

Standards & Audit Committee

Internal Audit Progress Report 2015/16

Date of Committee: 8th December 2015

Introduction

The internal audit plan for 2015/16 was presented to the Standards & Audit Committee on 16th July 2015. This report provides the second update on progress against that plan since the 24th September meeting.

Table showing Reports issued as Final, Draft Reports issued to Client and Work in Progress

Assignment	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Audits to address specific risks					
Fostering	Final	Amber/Green	0	3	0
School Condition Funding	Final	Green	0	0	0
Children's Centres	Final	Green	0	2	2
Register of Interests, Gifts & Hospitality	Final	Green	0	0	2
Street Lighting	Final	Amber/Green	0	3	1
St Joseph's Catholic Primary School	Final	Green	0	2	2
Procurement Cards	Draft with Client	N/A	N/A	N/A	N/A
Safeguarding of Assets (Appointeeship and Deputyship)	Draft with IA Manager	N/A	N/A	N/A	N/A
Spend under £75K	Work in Progress	N/A	N/A	N/A	N/A
Recruitment	Work in Progress	N/A	N/A	N/A	N/A
Insurance	On hold – see below	N/A	N/A	N/A	N/A
Procurement in Schools	On hold – see below	N/A	N/A	N/A	N/A
Core Assurance					
Housing Rents	Final	Green	0	1	1
Adult Social Care Expenditure	Draft with IA Manager	N/A	N/A	N/A	N/A
Payroll	Work in Progress	N/A	N/A	N/A	N/A
Cash and Banking	Work in Progress	N/A	N/A	N/A	N/A
Advisory Reviews					
Special Guardianship	Final	Advisory	4	0	0

The report on Special Guardianship was an Advisory report where an assurance opinion was not provided but a number of high risk recommendations were identified

so the management summary and action plan have been included in detail at the end of this report.

Due to on-going issues with availability of staff within the Insurance team, it was agreed with the Head of Corporate Finance, that the review would be deferred until 2016/17.

The Internal Audit Manager and a Senior Auditor attended a "Presentation to Schools" meeting on the 15th October to lay out the scope of the Procurement in Schools review. The meeting was attended by school's Finance Officers and it was agreed that this work would commence in mid-January.

The Internal Audit Service has also been supporting the Corporate Fraud & Investigation Directorate on two on-going investigations and the National Fraud Initiative.

Update on reports issued with an Amber/Red opinion

The following actions have been taken:

Amber/Red reports presented to Standards & Audit Committee September 2015.

Adults Direct Payments

- Every person has to have a new direct payment agreement when they have their annual review. This will pick up any that are missing.
- Staff reminded that any changes require a new direct payment agreement.
- All financial assessments that had not been reviewed in the last 12 months' have now been picked up and carried out.
- Customer Journey Practice manual has been updated.

Children's Direct Payments

- Finance forms are now checked by the Team Manager and no alterations are accepted without a new completed finance form.
- Letters are sent out to when the evidence to support the annual assessment is not received in a timely manner. However, resources are still an issue when following up so the Direct Payments Officer has been signed up to attend a time management course to see if this can help her sharpen up the process.
- All Direct Payments have now been subjected to an annual review.

Supported Living

Due to the unforeseen personal circumstances of the Service Manager following the death of a close relative, this has not yet progressed. The Contracts Team Manager stated that a meeting had been arranged to discuss the action plan and start implementing the recommendations which were due to be completed by 30th September. However, a new meeting is to be set up and new implementation dates agreed.

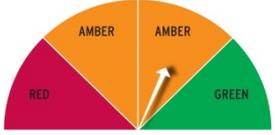
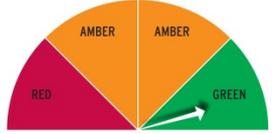
Advisory Report presented to Standards & Audit Committee December 2015.

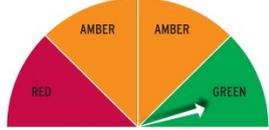
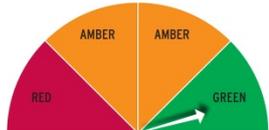
Special Guardianship

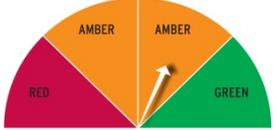
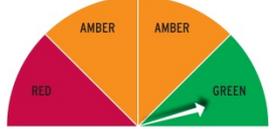
A monthly monitoring and practice review meeting takes place which the Internal Audit Manager attends in an advisory capacity. This is primarily aimed at addressing the issues around these types of payments but the service are now drilling down to clarify payments for other allowances/orders e.g. residence orders which are being

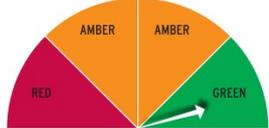
phased out but the Council still pay to about 12 people under these orders. Payments of allowances were included on the last SMT meeting so all senior staff are now aware of the importance of making sure these orders and the payments are set up correctly.

Key Findings from Internal Audit Work

Assignment: Fostering	Opinion: Amber/Green	
Headline Findings: Our review of Fostering identified 3 medium recommendations around the adequacy of the control framework. The 3 recommendations from the previous review remain outstanding and have been repeated within this review.		
Action and Response	Responsible Officer	Date
<p>Action - It is recommended that the Fostering and Supplementary Allowance document is kept up to date to ensure staff and Foster Carers have the latest information available. In addition, the website needs to be updated to reflect the current rate. This will help to reduce the likelihood of errors in process or payment.</p> <p>Response – Agreed - Person usually responsible for the website is on maternity leave. Management action to request appropriate admin person to do this.</p>	Fostering Team Manager	September 2015
<p>Action - It is recommended that where a Carer fails to supply receipts to cover expenses for equipment purchases, they should be reminded that payments may be withheld. In respect of the 2 small overpayments (£130 and £289.85) and 1 small underpayment (approx. £22.50), these need to be investigated and appropriate action taken.</p> <p>Response – Agreed - Manager to inform appropriate administrative of this action.</p>	Fostering Team Manager	September 2015
<p>Action - Managers should be reminded that claims should not be authorised if they are not sufficiently detailed to determine their validity and accuracy, including attaching receipts where public transport is being claimed. If necessary, they should be returned so they can be completed fully and relevant receipts be attached. They should also be checked and signed by the supervising Social Worker before being submitted to the manager for final authorisation and payment. This will help to ensure only bona fide expense payments are made.</p> <p>Response – Agreed - Instruct relevant admin and social worker.</p>	Fostering Team Manager	September 2015
Assignment: School Condition Funding	Opinion: Green	
Headline Findings: Our review of School Condition Funding did not identify any issues around the adequacy of the control framework. All schools had given agreement for the work, prior to commencement. Invoices were raised and authorised for payment for all schools earmarked for conditioning works. Payments of these invoices were reflected in the general ledger.		

Assignment: Children's Centres	Opinion: Green	
Headline Findings: Our review of Children's Centres identified 2 medium and 2 low recommendations around the adequacy of the control framework.		
Action and Response	Responsible Officer	Date
<p>Action - It is recommended that the Council continues to work closely with the Provider to ensure that the targets for "hard to reach" groups are understood, adequately resourced and any barriers addressed in good time.</p> <p>Where there are any differences between the Providers self-assessment report and the Authority's annual evaluation, steps should be taken to identify why these discrepancies occur and to highlight any areas for improvement. This process will help the Children's Centres to enhance the improvements already identified internally and through Ofsted reporting. Efficient and effective working will help to achieve value for money.</p> <p>Response - The manager of the 4 Children's Centres is invited to the monthly children centre manager meetings.</p> <p>The Children Centre Improvement Partner (CCIP) visit for the autumn term 2015 is focusing on target groups re identification, engagement and the provision of relevant services.</p> <p>Regular meetings between CCIP partner and the Early Education Improvement Officer to feedback on termly CCIP visits.</p>	Early Education Improvement Officer	October 2015
<p>Action – Agreed - The Commissioning Team and the service department should consider a review of the annual contractual costs at the end of the 3 year period and compare them to the costs of running other Children's Centres. A cost benefit analysis helps to demonstrate that the Council are measuring cost and quality to determine that they are getting value for money and are being provided with an efficient and effective service.</p> <p>Response – Agreed - Budget comparison to be included in contract review to inform commissioning intentions.</p>	Children's Commissioner	September 2015
Assignment: Register of Interests, Gifts and Hospitality	Opinion: Green	
Headline Findings: Our review of the Register of Gifts, Interests and Hospitality did not identify any significant issues around the adequacy of the control framework. In general, procedures were robust and members and officers follow the correct procedures. The 1 recommendation from the previous review had been implemented.		

Assignment: Street Lighting	Opinion: Amber/Green	
Headline Findings: Our review of Street Lighting identified 3 medium and 1 low recommendations around the adequacy of the control framework. There has been no specific review in this area in the last 6 years.		
Action and Response	Responsible Officer	Date
<p>Action - Whilst acknowledging that the works under the contract are being carried out, from a legal and procurement perspective, it is recommended that the Street Lighting contract is formally agreed and signed. This will reduce the likelihood of delays in the event of settling any disputes that may arise around delivery of, or payment for, the service.</p> <p>Response – Agreed - Contract will be added as an Agenda item and its progress monitored through regular meetings.</p>	Highways Infrastructure Manager	November 2015
<p>Action - It is recommended that contractor meetings have a standard agenda which covers contractual as well as operational issues. It should cover areas such as health & safety, outstanding works, performance, inspections etc. This helps to address issues with the contract which have resulted in it not being signed off (see above).</p> <p>Response – Agreed - Standard Agenda will be created and agreed with contractor for use in regular meetings.</p>	Highways Infrastructure Manager	November 2015
<p>Action - Once the reporting system has been redesigned, performance reports should be produced on a regular basis for discussion during meetings with the contractor. This will ensure that any actions required are recorded and their implementation is monitored.</p> <p>Response – Agreed - Contract management process will be put in place and Performance Monitoring reports will be run for discussion at regular meetings.</p>	Highways Infrastructure Manager	February 2016
Assignment: St Joseph’s Catholic Primary School	Opinion: Green	
Headline Findings: Our review of St Joseph’s Catholic Primary School identified 2 medium and 2 low recommendations around the adequacy of the control framework. The 2 recommendations from the previous review had been implemented.		
Action and Response	Responsible Officer	Date
<p>Action - Orders must be raised in the first instant to ensure management information reports are up to date and proper authorisation obtained.</p> <p>In addition, copies of all quotes must be kept to</p>	Headteacher Business Manager	December 2015

<p>evidence that value for money was obtained. Where applicable, the orders for these larger expenditures must be signed by the relevant governor in line with the school's financial regulations and reported to the Governing Body.</p> <p>Response – Agreed - Procedures will be put in place.</p>		
<p>Action – An overtime claim form must be completed and signed by all staff carrying out additional hours, including casual hours worked and those staff being paid regular overtime, before it is handed to the Business Manager for checking and forwarded to the Headteacher for authorisation. This ensures there is a proper audit trail and payments are transparent and properly authorised.</p> <p>Response – Agreed - This will be implemented immediately for the next payroll run.</p>	<p>Headteacher Business Manager</p>	<p>November 2015</p>
<p>Assignment: Housing Rents</p>	<p>Opinion: Green</p>	
<p>Headline Findings: Our review of Housing Rents identified 1 medium and 1 low recommendations around the adequacy of the control framework. 2 of the 3 recommendations from the previous review had been implemented. The recommendation remaining outstanding has been repeated within this review.</p>		
<p>Action - It is recommended that the last six years of written off former tenant's arrears debts are referred to the Debt Recovery team for them to pursue in accordance with the Fair Debt Policy. Any money recovered would benefit the Council as the debt has already been written off. In addition, it would send out a message that even aging debt will be pursued.</p> <p>Response – Agreed - Heather Gunn to provide the data to Debt Recovery at the end of the financial year.</p>	<p>Head of Housing, Housing Rents & Welfare Manager and Debt Manager</p>	<p>April 2016</p>

1 Executive Summary

1.1 INTRODUCTION

An audit of Fostering was undertaken as part of the approved internal audit periodic plan for 2015-16. However, the Service Manager requested that Special Guardianship be added to the scope of the work due to some concerns around this area. It was agreed with the Director of Children's Services and the Head of Corporate Finance that the Special Guardianship review would be reported separately from the Fostering review.

Special Guardianship was a new Order under the Children Act 1989 which became available from 30 December 2005. Special Guardianship offers a further option for children needing permanent care outside their birth family. Special Guardians have Parental Responsibility for the child. It offers greater security without absolute severance from the birth family as in adoption. Special Guardianship provides an alternative for achieving permanence in families where adoption, for cultural or religious reasons, is not always an option.

The expenditure for special guardianship in 2014-15 was £855,792.

The audit was designed to assess the controls in place to manage the following objectives and risks:

Objective	There are appropriate controls to ensure that payments for Special Guardianship are appropriate.
Risk	Payments for Special Guardianship may not be correctly made resulting in financial loss to the Council.

1.2 SCOPE OF THE REVIEW

To provide an overall opinion on the control framework and risk management arrangements within the area under review by evaluating the extent to which controls have been applied. Control activities are put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. When planning the audit, the following controls to be reviewed and limitations to the scope of the work were agreed during the audit planning process:

Control activities to be tested:

- Assessment of Special Guardianship payments.

Limitations to the scope of the audit:

- Testing will be sample based and therefore any findings will be based on this sample. In addition, our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

The approach taken for this audit was a Risk-Based Audit.

1.3 CONCLUSION

The audit tool selected is **Advisory** and as a result, an opinion has not been provided in relation to the control framework for the area under review and the risks material to the organisation's objectives for this area.

Overall, a full review of the arrangements around Special Guardianship needs to be undertaken. It is acknowledged that the Service Manager has identified this and is looking at ways to move the service forward. This report will assist him in that respect and the recommendations included in the action plan to address the weaknesses can be used to enhance the control environment. The following key issues were identified:

- There was a draft Special Guardianship Policy dated April 2015 but there were no detailed written procedures available for staff to follow.
- The correct rates were not always being applied.
- Some benefits were not being deducted which contravenes HM Revenue & Customs regulations.
- Review letters have not been sent every year.

1.4 RECOMMENDATIONS SUMMARY

The following tables highlight the number and categories of recommendations made. The Action Plan at Section 2 details the specific recommendations made as well as agreed management actions to implement them.

Recommendations made during this audit:

The recommendations address the risks within the scope of the audit as set out below:

Risk	Priority		
	High	Medium	Low
Payments for Special Guardianship may not be correctly made resulting in financial loss to the Council.	4	0	0
Total	4	0	0

We have also made one suggestion that the Council should consider means testing.

1.5 ACKNOWLEDGEMENT

We would like to thank all staff who provided assistance during the course of this review.

2 Action Plan

The priority of the recommendations made is as follows:

Priority	Description
High	Recommendations are prioritised to reflect our assessment of risk associated with the control weaknesses.
Medium	
Low	
Suggestion	These are used to highlight good practice or provide management with ideas or suggestions that they may wish to implement. Suggestions do not appear in the Action Plan and do not impact on our overall opinion.

Ref	Recommendation	Risk Rating	Agreed (Y/N)	Management Action to address recommendations	Completion Date	Responsible Person
1.1	It is recommended the draft Special Guardianship policy is agreed and adopted as soon as possible as it addresses a number of the issues raised in this review. In addition, detailed procedures need to be developed to assist staff in processing applications. This will ensure that support services, including financial support, are fairly and consistently applied.	High	Y	This is already in place and located as a local policy on the council website and accessible for all staff. The guidance has been disseminated to all Service Managers.	Complete	S. Shardlow
1.2	It is recommended that a senior manager reviews and agrees financial support allowances to ensure the correct process has been followed, particularly around special guardians who are already in receipt of benefits for the child they are guardian over. In addition, system triggers should be used to ensure that payments are not made beyond	High	Y	Monthly financial audit & practice review meeting chaired by the Service Manager with finance and the Adoption Social Work team. Service Manager for Adoption now agrees all support plans. The Adoption team are embedding a robust Special	Complete	S. Shardlow

Ref	Recommendation	Risk Rating	Agreed (Y/N)	Management Action to address recommendations	Completion Date	Responsible Person
	<p>what has been authorised. The Housing Benefit System is connected to the Department of Works and Pension and a request could be made to the Housing Benefit Section to look up whether any of the special guardians are on income support and in receipt of child tax credit. The first time this information is to be requested, an e-mail should be sent to the Information Manager highlighting the reason why this information is required and what it is to be used for. This should help to reduce the likelihood of incorrect payments being made and ensure compliance with HMRC regulations.</p>			<p>Guardians review process. Dedicated part-time equivalent member of staff in post addressing Special Guardianship Order payments and liaising with finance and when appropriate the Department for Work and Pensions (DWP).</p>		
1.3	<p>Review letters should be sent every year and if no reply is forthcoming, a reminder should be sent and payment stopped after 28 days. This helps to reduce the likelihood of the Council paying special guardians for children who they are no longer entitled to receive payment for.</p>	High	Y	<p>Letters have now been sent to all Special Guardians and appropriate deductions & cessation of payments made.</p>	Complete	S. Shardlow
1.4	<p>It is recommended that a service review is carried out in this area. This should link into the work that needs to be undertaken in reviewing the policies and procedures. This will help to ensure all staff are aware of their responsibilities and the documentation they should be collecting to support the application, payment and review processes.</p>	High	Y	<p>Monthly monitoring and practice reviews now in place. Developing Special Guardians advice/responsibilities leaflet and aide memoire & training re needs assessment.</p>	On-going	S. Shardlow