

**CYNGOR SIR POWYS COUNTY COUNCIL.**

**AUDIT COMMITTEE  
27<sup>th</sup> September 2010**

**REPORT AUTHOR:** Internal Audit Manager

**SUBJECT:** Adverse Internal Audit Reports Quarter1 2010/11 and Tracker Report

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**REPORT FOR:** Information

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**1.0 Introduction**

1.1 To aid the Audit Committee in promoting an effective control environment, Members should be aware of the outcomes of specific pieces of audit work, in sufficient detail to allow them to draw assurances that Managers are undertaking appropriate actions. Therefore, this report briefly summaries the findings of those assignments with an audit opinion of either "Low Assurance" or other areas deemed worthy of consideration between the period 1<sup>st</sup> April 2010 to 30<sup>th</sup> June 2010.

**2.0 Specific Audit Reports**

2.1 The Internal Audit Adverse opinion report tracker is given in Appendix B shows that there were no internal audit reports with an adverse opinion released in the 1<sup>st</sup> Quarter 2010-11

**3.0 Follow-up Audits**

3.1 All of the establishments / services receiving an adverse audit opinion will be subject to a follow-up review to determine if appropriate action has been taken by management to address the audit issues. Any that still have not taken reasonable measures will be directly referred to the Audit Committee where the relevant Managers will have to justify their reasons for non-compliance.

During the period between the 1<sup>st</sup> April to 30<sup>th</sup> June 2010, an internal audit review was undertaken on:

**3.2 Grants to Voluntary Bodies**

3.2.1 Adult Services issue Grants to Voluntary Bodies for financial assistance. A contract system for Social Services funded projects was originally introduced for the financial year 2000/01. The Contracts and Commissioning unit are responsible for monitoring contract compliance, performance and supporting the organisations that have formal agreements.

3.2.2 Grants to Voluntary Bodies were previously audited in April 2007 and an overall opinion of *unsatisfactory* was given. A follow-up review showed that some

progress had been made towards correcting the original areas of weakness, but that significant risks still remained.

3.2.3 As a result, a further detailed review was undertaken by the Internal Audit Team and a final report released in June 2010 following discussion with the client at draft stage.

The key finding of the review were:-

- Management had failed to implement the majority of recommendations outlined in the previous audit review.
- There were no documented procedures for grant processing.
- Organisations that have received funding since 2003, based on the original three year contracts, have not had to re-apply for funding and have had their contracts rolled over annually since April 2006. It has not been possible for new organisations to apply for funding from the central budget.
- Evidence of the authorisation of the rollover of grants for 2010/11 was provided; however, no authorisation was provided for 2009/10.
- A small number of organisations may not have received any of their allocated funding for 2009/10. The grants team were not able to confirm those organisations that had not received payments.
- Ineffective budgetary control
- A decision was made by Council to reduce funding by 15% in 2009/10. Errors resulted in 4 Voluntary bodies escaping the 15% cutback for the first half of the financial year.
- Voluntary bodies are not submitting their annual accounts in accordance the grant terms and conditions.
- The contract and commissioning team do not monitor the voluntary organisations compliance with the contract.
- The Contracts and Commissioning Officer completed a review with the assistance of Finance to establish what contracts are actually in place; this was completed for the financial year 2007/08.
- There is a Third Sector Funding Group now in place to assist in preparing the grants process for the financial year 2011-12 with all organisations having to re-apply for funding.

3.2.4 The Contracts and Commissioning Manager has been in post since February 2010 and the Contracts and Commissioning Officer has been seconded to the post since February 2009, these officers were not in post during the previous audit. In the past, previous officers responsible for the grants to voluntary organisations have been seconded to other functions within the service and this

combined with the turnover of staff has given a lack of continuity in the grants process which has made gathering some information for the audit difficult.

- 3.2.5 In conclusion, the findings from the previous audit had not been acted upon with risks still highlighted throughout the funding process. Weaknesses have been identified where the original contracts had not been monitored adequately and contract conditions had not been enforced.

The failure to periodically award grants based on historic requirements, rather than on assessed need and benefit may mean that the authority cannot effectively demonstrate the best value for money. In addition, the failure to robustly monitor on-going contracts by the Contracts and Commissioning Unit means that the Council has limited assurance that that Voluntary Bodies are effectively delivery the required services.

- 3.2.6 The Internal Audit Report identified 10 areas for improvement which resulted in an audit opinion of **Low Assurance**, i.e. significant areas of risk and a likelihood of failing to meet service objectives.

The Contracts and Commissioning Unit have produced an action plan that is attached in appendix A. Whilst this a positive forward step, it must be followed up by a genuine commitment from Social Care Management to provide a continuity of key staff, resources and strategic guidance. Once a solid framework is in place, the Contract & Commissioning Team need to implement and successfully deliver the administration of Grants to Voluntary Bodies.

#### 4.0 **Conclusion**

- 4.1 This report enables Members to be aware of those functions and services that have an unacceptable level of internal control, i.e. those representing a significant risk of failing to deliver economic, efficient and effective public services.

Member should gain assurance from the Service that reasonable progress has been taken towards promptly and effectively implementing the action plan.

Recommendation:	Reason for Recommendation:
The Audit Committee should note the report and take any actions they deem necessary to maintain sound control systems.	<b>To comply with the CIPFA “Code of Practice on Internal Audit in Local Government”</b>

Contact Officer Name:	Tel:	Fax:	Email:
Ian Halstead	01597 826821		lan.halstead@powys.gov.uk

8 ACTION PLAN					
Ref	Control Weakness	Consequences / Risk	<u>Grading</u>	Agreed Actions by Client	When and by Whom
8.1	There are no procedures in place to document the grants process.	<ul style="list-style-type: none"> <li>• Grants are incorrectly processed.</li> <li>• Inadequate monitoring of grants and organisations is completed.</li> </ul>	Fundamental	<p>There has been no new grants process since the initial 2003/2004 allocation. Work is ongoing as part of the Third Sector Funding Group.</p> <p>We currently have Project Management Boards for the five largest organisations. A report has been submitted by the smaller groups noting their activity for 2008/2009. A number of organisations submit monitoring reports but there are also a number of organisations that do not submit anything. The Joint Performance Monitoring report is now in place and this will help us formally monitor the work being under taken in the Third Sector Funding Group.</p> <p>It has been agreed that we will set up a Third Sector Commissioning Group which will agree who and how we fund future organisations.</p>	<p>Ongoing</p> <p>JN/CQ July 2010</p>

## 8 ACTION PLAN continued

Ref	Control Weakness	Consequences / Risk	<u>Grading</u>	Agreed Actions by Client	When and by Whom
8.2	Voluntary organisations have not had to reapply for their funding since their initial applications in 2002/03.	<ul style="list-style-type: none"> <li>• Changes in circumstances to the organisations may not be reported to the Authority.</li> <li>• New organisations are not able to apply for funding.</li> </ul>	Significant	<p>A roll over letter has been sent each year to the organisation notifying them of the extension of funding. Any changes to the organisation will have been picked up at this point.</p> <p>There has been no new funding stream available via the central “pot” of money. If organisations want to apply for funding it is possible that money can be found via the Policy and Development Team.</p>	
8.3	No authorisation could be found for the decision to rollover funding for 2009/10 and 2010/11.	<ul style="list-style-type: none"> <li>• Unauthorised grants have been processed.</li> </ul>	Fundamental	<p>Unauthorised grants would not be able to be processed as these invoices are paid via EPROC and also there are set budgets within finance.</p> <p>It is noted that there is no formal authorisation for the roll over for 2009/2010. However, confirmation has been received from the HOS for the rollover of funding for 2010/11. At the time of the Audit a decision regarding the Third Sector Budget had not been made by Head of Services</p>	

## 8 ACTION PLAN continued

Ref	Control Weakness	Consequences / Risk	<u>Grading</u>	Agreed Actions by Client	When and by Whom
8.4	A number of organisations have not received their allocated funding or have been under-paid their budget for the financial year 2009/10.	<ul style="list-style-type: none"> <li>• Organisations are financially not secure due to not receiving their funding.</li> <li>• Duplicate payments could be made in error.</li> </ul>	Significant	<p>This is noted however it is felt that it is not the responsibility of the Contracts and Commissioning Team to chase organisations that have not applied for their annual funding.</p> <p>A letter will be sent to the organisations that are currently outstanding and it will be noted in the letters sent for 2010/2011 that it is the responsibility of the provider to Invoice for the correct amount.</p> <p>It is unlikely that duplicate payments can be made due to the EPROC system being in place.</p>	CQ June 2010
8.5	The budget spreadsheet maintained by the Contracts and Commissioning Officer is not verified by any other officers.	<ul style="list-style-type: none"> <li>• Lack of separation of duties.</li> <li>• Errors in the budget monitoring may go unnoticed.</li> </ul>	Merits Attention	CCU would welcome the Audit Teams advice on how the system could be maintained in order to avoid an issue with "separation of duties"	

## 8 ACTION PLAN continued

Ref	Control Weakness	Consequences / Risk	<u>Grading</u>	Agreed Actions by Client	When and by Whom
8.6	4 organisations were missed from the 15% funding reduction for the first 6 months of the financial year.	<ul style="list-style-type: none"> <li>• Reduced savings from the overall reduction in funding.</li> </ul>	Significant	<p>The 4 organisations were eventually picked up and the 15% reduction applied for the final 6 months of the financial year.</p> <p>This issue is ongoing. There is an ongoing problem with other Departments funding third sector organisations and not notifying the CCU. This will hopefully be resolved by the setting up of the Third Sector Commissioning Group.</p>	
8.7	Approved signed off notification, formerly agreeing the calculations for the 15% cut over 6 months for the four organisations was not available.	<ul style="list-style-type: none"> <li>• Incorrect funding has been processed.</li> </ul>	Fundamental	Future calculations will be signed off by Finance	Ongoing
8.8	The voluntary organisations are not submitting their end of year accounts annually within 6 months of the end of the financial year.	<ul style="list-style-type: none"> <li>• Non compliance with the contract terms and conditions.</li> <li>• Monitoring of the use of the funding is not completed.</li> </ul>	Fundamental	Contact will be made with all of the organisations funded by the CCU to ask for copies of their end of year accounts.	June 2010
8.9	There is no evidence of enforcement of grant conditions as the monitoring information that has been received doesn't appear to have been reviewed.	<ul style="list-style-type: none"> <li>• Organisation information is not verified for accuracy.</li> <li>• Organisations are providing false information.</li> </ul>	Fundamental	<p>What, from an Audit point of view would you require?</p> <p>The new Joint Performance report has been rolled out. This new method of monitoring will be more robust.</p>	Ongoing

*8 ACTION PLAN continued*

Ref	Control Weakness	Consequences / Risk	<u>Grading</u>	Agreed Actions by Client	When and by Whom
8.10	Contracts have not been reviewed as stated in the contract terms and conditions.	<ul style="list-style-type: none"> <li>• Funding has been rolled over for 5 financial years without reviews of the original contracts.</li> <li>• Non compliance with contract terms and conditions</li> </ul>	Fundamental	A new commissioning strategy has been developed by the Third Sector Funding Group. Once this has been agreed by the CYPP and HSCWBP it can be incorporated into future planning for Third Sector Funding. Organizations will be notified that there may be changes to how they are funded in the rollover letter they are sent for 2010/2011.	July 2010



INTERNAL AUDIT REPORT TRACKER - September 2010								APPENDIX B	
Audit Year	Directorate	Service	Audit title	Report Issued	Audit Opinion	Accepted Recs	Reported to A Com	Follow up audit / review	Signed Off
2007/8	P&W	Adults & Com	Grants Voluntary Bodies	23-Apr-07	Unsatisfactory	Yes	Yes	<b>See 2010/11</b>	Yes
2007/8	O&R	Reg & Env	Car Park Collections	13-Jun-07	Unsatisfactory	Yes	Yes	Sat Assurance	Yes
2007/8	P&W	Adults & Com	Home Aide Service (MD)	16-Jul-07	Unsatisfactory	Yes	Yes	Sat Assurance	Yes
2007/8	P&W	Adults & Com	Domiciliary Care	19-Jul-07	Unsatisfactory	Yes	Yes	Sat Assurance	Yes
2007/8	O&R	Mun & Op	Purchase Cards	8-Oct-07	Unsatisfactory	Yes	Yes	Sat Assurance	Yes
2007/8	O&R	Mun & Op	Fuel Cards	8-Oct-07	Unsatisfactory	Yes	Yes	Sat Assurance	Yes
2007/8	O&R	Reg & Env	Pool Cars	8-Nov-07	Unsatisfactory	Yes	Yes	Sat Assurance	Yes
2007/8	O&R	Inform & Cust	Cash Offices - Machynlleth	18-Dec-07	Unsatisfactory	Yes	Yes	Sat Assurance	Yes
2007/8	O&R	HR	Sickness Recording Audit	18-Dec-07	Unsatisfactory	Yes	Yes	Sat Assurance	Yes
2007/8	O&R	Reg & Env	Pavilion	8-Feb-08	Unsatisfactory	Yes	Yes	Sat Assurance	Yes
2007/8	P&W	Bus & Perf	Fairer Charging	18-Feb-07	Unsatisfactory	Yes	Yes	Sat Assurance	Yes
2007/8	O&R	Reg & Env	County Farms (allocations)	6-Mar-08	Unsatisfactory	Yes	Yes	Sat Assurance	Yes
2007/8	P&W	Leis & Rec	East Radnor LC	26-Mar-08	Unsatisfactory	Yes	Yes	Sat Assurance	Yes
2007/8	P&W	Schools & Inc	Maesydderwen High	10-Apr-08	Unsatisfactory	Yes	Yes	Sat Assurance	Yes
2007/8	O&R	BPU	Complaints procedures	10-Apr-08	Unsatisfactory	Yes	Yes	Jun-09	*

## INTERNAL AUDIT REPORT TRACKER - September 2010

Audit Year	Directorate	Service	Audit Title	Report Issued	Audit Opinion	Accepted Recs	Reported to A Com	Follow up audit / review	Signed Off
2008/9	O&R	LENS	Transport Audit	1-Aug-08	Unsound	Yes	Yes	<b>In Progress</b>	
2008/9	P&W	BPU	Authorised Signatories	29-Aug-08	Unsatisfactory	Yes	Yes	Jul-10	*
2008/9	P&W	Leis & Rec	Youth Centres - Annual Subs	03-Oct-08	Unsatisfactory	Yes	Yes	Sep-09	
2008/9	O&R	Regeneration	Workshops	03-Dec-08	Unsatisfactory	Yes	Yes	Jul-10	
2008/9	O&R	Corporate Municipal Services	Civil Contingencies	20-Oct-08	Unsatisfactory	Yes	Yes	Sep-10	
2008/9	O&R	Services	Waste Manage. - Bring Sites	01-Mar-09	Unsatisfactory	Yes	Yes	Dec-10	
2008/9	O&R	Highways	Construction Depots (foll up)	18-Feb-09	Unsatisfactory	Yes	Yes	<b>In Progress</b>	
2009/10	P&W	Social Care	Respite Care	11-Nov-09	Limited	Yes	Yes	Jan-11	
2009/10	O&R	LENS	Hiring of Transport & Plant	17-Dec-09	Limited	Yes	Yes	Jan-11	
2010/11	P & W	Adult Soc Care	Grants to Voluntary Bodies	30-Jun-10	Low Assurance	Yes	Yes	Sep-11	

\* Note: These Follow-up review have been delayed either to allow new systems to develop or embed..