

## **Audits Completed in Quarter 4 (January to March 2020)**

### **Residential Care Homes**

Surrey County Council's contract with Anchor came to an end in March 2019, at which point the council took back eight, refurbished homes and Anchor retained the nine, re-built homes for a further 10-years.

The purpose of our audit was to consider the robustness of arrangements in place to manage the return of the eight residential care homes from Anchor back in-house, and to seek assurance that resources remain appropriate to meet the care needs of residents both now and in the future.

Specifically, we reviewed key documentation and processes in order provide assurance that controls are in place to meet the following objectives:

- Processes and arrangements in place were compliant with relevant regulations;
- A lessons learnt exercise had been conducted and information retained to promote the success of future projects;
- Medium and long-term plans are place for the eight homes already returned to SCC, as well as the homes that will return from Anchor and Care UK;
- The financial implications of transferring homes back to SCC had been fully assessed and included in plans;
- There was a strategy in place to ensure the workforce is appropriate to deliver care; and
- There were sufficient resources in place within relevant directorates to support SCC's care service requirements.

Overall we were able to provide reasonable assurance that these key controls were in place. The transfer was treated as a project, rather than business as usual, which led to success in coordinating with a number of services across the council, not just ASC Service Delivery.

A number of areas were also identified which required attention by management, and all of these were agreed within the final audit report:

- Due to access to the homes being restricted by Anchor prior to transfer, the financial implications of transferring the eight homes back to SCC could not be fully assessed prior to their return. Whilst revenue costs increased from initial estimates but are now approximately in line with the revised budget, additional capital costs totalling £2.3 million over five years were subsequently identified after transfer and have had to be factored into the council's capital budget;
- Earlier preparatory work to plan for the end of the contract would have been beneficial, allowing time to explore alternatives including other procurement activity;
- At the time of the audit no formal decision had been taken regarding the future plans for the eight homes already returned to SCC, nor the services remaining with Anchor and Care UK. To allow all possible options to be contemplated and ensure

the needs of the county and its residents are met, we suggested the properties would need to be considered as part of future commissioning strategy with options needing to be deliberated in a timely manner taking the wider ASC strategy into account.

### **Public Health - Payments to GPs and Pharmacies**

Surrey's Public Health services are funded by Public Health England, as was £35.6m for 2019/20. The two largest areas of spend are with General Practices (GP) and Pharmacies and relate to health checks and long acting reversible contraceptives (LARC) as part of sexual health services. Payments made in 2018/19 year for health checks totalled £271,518 to GPs and £61,494 to pharmacies, whilst LARC (which are only provided by GPs) totalled £1,148,725 in the same period.

Our audit specifically focussed on the distribution of payments relating to health check services and LARC with a view to assessing possible fraud risks. A previous audit, completed in March 2016, highlighted the potential for incorrect claims and payments to be made because there were no key controls to validate claims from GPs or pharmacies. While the service has addressed the historical audit findings to an extent, we analysed a full year of data from 2018/19 (as a full year dataset from 2019/20 was not available at the time of the audit) to ensure no residual fraud indicators remained.

Our conclusions from this analytical review of available data were that:

- the risk of SCC disproportionately paying for residents outside Surrey appears to be low, as only 3% (51 of 1,684) of all pharmacy health checks claims are 'out of Surrey' patients;
- GPs and pharmacies are only making claims for payments that fall within the confirmed Public Health Agreements in place;
- there remains limited validation of payments for health checks to both GPs and pharmacies, although the potential risk of fraudulent claims appears to be low given the low volume and controlled spend on the service; and
- although validation of LARC claims by GPs is 'light touch', the potential for fraudulent claims is reduced because LARC implants require follow-up appointments, which are audited under NHS England contract terms. Consequently, if the service was not delivered, or was fraudulently claimed, missed follow-up appointments would be identified during clinical governance audits.

We provided advice to Public Health regarding benefits to their service from using data analytics tools, such as Tableau, to identify unusual volumes of activity by specific location, as well as informing aspects of service provision such as low uptake. As a result of the findings of the audit, we gave an opinion of Reasonable Assurance, with all improvement actions agreed with management.

### **Payroll**

Payroll is one of the council's key financial systems and so is audited annually to provide assurance against key system controls.

In the seven months from 1 April 2019 to 31 October 2019, the period sampled in the audit, payments in excess of £242m were processed for SCC employees and 116,951 payslips were produced.

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

- Starters are properly approved, and pay is calculated and paid from the correct date;
- Leavers are removed from the payroll in a timely manner and paid correctly and accurately to the correct date;
- Permanent variations to pay are properly approved, calculated and paid from the correct date;
- Pay-runs and BACS transmissions are correct and authorised;
- Payroll data is regularly reconciled to the general ledger;
- Temporary payments (including additional hours, expense claims and payment to casual staff) are correctly authorised prior to processing;
- Budget holders confirmed staff are paid appropriately and budgets are monitored;
- Changes to standing data are reviewed, accurately input and authorised; and
- Actions from the last payroll audit had been implemented.

Based on the work undertaken, we were able to provide Reasonable Assurance over the controls operating within the payroll environment.

However, opportunities existed to further improve the control environment and we agreed actions with management in the following respect:

- With regard to the reconciliation of the General Ledger, whilst some clearance of historic suspense account items had occurred since the last audit it is important that progress continues in this regard to complete the task;
- For all starters, copies of original identification documents should be 'certified' to confirm that they were true copies of originals;
- Improving controls at service management level, including addressing issues in relation to the late submission of leaver forms and lapses in budgetary control;
- Addressing issues that had led to historical overpayments to staff.

### **ICT Compliance Frameworks**

Organisations face an ever-increasing list of statutory, regulatory, contractual and legal compliance obligations. While these areas of compliance concern the whole council, they often require significant input from IT&D.

Areas of compliance that have varying impact on IT&D within Surrey County Council include:

- Government Public Sector Network (PSN) Code of Connection (CoCo);
- Data Security & Protection (DSP) Toolkit; and
- Payment Card Industry Data Security Standard (PCI (DSS)).

While not considered areas of compliance, there is an expectation that the Senior Information Risk Owner (SIRO) would also look to take assurance from IT standards such as Cyber Essentials & Cyber Essentials Plus.

The primary objective of this audit was to provide assurance that effective controls are in place for the overall governance arrangements within IT&D, which help to ensure that suitable assurances are provided to the SIRO and the council.

We were able to provide Reasonable Assurance over the controls operating to support the accurate completion of the compliance frameworks. This opinion means that most controls are in place and are operating as expected to manage key risks to the achievement of system or service objectives.

Our testing found that effective governance processes are in place. Whilst there are statutory requirements for compliance in place for some frameworks e.g. Data Security & Protection (DSP) Toolkit, management have adopted a positive culture of looking to gain assurance from other relevant standards and work towards compliance with these.

Appropriate review and approval of frameworks and standards is taking place. Officers undertaking the review are being provided with enough supporting information to undertake this process effectively.

Arrangements are in place to provide assurance that continued compliance with frameworks and standards is maintained. This is achieved through robust policies as well as training and support for members of staff.

We agreed actions in relation to the Senior Information Risk Owners review of documentation prior to framework submissions, reviewing and updating relevant policies, and ensuring that important information is documented.

### **Officer Code of Conduct**

Our audit examined two aspects of the Code of Conduct for officers, focusing on the gifts and hospitality policy, and the requirement for officers to register interests. Both audits were reported together, but with a separate opinion for each aspect.

#### *Gifts & Hospitality*

The purpose of this audit was to provide assurance that controls were in place to meet key system objectives, including:

- The policy was unambiguous, and set out key principles and robust governance arrangements;
- All officer declarations of acceptance were scrutinised and authorised by managers;
- The policy had been effectively communicated to officers, interims, agency workers, and contractors;
- A reference to compliance with the council's gifts and hospitality policy had been incorporated within all commercial contracts between the council and third parties.

We were not able to provide assurance that all of the controls were in place as expected. The existing policy was not considered to be not sufficiently clear and had led to a culture where gifts and hospitality were being accepted by officers when they should not have been, and that these acceptances were not subject to proper scrutiny or challenge by those responsible for approving them.

At the time of our audit the gifts and hospitality policy was under review by HR&OD, so the audit was able to suggest improvements in conjunction with a forthcoming implementation of an automated self- declaration process via the SAP portal. The suggested improvements included:

- The development of a technical solution to allow actual independent authorisation by the manager to happen, which is a requirement of the policy;
- The creation of a single corporate register in which to record entries, allowing holistic oversight and accurate reporting;
- Improvement in terms of clarity and defining principles within the policy, to lead to a positive shift in its tone; and
- Implementing a mechanism within contract documents to encourage third party service providers to bring to the attention of the council any relevant declarations of gifts and hospitality they have received whilst undertaking council-related business or services.

As a result, we were only able to give Partial Assurance in relation to this review, which will be subject to a follow up audit in the future to confirm appropriate improvements are made.

### *Registration of Interests*

The purpose of this element of the review was to provide assurance that controls were in place to meet key objectives including:

- There were clear policies in place to ensure that employees are aware of their responsibility to declare a conflict of interest, and had made such declarations;
- All employees were aware of their responsibility to complete a declaration of interest where their circumstances changed and required it;
- Declarations had been appropriately acted upon after managerial review and, where required, measures are put in place to mitigate the implications of them; and
- Robust monitoring processes are in place to ensure that all declarations made and reviewed in a timely manner.

We concluded that the existing system for recording declarations of was not robust, with those records that did exist being held in local drives and emails and not a single central record. At the time of our audit, a SAP-based system was under development to record and manage any declarations and consequently actions agreed as a result of our audit supported this process.

Improvements that will be derived from the agreed actions being implemented include:

- Using the SAP solution, an annual prompt to all employees will be an effective mechanism to consider any changes in circumstances and renew declarations accordingly;
- The provision of training to managers about how to manage declarations, including what constitutes a risk and how to propose mitigation measures;
- Developing arrangements to allow the process to cover employees without access to the SAP Portal, including those in care homes, and commercial services; and
- Devising a process to ensure the inclusion of interim staff, consultants, contractors and agency workers.

Allowing for the control environment in place at the time of the audit, we were only able to give an opinion of Partial Assurance in this area.

### **Member Code of Conduct**

In a similar vein to the audit above, this review examined two aspects of the Code of Conduct for members, focusing on the gifts and hospitality policy, and the requirement for members to register interests. Both audits were reported together, but with a separate opinion for each aspect.

The Localism Act (2011) gave local authorities responsibility for setting members' standards and conduct. In practice there is no legal requirement for local authorities to maintain a gifts and hospitality register, nor for individual members to register or declare gifts and hospitality they receive as part of their role. However, the responsibility remains with the councillor to be aware of their legal obligations.

For both areas our audit reviewed and assessed the processes the council has adopted to ensure that appropriate controls were in place (in a similar vein to the officer equivalent controls, above).

#### *Gifts & Hospitalities*

The council requires members to notify the Monitoring Officer of gifts and hospitality above £100, which are recorded and held in a register by the Member Services team. Following a review of the equivalent policy at similar local authorities, and in the spirit of transparency and in keeping with the Nolan principles, we agreed with the Monitoring Officer that it was prudent to decrease the threshold to £50.

Our audit also identified some areas for improvement in the current process, for which actions were agreed:

- To ensure declarations were made within 28 days of the offer being made;
- To consider the inclusion of refused offers of gifts and hospitality, and not just acceptances;
- To clarify whether a gift to an immediate family member should also be declared; and
- To clarify the guidance over claiming travel costs to and from an event where hospitality has been declared, as current practice is inconsistent.

As a result of our audit, we were able to give an opinion of Reasonable Assurance.

### *Registration of Interests*

Generally we found that the system of control in place was reasonable and compliant with legislative requirements. We did, however, identified a few areas where further improvements could be made, including:

- Recognising that members would benefit from support in the form of training, regular reminders and awareness of their obligations of how and when to record or update an interest;
- We identified that since May 2017 information held under the header 'Register of Interests' on the public website has not been updated, largely a result of resourcing constraints in the Member Services team (although work is currently being carried out to update these records); and
- The current guidance uses the term 'promptly' to describe the time-line for updating the register of interests. To avoid ambiguity, this should be further clarified by setting an actual time of 28 days, which is the statutory requirement.

We were able to record an opinion of Reasonable Assurance as a result of our audit.

### **Grant Certification**

We have audited and certified a number of grant claims in this period where the council receives funds through different Interreg programmes: Interreg Europe, and Interreg NW. These claims are audited in semesters, 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;
- 'Urban Links 2 Landscape' – to develop policies and approaches to the efficient use of open land on the fringe of urban areas; and
- IMAGINE – 'Inclusive Market AGriculture Incubator in North-West Europe', which aims to tackle youth unemployment by providing sustainable job prospects in the horticulture sector, more specifically for young people (15-34 years old) who are NEET.

We have also audited a further stage of the Troubled Families grant, which we were able to certify without qualification.

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