

Audits Completed in Quarter 4 (January to March 2019)

Deprivation of Liberty Standards (DoLS) – Follow Up

Deprivation of Liberty Safeguards (DoLS) are a provision of the Mental Capacity Act implemented in 2009 intended to ensure individuals who lack the mental capacity to consent to care or treatment do not have their freedom inappropriately restricted.

Our audit of November 2017 identified three key control weaknesses in this area, one of them being of high priority, and gave an opinion of Partial Assurance. This follow-up audit was scheduled for 2018-19 to assess progress made by management to improve on internal control processes.

Since the previous audit there is evidence of greater scrutiny and oversight of DOLS provided by senior management and Members. In addition, the backlog of completed assessments awaiting authorisation had been successfully cleared by January 2018 and the service is now keeping pace with new claims requiring priority assessment.

Overall, given the improvement in control evidenced during this audit, we were able to raise the level of assurance given to that of **Reasonable Assurance**.

CFL Care Assessments

This audit was commissioned by Chief Executive as an additional review in-year, with a view to providing assurance over the following key processes in Children's Services:

- Care needs assessments and approval of packages of care;
- Commissioning and procurement of care;
- Cost identification, forecasting, and financial monitoring; and
- Review of care packages.

The identified numerous and significant control weaknesses in each of the areas reviewed, led us to agree 30 actions with the service, 27 of them being of high priority. Key findings in particular included:

- The absence of a clear set of procedures and process maps, which contributed to inconsistent practices and varied understanding of expectations on care staff;
- Weaknesses in care package approval processes such that these inconsistencies, and the financial sustainability of care packages, are not being robustly challenged or scrutinised;

- Lack of corporate intelligence for historical IT procurement due to the absence of supporting documents and staff turnover;
- A failure to fully implement IT systems effectively, leading to resource-intensive, inefficient workarounds;
- A prevalence of inaccurate and unreliable service data, which hinders financial monitoring, precludes the availability of meaningful management information, and prevents the council from fulfilling its statutory duties for SEND or as a corporate parent for LAC;
- The existence of manual finance processes that are inefficient, ineffective, and have almost certainly led to data errors and overpayments; and
- Despite the opportunities for shared learning arising from the Orbis partnership, the service has not made full use of peer support, such as the outcomes from the LAC peer review carried out by ESCC within the last year. Similarly, the council has not engaged with ESCC regarding their purchase of a Liquidlogic SEND product, which is currently being implemented.

As a result of these findings, we were only able to give an opinion of **Minimal Assurance**.

The issues identified in this report had already been acknowledged by the service and significant resources allocated to ongoing process re-design and improvements through the Transformation Programme. It is anticipated that the majority of risks will be addressed by this work and Internal Audit will undertake a follow-up review in quarter 2 of 2019/20 to review progress made against agreed actions.

Direct Payments (Surplus Balances)

Direct payments are monetary payments made to individuals to meet some or all of their eligible care and support needs, providing them with more independence, choice and control.

In September 2017, a Specialist Direct Payment Team (SDPT) was created to manage pre-paid accounts on behalf of clients who require additional support managing their direct payments. This represented a transfer of responsibility of 516 client accounts from a third party provider, the Surrey Independent Living Council (SILC), to a new in-house team.

Surplus balances occur on direct payment accounts when clients do not spend the monies allocated to them to meet their care needs, which may be an indicator that an inappropriate package of care is in place or that care needs have changed.

We identified that surplus balances that have accumulated in client accounts are now readily identifiable from reconciliations performed by the SDPT, with significant surpluses reclaimed using computer software. Assessors have subsequently been notified of instances where surpluses have been reclaimed in order to re-review the packages of care in place and prevent repeat surpluses occurring.

We also identified evidence of comprehensive guidance available to staff and effective oversight through the reporting of significant surpluses to senior management. New financial processes are due to be added to the guidance notes to facilitate consistency in practice and measure performance.

Some opportunities for improvement have been identified, including the opportunity to maximise the functionality of existing computer software and improve the feedback process to assessors to prevent surplus balances recurring. Overall, however, we were able to give an opinion of **Reasonable Assurance** for this area.

Modified Fire Pension Scheme (2006) for Retained Firefighters

This was a special review undertaken at the request of the Assistant Director of Commercial Operations, following the discovery that a required 'Options Exercise' for Surrey's Retained Firefighters (RFF) to join the Modified Fire Pension Scheme did not take place in the timeframe prescribed by the DCLG. Historically, RFFs had been precluded from membership of the 1992 Scheme, but following legal challenge they have been entitled to join the Modified 2006 Scheme, if they chose so to do by expressing a preference prior to September 2015 (the end of the DCLG timeframe).

We were only able to give an opinion of **Minimal Assurance** following our review. The Options Exercise required was not even started - let alone completed - by council officers within the stipulated timeframe set by DCLG. This failure can be attributed to a complete breakdown of effective governance, management oversight, and personal accountabilities by a number of officers of the council, most of whom have now left council employment.

The audit identified the need for a review of the current governance arrangements in place over the Fire Pension Scheme to ensure such an issue could not recur, and an audit is proposed in the 2019/20 audit plan to address this. We also identified the need for the council to seek legal and financial support to fully understand any possible future liabilities falling on the authority for RFF not given an opportunity to join the scheme at the time, who now may wish to do so.

Revenue Budgetary Control

Revenue Budgetary Control is deemed to be a key financial system and is therefore subject to annual internal audit review. The audit set out to confirm the existence of key controls within this area, including that:

- Budgets are controlled in accordance with financial regulations;
- There is evidence to support the approval of the budget;
- SAP (Systems, Applications & Products in Data Processing) is updated in accordance with the agreed budgets;
- SAP provides an effective management tool, to enable senior management and the managing body to be kept fully informed of whether the organisation will meet its required spending levels;
- SAP provides information to management which is up to date and should be in a format which can be understood easily;
- Regular budget monitoring is undertaken and the results reported to management in a timely manner; and
- Variations in the budget are reported and acted upon.

Our audit confirmed that expected controls were in place and operating effectively. We identified that some budget users found SAP difficult to use and were reliant upon others to assist them with access to/understanding their budget. We also identified that at the time of audit a number of budget holders were yet to return their Budget Accountability Statements, nor was it clear what sanctions might follow if they failed to do so.

Overall, however, from the work undertaken we were able to give an opinion of **Reasonable Assurance** for this key financial system will all necessary actions for improvement agreed with management.

Emergency Planning and Response

Surrey County Council (SCC) has statutory duties under the Civil Contingencies Act 2014 (CCA) to ensure that the council is prepared and able to respond to any emergency incidents within the county. SCC is identified in the CCA as a "Category 1 responder", a body likely to be at the core of the response to most emergencies.

The Emergency Management Team (EMT) is responsible for ensuring that the statutory duties are carried out. The team works closely with other SCC departments and members of the Surrey Local Resilience Forum (SLRF) to co-ordinate Surrey's emergency arrangements to ensure that if a major incident occurs, residents are prepared and essential services are restored as quickly as possible. The team's work includes risk assessment, emergency planning, business continuity management, co-ordination with other key departments and

responders, providing a 24 hour on-call service to manage incidents, and providing advice and guidance to businesses and other organisations and community groups.

The purpose of our audit was to assess how effectively EMT is meeting its objectives at both local and SLRF levels, and to assess whether it complies with the CCA requirements, through a review of key controls and objectives.

We were able to identify that many key controls were present in the areas examined, that key policies and processes for EMT were in place, and that business continuity plans and business impact assessments have been prepared for all SCC services.

The audit did, however, identify a number of areas where arrangements need to be strengthened further, including the need to ensure:

- Recently revised governance arrangements are fully implemented and tested;
- There is an appropriate forum for discussing and escalating EMT related issues, now likely to be achieved through the new Corporate Resilience and Health & Safety Group;
- Business support services are readily available in the event of a serious incident;
- Staff listed as on-call are always readily available;
- All Business Continuity Plans (BCPs) and Business Impact Assessments (BIAs) updated as required; and
- Appropriate arrangements continue to be made in preparation for a No Deal Brexit.

Overall, we were able to give an opinion of **Partial Assurance** in this area, with management agreeing to all improvement actions arising.

Adult Social Care (ASC) Assessments

This audit was commissioned by Chief Executive as an additional review in-year, with a view to providing assurance over the following key processes in ASC:

- Care needs assessments and approval of packages of care;
- Commissioning and procurement of care;
- Cost identification, forecasting, and financial monitoring; and
- Review of care packages.

Within the past year, ASC management have implemented numerous new ways of working designed to improve the efficiency of all stages of care package management. In addition, several transformation projects are ongoing intended to improve service delivery.

We were able to provide **Reasonable Assurance** over the controls operating within the area under review, whilst agreeing some actions with management for improvement. We undertook walkthrough testing of each of the new ways of working being implemented for

care package management and, reviewing these initial results, were satisfied that the service is taking appropriate action to improve the processes and cost management of social care delivery.

We tested a number of interfacing IT systems, which have ensured that, not only are there robust care records, but also that a variety of management information is readily available. Our testing concluded that Consistency Practice meetings provide challenge and scrutiny of care package hours and costs, and that the implementation of Market Place (a self-managing e-brokerage system for home based care (HBC) and LD packages that improves the purchasing process and allows practitioners to select the best value provider available to deliver care) had been successful.

There is, however, an opportunity to make better use of data to introduce routine checking of the cost effectiveness of packages purchased using Market Place. The need for such checks is highlighted by our findings which identified that only 30% of care packages are purchased from the cheapest provider.

We concluded that the service is making good use of peer support and review, including conducting a substantial benchmarking exercise that enabled identification of potential inefficiencies, and working with similar local authorities to identify good practice and alternative approaches to care provision.

The service are continuing to develop transformational solutions to address residual weaknesses in the control environment, which includes the development of an online portal for individual self-assessment, together with a “Conversations at the front door” model to reduce demand for full assessments and care packages.

Procurement Controls

During recent months a number of reviews have highlighted instances where more robust challenge from the Procurement Team, acting as gatekeeper for the procurement process, would have helped ensure that more compliant processes were followed, better value for money was achieved and the risk of external challenge would have been reduced. We, therefore, took opportunity to highlight these and to use the lessons learned to assist in driving improvement across the partnership.

Based on three specific areas examined, we identified key opportunities for improvement relating to:

- The need for the Procurement Team to be involved at the outset of tendering exercises and, if possible, to avoid changes to personnel in the middle of tenders (though this may be difficult to avoid if staff leave the authority);

- The use of more senior and experienced Procurement personnel to support tenders in some instances;
- The need to identify more consistently instances where procuring officers (i.e. client officers outside the Procurement Team) have a conflict of interest and to follow up and challenge any potential conflicts that have been declared more effectively;
- Educating officers across the Council to promote compliance with Contract Standing Orders as well as promoting their existence and significance more broadly;
- Improving the robustness with which tenders are evaluated and ensuring that any amendments to bids are managed consistently and fairly;
- Ensuring all meetings with suppliers are documented to promote transparency and fairness; and
- Highlighting the importance of maintaining good working relations with suppliers, managing bidders' expectations and, thereby, forestalling complaints by unsuccessful tenderers.

A detailed management action has been agreed to resolve these issues and promote good procurement practice. Due to the nature of this audit, no overall opinion was given.

Capital Expenditure Monitoring

The Council manages its £322m capital programme through a 3 year Medium Term Financial Plan MTFP (2018 to 2021). The planned budget for the 2018/2019 financial year was £131.9m. As a key financial system, capital expenditure monitoring is subject to regular review by Internal Audit.

The objective of the audit was to provide assurance that key controls were in place, were operating as expected and to ensure budget holders were managing their capital expenditure in an effective manner.

We were able to provide an opinion of **Substantial Assurance** following our review, with the key objectives of the process being effectively met, specifically to ensure:

- The budget is reported and accepted formally by the Council;
- Budgets are controlled in accordance with Financial Regulations;
- Regular budget monitoring is undertaken, with timely reporting to management;
- Variations in the budget are reported and acted upon; and
- Explanations are obtained and appropriate responses made promptly where significant variances occur.

Our audit report contained some low and medium priority agreed actions in respect of revisions to the Capital Budget Handbook, and in amending Financial Regulations to include

capital budget holders in the requirements for registering a Budget Accountability Statement.

Traffic Signals

In April 2017, contracts for the inspection, maintenance and refurbishment of traffic signals were awarded to Siemens Traffic Solutions. Our review, which considered the effectiveness of traffic signal management, and in particular the management and performance of the Siemens contract, was requested by the service and was part of the agreed 2018/19 Internal Audit Plan.

The purpose of our audit was to assess key controls and processes in this contract. We paid particular attention to verifying the existence and effectiveness of:

- A suitable inspection plan, together with recording of inspections, reported faults and minor works with a schedule of rates for necessary works and programme of refurbishment;
- Properly specified and cost-estimated revenue and capital works;
- Controls to ensure works were carried out to acceptable timescales and standards prior to authorising payment, and that payments are in line with contracted rates; and that
- Regular meetings with the contractor were held to review performance and to address significant issues.

We found that following an initially challenging period, the contractor now appears to be performing to an acceptable standard, with strong contract management by the Traffic Operations Team.

Additionally, we were able to provide assurance that the controls and processes tested were effective, including the arrangements around inspection programmes, cost estimation for necessary works, budgetary control and approval of payments.

Whilst overall we were able to provide **Reasonable Assurance** in relation to this area, we did agree a number of actions for improvement with management, particularly relating to:

- Use of contract variations;
- Monitoring of invoiced costs against estimate trends;
- Recording and reporting of inspections;
- Application of penalties where considered appropriate; and
- Contractor maintenance of Variable Messaging Signs (VMS) equipment.

Transformation Programme

As a starting point for our ongoing review of this area, we have assessed the current position of SCC's transformation programme against the criteria detailed in a report produced following the failed transformation programme at Bristol City Council, the 'Bundred Report'.

A high level assessment against criteria within the Bundred Report indicates SCC management have addressed all the fundamental principles of a transformation programme. The effectiveness of arrangements is yet to be determined, and will form the focus of future assurance work, but the efforts made to date to ensure the governance underpinning the programme is robust is encouraging.

Our first Position Statement made the following observations:

- Business cases are consistent and consider both 'business as usual' components as well as the additional resources required to support transformation;
- The Transformation Steering Board and Change Management Board have appropriate membership and frequency of meetings, and actions arising are recorded although the terms of reference for both boards could be updated to clarify the extent of delegated responsibility, in particular for financial or other decisions that would normally require escalation to Cabinet or Council;
- Project Managers may benefit from support or training to ensure a consistent approach to the identification and recording of risk;
- As the programme progresses, business cases are being replaced by 'project overviews' to support delivery. The programme is moving with significant speed but we are satisfied that the current exercise to prioritise projects should help focus resources and facilitate successful delivery of project outcomes.

Quality Assurance Framework in Children's Services

The objective of this audit was to review the processes in place through which the Quality Assurance Framework in Children's Social Services was operating, recognising that the improvements arising from quality assurance review relies in the greater part on service managers acting on their findings and recommendations. With this in mind, our audit also reviewed samples of the work undertaken by the Quality Assurance Team to assess its impact.

Whilst we have provided an overall opinion of **Partial Assurance** since the fieldwork was undertaken at the end of 2018, there has been a great deal of reorganisation and activity across Children's Services, particularly in this area. This includes the appointment of a Director of Quality Assurance, subsequent revisions to the Framework, and changes in

operational practice. Whilst our findings remain accurate at the point in time that the audit was completed, progress had already been made by management to address the issues identified.

Areas for improvement identified during our review included:

- Updating and implementing the underpinning Quality Assurance Framework and Approach document;
- Ensuring that comprehensive strategies, policy and procedures specifically relating to the Quality Assurance function are in place;
- In addition to leadership oversight and approval of the new structure and quality assurance improvement plans, ensuring that the annual quality assurance programme of work is formerly presented to and approved by the Leadership Team or the Children and Education Select Committee;
- Strengthening the independence of the Quality Assurance function to help ensure findings from its work are reported clearly and to enable appropriate improvement actions to be taken in all cases; and
- Maintaining appropriate records to confirm that recommendations made in Quality Assurance reports have been agreed and actioned.

Grant Certification

We have audited and certified two grant claims where the council receives funds through the Interreg Europe Programme. Both of these claims were at the initial (First Semester) stage, in programmes that will continue for a number of years.

The claims were in respect of:

- 'Digi-Tourism' – to promote Digital Realities (Virtual reality and Augmented reality) in the European tourism sector; and
- 'Urban Links 2 Landscape' – to develop policies and approaches to the efficient use of open land on the fringe of urban areas.