

CYNGOR SIR POWYS COUNTY COUNCIL.

**AUDIT COMMITTEE
31st March 2011**

REPORT AUTHOR: Internal Audit Manager

**SUBJECT: Adverse Internal Audit Reports Quarters 2 & 3 2010/11
and Tracker Report**

REPORT FOR: Information

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 1st July 2010 to 31st December 2010.

2.0 Specific Audit Reports

2.1 The Internal Audit Adverse opinion report tracker is given in Appendix C shows that there was one report with an adverse opinion released in Quarters 2 & 3 of 2010-11.

2.2 The key points from this audit is summarised below:-

Direct Payment (Adults Social Care)

2.2.1 Direct Payments are made by Adult Services as an alternative to the provision of services directly provided by the Authority. In practice, payments are made to clients to enable them to employ their own Personal Assistants.

It is the role of the Business Processing Unit (BPU) to process payments and provide financial support to Adult Services. Under the terms of a Service Level Agreement, clients receive support and advice on financial and employment matters from the Dewis Centre for Independent Living (Dewis CIL).

At the time of the audit review, Adult Social Care was responsible for 117 Direct Payments.

2.2.2 The following are extracts from the management summary of the audit report:

- It was noted that the policy on Direct Payments was approved by Social Services Senior Management Team in November 2008, and was due to be updated and reviewed in November 2009. It is not evident from audit

enquiries that this review had been undertaken, therefore it is concluded that the current policy may be out of date and may not reflect recent changes in legislation.

- In many instances, fully authorised paper copies of needs assessments and care plans requiring the signature of the Social Worker and Team Manager were not held on file.
- Instances were noted where care plans had not been reviewed in line with policy i.e. 6 weeks from commencement of the care plan and then annually. In some cases, care plans had not been reviewed for periods of up to seven years.
- Copies of the Direct Payment agreement between the client and the Council could not be found on the clients file, therefore no assurance can be given that such an agreement is in place. Failure to have an agreement in place would result in there being no binding contract between the client and the Council.
- The Direct Payment policy requires:
 - “The initial review of the Direct Payment is to be undertaken by the Social Worker within 3 months of the Direct Payment starting; the second review 3 months after that and subsequent reviews to be completed every 6 months”
 - Testing was undertaken to ensure that Direct Payments were being reviewed in accordance with the policy requirements. It was evident from the files that substantial amounts of Direct Payments were not being reviewed by Social Workers within the required timescales.
- Good practice was noted in the BPU where Financial Assessments were being completed annually as required. Files examined were found to contain copies of current financial assessment and other supporting documentation. In addition all Direct Payments examined were found to have been promptly paid and in accordance with policy.
- No formal documentation was available as evidence of the hourly rate for the current financial year. From the sample of Direct Payments reviewed it was noted that the majority of clients are being paid the current rate of £10.80 per hour. However exceptions were noted where the amount per hour was being paid at the old rate of £10.60. In addition instances were noted that the hourly rate was being paid at a higher rate of £13.85.
- During testing, a case was identified where a client who is in receipt of a Direct Payment has an outstanding debt with the Council. This is contrary to the Council’s Direct Payments policy.
- Care Managers were not following procedures by informing the Direct Payments Assistant of the commencement or amendment of a Direct Payment. Reliance is being placed upon the Direct Payment Assistant to contact finance on a monthly basis to attempt to identify any new or amended Direct Payment’s.

- Clients were not retaining copies of the relevant documentation such as bank statements, chequebook stubs, timesheets etc for the DPA to undertake the financial audit. Without this documentation, it is impossible for the DPA to undertake the financial audit.
- Carer's who are not directly involved with DEWIS CIL do not complete timesheets; without this record it is not possible to evaluate the amount of care a Service User is receiving.
- Direct Payments were identified that were overdue for financial assessment and in some instances cases were noted where Direct Payments had not been audited for periods of up to 11 years.
- All Direct Payments audited were noted to have had the DP3 form completed summarising the conclusions of the audit which had been signed off by the auditor and sent to the Care Manager to evaluate. The issues stated on the DP3 form should be addressed by the Care Manager; however no assurance can be given that these issues were addressed. A total of 26 summary forms had been forwarded to Care Managers where issues had been identified, only 6 were returned with Care Manager's and Team Manager's signature.
- A total of 56 audits of Direct Payments were completed from January 2010 to July 2010 from which £40k had been identified as "unspent funds", £23k of this total relates to Direct Payments – Adults. BPU Finance were contacted and advised the Auditor that no direct contact had been made from services areas to issue an invoice to collect these unspent funds, therefore it is concluded that none of this money has been re-claimed.
- There is no evidence to confirm that the contract between PCC and Dewis CIL is being periodically reviewed and therefore no assurance can be given that the contract is operating as per the specification or proving value for money.
- No formal contract monitoring is in place between Dewis CIL and Powys County Council despite frequent requests made by Dewis CIL for Powys County Council to implement a robust monitoring procedure; however a formal review process does not appear to be currently in place.
- Low levels of assurance can be given that Personal Assistants employed by Service Users have been CRB checked. No documentation was seen on file as evidence that CRB approvals have been obtained for Personal Assistants. It is unclear as to whether Dewis CIL undertakes this task for those Service Users.

2.2.3 It is concluded that low levels of assurance can be given that Powys County Council's direct payment scheme is operating in accordance with Council policy and best practice, as significant weaknesses have been identified throughout the audit review. No formal checking is being undertaken by Care Managers (Social Care) to ensure that the scheme is operating in accordance with policy and that the Direct Payments made to Service Users are being utilised appropriately.

- 2.2.4 A total of 16 weaknesses were identified (6 Fundamental,10 Significant). Therefore, the overall audit opinion for Direct Payments (Adults) was:

LOW ASSURANCE – Fundamental failure of key controls represent a significant risk of failing to meet some service objectives.

- 2.2.5 The Adults Social Care Service have provided an Action Plan which is shown in appendix A. In accordance with current audit protocol, a follow-up audit will check that the corrective measures have been put in place by management.

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 1st July to 31st December 2010, Internal Audit undertook the following review:

3.2 Workshops

- 3.2.1 Internal Audit carried out a review of workshop in December 2008 that found 10 weaknesses and had a resulting control opinion of “Unsatisfactory”.
- 3.2.2 Since the original audit, the management of the workshops has been transferred to an external contractor. Attach in appendix B is a refresh of the original action plan and how these weakness are going to be addressed by the management company.
- 3.2.3 The Internal Audit Manager is unable to give reasonable assurance at this stage and therefore is planning to schedule a further follow up visit in 2012/13 once externalisation arrangements have embedded.

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.

To comply with the CIPFA “Code of Practice on Internal Audit in Local Government”

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8.0 ACTION PLAN – DIRECT PAYMENT (ADULT SERVICES)

| Ref | Control Weakness | Consequences / Risk | <u>Grading</u> | Agreed Actions by Client | When and by Whom |
|-----|---|---|----------------|---|---|
| 8.1 | The current policy for Direct Payments is overdue for review and therefore may not reflect recent changes in legislation. | Incorrect procedures may be followed when dealing with a direct payment. | Significant | A revised version is awaiting approval. Also currently awaiting new guidance from WAG re change in legislation relating to DPs. Current amendments need to be approved through SMT. | Shire Manager – Montgomeryshire end of February 2011 for current amendments. |
| 8.2 | Fully authorised paper copies of needs assessments and care plans requiring the signature of the Social Worker and Team Manager were not held on file. In addition one file examined did not contain a copy of the care plan. | No evidence of authorisation by a designated Senior Officer. There is no evidence that a care plan has been completed. | Significant | To reiterate the accountability and responsibility of Team Managers to ensure Assessment and PPC are 'signed off' prior to the commencement of payment of a DP. Action to be taken through Team Manager meetings. | Shire Managers January 2011 |
| 8.3 | Instances were noted where care plans had not been reviewed in line with policy i.e. 6 weeks from commencement of the care plan and then annually. In some cases care plans had not been reviewed for periods of up to seven years. | Non compliance with council policy. Clients may not be receiving the appropriate care for their needs. | Fundamental | Performance relating to overdue reviews currently under discussion. Task and finish group to be formed to complete action plan and ensure reduction in number of overdue reviews. Initial meeting asap | Shire Manager – Montgomeryshire January 2011 |

8.0 ACTION PLAN (Cont'd) - DIRECT PAYMENT (ADULT SERVICES)

| Ref | Control Weakness | Consequences / Risk | Grading | <u>Agreed Actions by Client</u> | When and by Whom |
|-----|---|---|-------------|--|--------------------------------------|
| 8.4 | Copies of the Direct Payment agreement between the client and the Council could not be found on the clients file. Therefore no assurance can be given that such an agreement is in place. | No binding contract has been entered into between the client and the Council. | Significant | Care Manager & Finance Team to ensure copy of contract on file prior to payment of first DP payment to client – ensure part of the business process for staff | Policy Officer MH/LD January 2011 |
| 8.5 | Direct Payments are not being reviewed within the required timescales and in line with policy. | Direct Payments money may be spent inappropriately. | Significant | Financial Audits – Significant progress has been made since the appointment of a Direct Payment Audit assistant in Jan 2010 – of 131 adult audits there are currently 16 audits outstanding which will be completed by the end of the financial year. Care Reviews – Please see point 8.3 | |

8.0 ACTION PLAN (Cont'd) - DIRECT PAYMENT (ADULT SERVICES)

| Ref | Control Weakness | Consequences / Risk | Grading | <u>Agreed Actions by Client</u> | When and by Whom |
|-----|---|---|-------------|---|--|
| 8.6 | No formal documentation was available as evidence of the hourly rates. Not all Direct Payments are being paid at the approved rate for the current financial year. | Clients are being paid at an unauthorised / incorrect hourly rate. | Significant | Much of this is historical. Those paid more than the standard hourly rate will not be increased until their hourly rate is the same as the standard rate. Those cases with a lower hourly rate, are again historical, and should have had the annual % increase added to their hourly rate. | |
| 8.7 | A client who has an outstanding debt with the Council is in receipt of a Direct Payment. | Direct Payments are not being paid in accordance with policy. | Fundamental | Need for staff training on policy – need to ensure check re previous debt against council is included in business process prior to approval of DP at resource panel. | Policy Officer LD/MH January 2011 |
| 8.8 | Care Managers are not following procedures by informing the DPA of the commencement or amendment of a Direct Payment. | Financial Audits may not be undertaken as the DPA is not aware of the Direct Payment. | Significant | Discussion needs to take place re ensuring most appropriate process adopted to inform DPA of commencement of DP | Shire Manager – Montgomeryshire/ Appointee/Deputy ship Unit January 2011 |

8.0 ACTION PLAN (Cont'd) - DIRECT PAYMENT (ADULT SERVICES)

| Ref | Control Weakness | Consequences / Risk | Grading | <u>Agreed Actions by Client</u> | When and by Whom |
|-----|---|--|-------------|--|----------------------------|
| 8.9 | Direct Payments were identified that were overdue for financial auditing and in some instances cases were noted where Direct Payments had not been audited for significant periods of up to 11 years. | No assurance can be given that Clients are utilising their Direct Payment correctly. | Fundamental | Prior to the appointment of a DP Assistant there was no clear process for audit, however the AD Unit together with an independent consultant audited the majority of cases. The specific case mentioned has been audited to a degree, the outcome of which was referred to the Service Area. 3 historical audits remain outstanding for specific reasons - one being a POVA case. Another is awaiting a High Court Judgement. All 16 audits outstanding have been written to requesting they send their papers in. These should be completed in this financial year. | Appointee/Deputy ship Unit |

8.0 ACTION PLAN (Cont'd) - DIRECT PAYMENT (ADULT SERVICES)

| Ref | Control Weakness | Consequences / Risk | Grading | <u>Agreed Actions by Client</u> | When and by Whom |
|------|---|--|-------------|---|----------------------------|
| 8.10 | Clients are not retaining copies of the relevant documentation such as bank statements, cheque book stubs, timesheets etc for the DPA to undertake the financial audit. | Without a financial audit being undertaken no assurance can be given that clients are utilising their direct payments correctly. | Significant | <p>To date many of the audits completed have been historical therefore the probability of all documentation being kept on file from as far back as 2004 was limited. Many service users were unaware of the importance of retaining this information. It has now been communicated that financial information is to be kept for 6 years, this is stated on the contract signed by new service users.</p> <p>A number of historical cases have chosen to transfer the management of their DP to the Dewis scheme - the next audit should see an improvement.</p> | |
| 8.11 | Carer's who are not directly involved with DEWIS CIL do not complete timesheets; without this record it is not possible to evaluate the amount of care a Service User is receiving. | <p>Service Users may not be getting value for money.</p> <p>Direct Payments are not being used in accordance with policy.</p> | Significant | A time sheet has been drafted and will be included in the revised policy. | Appointee/Deputy ship Unit |

8.0 ACTION PLAN (Cont'd) - DIRECT PAYMENT (ADULT SERVICES)

| Ref | Control Weakness | Consequences / Risk | Grading | <u>Agreed Actions by Client</u> | When and by Whom |
|------|---|---|-------------|---|---|
| 8.12 | Issues identified as a result of the financial audit of a Direct Payment are not being addressed by the appropriate Social Worker / Care Manager. | No assurance can be given that Service Users are utilising their Direct Payments correctly. | Fundamental | Need to reiterate accountability and responsibility of Team Manager and Care Manager to follow through and agree actions required, ensuring appropriate instructions are made to Finance as required. Action to be completed through Team Manager/Team Meetings. | Shire Managers/Team Managers February 2011 |
| 8.13 | Unspent funds identified as a result of the financial audit of a Direct Payment are not being re-claimed from the Service User. | Direct Payments are not being utilised correctly. Loss of income to the Authority. | Fundamental | It is not a guaranteed reclaim of the amount identified on the DP3 form. The care manager should inform finance where there is a need for repayment of any amount. There may be instances where money is paid for respite therefore more than the 8 weeks contingency is required. There needs to be clear instructions from care management, which needs addressing in the revised policy. ie email to finance teams to confirm. See note on 8.12 | |

8.0 ACTION PLAN (Cont'd) - DIRECT PAYMENT (ADULT SERVICES)

| Ref | Control Weakness | Consequences / Risk | Grading | <u>Agreed Actions by Client</u> | When and by Whom |
|------|--|--|-------------|---|-----------------------------------|
| 8.14 | There is no evidence to confirm that the contract between PCC and Dewis CIL is being periodically reviewed and therefore no assurance can be given that the contract is operating as per the specification or proving value for money. | The contract may not be operating as per the specification. Value for money may not be achieved. | Significant | Contract Review meeting to be held on 28/01/2011 | Contracts & Commissioning Manager |
| 8.15 | No formal contract monitoring is in place between Dewis CIL and Powys County Council. | The contract may not be operating as per the specification. Value for money may not be achieved. | Significant | See 8.14 | |
| 8.16 | No assurance can be given that Personal Assistants employed by Service Users have been CRB checked. | The Authority is potentially failing in its duty to ensure that arrangements designed to safeguard and promote the welfare of an adult are in place. | Fundamental | This is not a requirement for a Direct Payments issued to an Adult. | |

6 ACTION PLAN - WORKSHOPS

| Ref | Control Weakness | Consequences / Risk | <u>Recommendation</u> | Priority | Update 18.1.11 |
|-----|---|---|---|---|-------------------|
| 6.1 | Different procedures are in operation in the North and South of the County as outlined in appendices B and C of this report. | Potential for inconsistent treatment of allocations, tenancies etc. | That the need for two systems is considered. | Essential – This is being addressed with GVA Grimley, who is managing all Powys Workspace on behalf of PCC up until 31 March 2012. This will be identified in the strategy which will hopefully be submitted by 28 February 2011. | |
| 6.2 | Policies and procedures covering the administration of workshops on a countywide basis are not documented. | There is the potential for non-compliance with appropriate policies and procedures relating to workshops. | Instigate a written manual/guidance for all staff that is regularly reviewed and updated. | Essential – As above. The department has also been restructured and 8 posts have been deleted. | |
| 6.3 | The ABSO in the North is now responsible for workshops that have been let under the terms and conditions in use in the South. | Confusion will arise if tenants wish to rent a second unit. | Consideration will need to be given to future lettings. | Useful – As above. | |
| 6.4 | Several files tested did not include the initial application forms from the tenants. | Tenant records are incomplete. | That all relevant documentation is retained on file. | Important – All files now with GVA Grimley to update. | |
| 6.5 | Whilst tenants have transferred between units the tenancy files do not record the details of the transfer. | Tenant records are incomplete. | That detailed records of why and when tenants change units are retained on file. | Essential - All files now with GVA Grimley to update. | |
| 6.6 | References, historically, have not all been either obtained or retained for all applicants prior to agreeing tenancies. | Tenant records are incomplete. There is no assurance that the appropriate checks have been carried out prior to agreeing tenancies. | That all references are obtained and retained. | Important - All files now with GVA Grimley to update. | |

8 ACTION PLAN (Cont'd) - WORKSHOPS

| Ref | Control Weakness | Consequences / Risk | <u>Recommendation</u> | Priority |
|------|--|---|--|--|
| 6.7 | The high debtor balance in the South indicates a potential weakness in the recovery system. | Rents are not being collected when due. Appropriate recovery procedures are not fully implemented. | That the rent collection system is reviewed. | Essential – GVA looking at this in their strategy and will be making recommendations. |
| 6.8 | Aged debt profiles indicate a number of outstanding rents dating back to 2002. | Current debt figures include significant amounts, which are now unlikely to be recoverable. | That consideration is given to writing off unrecoverable debts. | Important – Internal meeting has been held regarding recovering and writing off aged debt. Regular correspondence is now being received. |
| 6.9 | The purchase order and invoicing procedures in use in both the North and South of the County do not fully comply with Financial Regulations. | Weaknesses in processing procedures and documentation. | That all orders are completed as per Financial Regulations. | Important – All orders are now placed through GVA Grimley but with KL authorisation first. Helpdesk is used for all jobs. |
| 6.10 | Details of the conclusion of the machinery grant scheme in use in Ystradgynlais at the last audit could not be evidenced. | Grant provisions may not have been met resulting in a potential financial loss to the Authority. | That the file is traced and reviewed to establish whether the conditions of the grant have been met. | Important – No update. |

| INTERNAL AUDIT REPORT TRACKER - MARCH 2011 | | | | | | | | | APPENDIX C |
|--|-------------|---------------|----------------------------|---------------|----------------|---------------|-------------------|--------------------------|------------|
| 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 | See 2010/11 | 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 - March 2011

| Audit Year | Directorate | Service | Audit Title | Report Issued | Audit Opinion/ Assurance | 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 | In Progress | |
| 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 | In 11/12 Plan | |
| 2008/9 | O&R | Regeneration | Workshops | 03-Dec-08 | Unsatisfactory | Yes | Yes | See report | |
| 2008/9 | O&R | Corporate Municipal Services | Civil Contingencies | 20-Oct-08 | Unsatisfactory | Yes | Yes | Ongoing | |
| 2008/9 | O&R | Highways | Waste Manage. - Bring Sites | 01-Mar-09 | Unsatisfactory | Yes | Yes | In 11/12 Plan | |
| 2008/9 | O&R | Highways | Construction Depots (foll up) | 18-Feb-09 | Unsatisfactory | Yes | Yes | In Progress | |
| 2009/10 | P&W | Social Care | Respite Care | 11-Nov-09 | Limited | Yes | Yes | In 11/12 Plan | |
| 2009/10 | O&R | LENS | Hiring of Transport & Plant | 17-Dec-09 | Limited | Yes | Yes | In 11/12 Plan | |
| 2010/11 | Care&Well | Adult Soc Care | Grants to Voluntary Bodies | 30-Jun-10 | Low | Yes | Yes | In 11/12 Plan | |
| 2010/11 | Care&Well | Adult Soc Care | Direct Payments (Adults) | 30- Nov-10 | Low | Yes | Yes | In Plan 12/13 | |
| 2010/11 | Perf,Part&Com | Policy | Energy Management | 18-Jan-11 | Low | Yes | No | In Plan 11/12 | |
| 2010/11 | Leis&Rec | Leisure | Vending | 24-Feb-11 | Low | Yes | No | In Plan 11/12 | |

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