to service and Directorate Risk Registers (DRR) providing a line of sight of risk escalation. The LRR is subject to regular review by the Strategic Risk Forum (SRF) and reported through the risk governance process to the Strategic Risk Network (SRN); to Cabinet; and to the Audit and Governance Committee.

Organisational Ethics

The objectives of this review were to gain assurance that the Council has effective arrangements in place to ensure its decisions and operations are open, accountable and in line with recognised ethical standards.

Key areas for testing, the findings of which contributed to the Annual Governance Statement, were:

- The existence and adherence to key policies: whistleblowing policy, gifts and hospitality registers, anti-bribery and corruption policy, declaration of interests requirements, procedures for dealing with conflicts of interest;
- That a suitable Code of Conduct was publicly available, applicable to both members and officers, with adherence overseen by the Monitoring Officer;
- A member committee was used as a mechanism to improve and scrutinise ethical decision making, and this committee was an integral part of the Governance framework at Surrey County Council;
- For key indicators of an ethical culture exist within the Council, with periodic reviews of their effectiveness; and
- That a framework is in place which establishes clear standards of ethical conduct expected of contractors and there are mechanisms in place to monitor and enforce them.

Whilst we identified a small number of low risk areas for improvement, we were able to give an opinion of **Reasonable Assurance** following this review because:

- There was a clear ethical framework;
- The ethical framework was effective in practice;
- There was clear leadership on ethical principles;
- The Council responded effectively if there was a breach in behaviour; and
- The Council had internal control mechanisms in place to detect such breaches.

Troubled Families Programme

The Troubled Families (TF2) programme has been running in Surrey since January 2013/14 and is an extension of the original TF1 scheme that commenced in 2012/13. The programme is intended to support families who experience problems in certain areas, with funding for the local authority received from the Department for Communities and Local Government (DCLG), based on the level of engagement and evidence of appropriate progress and improvement.

The Department of Communities and Local Government (DCLG) require Internal Audit to verify a proportion (10%) of claims prior to a grant submission by the Local Authority for the TF2 programme. We therefore reviewed 5 of the 48 families included in the March 2018 grant claim.

In completing this work, we found that valid claims had been made. All of the families in the sample of claims reviewed had met the criteria to be eligible for the TF2 programme and had either achieved significant and sustained progress and/or had moved from out of work benefits into continuous employment. We therefore concluded that the conditions attached to the TF2 grant determination programme had been complied with.

Additional Audit Reviews

Through discussions with management, the following reviews have been added to the audit plan during the course of the year on the basis of risk:

- Capital Expenditure Monitoring
- Direct Payments
- Pupil Premium
- Information Governance in Schools
- CSF Initial Health Assessments
- School notification of absence, off-rolling & exclusion
- Nursery Education (follow-up)
- Youth Service Governance (follow-up)
- Gifts & Hospitality (follow-up)

The following audits, originally scheduled for 2017/18, have been removed from the plan, primarily because they are either project work which has not progressed sufficiently, or to allow resources to be focussed on emerging higher risk areas and unplanned investigations. Where appropriate, the work has been rescheduled for delivery within the 2018/19 audit plan.

- Pensions Administration
- (Vendor) Data Management
- CRSA (Governance policies)
- SAP application controls
- Pension Fund Investments
- Highways Contract Management (Kier Supply Chain)
- Ethical Procurement
- Collusion in Procurement
- Adult Care Assessments
- Substance Misuse Services
- Property Transformation
- Workplace Travel Allowance
- Local Committee Petitions
- Community Improvement Fund
- CSF Quality Assurance Framework
- Highways Asset Valuation
- CIL / S106 monies

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