

INTERNAL AUDIT REPORT

Grants to Voluntary Bodies Follow Up

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Powys Internal Audit

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Status of this report

This report has been prepared for the internal use of the Powys County Council and its contents are confidential. The work involved in the production of this audit report complies with the principles outlined in CIPFA's Code of Audit Practice and CIPFA Local Government Internal Audit Manual 2005.

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1 INTRODUCTION

- 1.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion on the control environment. This is done by effectively contributing to the statutory requirement in the Accounts and Audit Regulation 2005 for the Council to maintain sound systems of Internal control.
- 1.2 As part of the Annual Audit Plan for 2011/12 a follow up audit of Grants to Voluntary Bodies was carried out. The original report was completed in June 2010 and on this occasion an overall audit opinion of Low Assurance was given indicating that significant evidence was found to confirm that key controls did not exist. There was a high risk that service objectives would not be achieved.
- 1.3 The audit report was presented to Audit Committee in June 2011 with an updated action plan. It was agreed that a follow up audit would be undertaken on the updated action plan and the outcome reported back to Audit Committee for consideration.

2 AUDIT OBJECTIVES

- 2.1 The overall objective of the audit was to follow up the previous audit review to ensure that Grants to Voluntary Organisations are administered and managed in accordance with the Authority's approved policies, procedures and practices.

3 AUDIT APPROACH

3.1 Grants to Voluntary Bodies

- Follow up previous audit report and control weaknesses highlighted.
 - Obtain evidence that progress has been made, the systems improved and agreed actions have been appropriately and satisfactorily implemented.
- 3.2 Discussions were held with the Interim Contracts and Commissioning Officer, who has been in post since August 2010 to ascertain progress made and where necessary obtain evidence that control weaknesses have been addressed.

4.0 MANAGEMENT SUMMARY

The following summary reflects the audit findings in relation to the implementation of the action plan reported to Audit Committee on the 27th June 2011. The bold text below is the control weakness identified in the original audit report dated June 2010.

4.1 **There are no procedures in place to document the grants process.**

Agreed Action:

A process map will be developed with reference to the Third Sector Funding group for Grants, for funding for core-funded organisations, for one off projects and for contracts for services.

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Audit Finding:

- Process maps were not in place by the end of September 2011 as reported by the Commissioning and Contracts Manager, however they were completed during this follow up review.

Audit Opinion: **Implemented**

Agreed Action:

We currently have Project Management Boards that meet two or three times a year for the five largest organisations that monitor the performance of the organisations against their contracts. Set programme of meeting for 2011/12.

Audit Finding:

- Dates of meetings for the organisations were provided

Audit Opinion: **Implemented**

Agreed Action:

3 year contracts from April 2011 have/are being negotiated for 3 of these organisations for their core services (Powys Carers, Age Concern Powys and Powys Citizen's Advice Bureau).

Audit Finding:

- 3 year contracts were not set up from April 2011 for Powys Carers, Age Concern and Powys CAB as previously reported by the Contracts and Commissioning Manager. Contracts with Disability Powys, Age Concern, and CAB have since been set up for 3 years and have been backdated to April 2011. The contract with Powys Carers will be set up from 1st April 2012 for a one-year period.

Audit Opinion: **Implemented**

Agreed Action:

A respite home contract is due to expire at the end of September 2011 and is subject to renegotiation.

Audit Finding:

- A respite contract is due to expire at the end of March 2012 and not September 2011 as previously reported. The Interim Contracts and Commissioning Officer reported that this is scheduled to be delivered on time and that a new contract will be in place from 1.4.2012.

Audit Opinion: **Implemented**

Agreed Action:

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The Dewis Direct Payments support contract is being reviewed with a view to a new contract being in place from April 2012.

Audit Finding:

- The Dewis Direct Payments contract is not a grant to a voluntary body and therefore does not fall under the remit of this audit review.

Audit Opinion: Not relevant to this review.

Agreed Action:

The Joint Performance Monitoring report is now in place and this will help us formally monitor the work being undertaken in the Third Sector Funding Group. Year end performance summary report and review of process.

Audit Finding:

- A Joint Performance Monitoring Report Statistical Return has been in place since February 2010, a copy was obtained and reviewed during the audit. It was reported that monitoring took place until July 2010 and has been subject to review since. Assurance was given that regular monitoring will take place on new contracts.

Audit Opinion: **Implemented**

Agreed Action:

Third Sector Commissioning Group now set up across the County Council and the LHB which will agree how we commission third sector organisations in the future. Review of the specification for the support and capacity building of the third sector.

Audit Finding

- The Contracts and Commissioning Manager reported that there were difficulties in setting up this group.

Audit Opinion: **Not implemented**

4.2 **Voluntary organisations have not had to reapply for their funding since their initial application in 2002/03.**

Agreed Action:

During 2011/12 clear strategic criteria will be developed against which to measure the outcomes of grants in terms of maintaining and improving independence. This will be developed through the Promoting Independence Strategy being developed jointly with the LHB. All grants will then be assessed against this criteria and decisions made for future funding, and also setting up the process for allocating funding to develop these services for the future.

Audit Finding:

- Audit testing confirmed that this is still the case where voluntary organisations have not had to reapply for their funding since their initial application in 2002/03. Therefore no assurance can be given that the amount of grant funding received is appropriate, and also this prevents new organisations from being able to apply for funding. It is recognised that work is currently underway to address this control weakness, as each grant is to be subject to scrutiny from the Interim Contracts and Commissioning Officer by 31st March 2012.

Audit Opinion: **Not relevant**

4.3 **No authorisation could be found for the decision to rollover funding for 2010/11 and 2011/12.**

Agreed Action:

Unauthorised grants would not be able to be processed as these invoices are paid via EPROC and also there are set budgets within finance. Confirmation has been received from the HOS for the rollover of funding for 2010/11 and from Adult Social Care Senior Management Team for 2011/12.

Audit Finding:

- Evidence was found on the previous audit file that authorisation was provided by the Head of Service for the rollover of funding for 2010/11. The Interim Contracts and Commissioning Officer was requested to provide evidence of the authorisation received from the Adult Social Care Senior Management Team for the rollover of funding for 2011/12. Evidence was seen that "Contracting with the Third Sector was included on the agenda of SMT on 4th March 2011, however the minutes do not reflect the decision to roll over the funding.

Audit Opinion: **Partly Implemented**

4.4 **A number of organisations have not received their allocated funding or have been under-paid their budget for the financial year 2009/10.**

Agreed Action:

Letters have been sent to organisations informing them of the level of funding granted for 2011/12. It is the responsibility of the provider to invoice for the correct amount. It is unlikely that duplicate payments can be made due to the EPROC system being in place.

Audit Finding:

- Letters have been sent to organisations informing them of the level of funding granted for 2011/12. Copies of the letters were obtained by the Auditor and reviewed to ensure all organisations had been informed and to confirm accuracy of funding amounts.

Audit Opinion: **Implemented**

4.5 **The budget spreadsheet maintained by the Contracts and Commissioning Officer is not verified by any other Officers.**

Agreed Action:

Since August 2010 the budget spreadsheet has been maintained by the Admin staff and overseen by the Interim Commissioning and Contracts Manager. When the vacant Commissioning and Contract Officer post is appointed to, then that post will provide oversight.

Audit Finding:

- It was reported that the budget spreadsheet is still maintained by Admin staff and is now overseen by the Interim Commissioning and Contracts Officer who has been in post since August 2011. As this post is an interim post until 31.3.2012 consideration should be given as to who will be responsible for its oversight then. The Auditor highlighted discrepancies found on the spreadsheet which have since been resolved. Assurance was provided that monthly monitoring will take place between the Interim Contracts and Commissioning Officer and Admin staff.

Audit Opinion: **Implemented.**

4.6 Four Organisations were missed from the 15% funding reduction for the first six months of the financial year.

Agreed Action:

The four organisations were eventually pick up and the 15% reduction applied for the final six months of the financial year. This issue is ongoing. There is an ongoing problem with other departments funding third sector organisations and not notifying the CCU. This will be resolved by the setting up of the Third Sector Commissioning Group.

Audit Finding:

- From enquiries made during the audit review it was noted that this issue is still ongoing as evidence was seen where other departments are dealing with Third Sector Funding and therefore the Contracts and Commissioning Unit are not aware of what payments are being made. To ensure a consistent approach is achieved and funding allocations to organisations are controlled properly all Third Sector funding should be undertaken by the Contracts and Commissioning Unit. Therefore this control weakness remains outstanding.

Audit Opinion: **Not implemented.**

4.7 Approved signed off notification, formerly agreeing the calculations for the 15% cut over 6 months for the four organisations was not available.

Agreed Action:

Future calculations will be signed off by Finance. There have not been any further cuts to grants to Voluntary Sector Organisations since the last audit.

Audit Finding:

- As reported above there have not been any further cuts to grants to Voluntary Sector Organisations since the last audit therefore it was not possible to test if this control weakness has been implemented.

Audit Opinion: **No decision able to be made.**

4.8 The Voluntary Organisations are not submitting their end of year accounts annually within 6 months of the end of the financial year.

Agreed Action:

Charitable organisations are required (by the Charities Commission) to submit their end of year accounts within 10 months of the end of their financial year. Future contracts will be amended to reflect this requirement. A database has been set up to monitor receipt of quarterly monitoring reports and end of year reports and accounts.

Audit Finding:

- A copy of a new contract was obtained by the Auditor and reviewed to determine if the above requirement is included. It was noted that the contract states “accounts should be received within 10 months of the annual report.” In addition the database was noted to contain information relating to the year-end date of the organisation and the date the accounts are due; this will be monitored by the Contract and Commissioning Officer. Therefore, it is considered that this control weakness has been addressed.

Audit Opinion: **Implemented**

4.9 There is no evidence of enforcement of grant conditions as the monitoring information that has been received does not appear to have been reviewed.

Agreed Action:

The new Joint Performance report has been rolled out. This new method of monitoring is more robust. It is part of the role of the Commissioning and Contracts Manager to proactively monitor the performance of third sector organisations and once filled, the post will work to a robust programme of reviews.

Audit Finding:

- A Joint Performance Monitoring Report Statistical Return has been in place since February 2010, a copy was obtained and reviewed during the audit. It was reported that monitoring took place until July 2010 and has been subject to review since. Assurance was given that regular monitoring will take place on new contracts

Audit Opinion: **Implemented**

4.10 Contracts have not been reviewed as stated in the contract terms and conditions.

Agreed Action:

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Contracts for core services within 3 major organisations have been reviewed. All contracts will be reviewed during 2011/12 by the Contracts and Commissioning Officer.

Audit Finding:

- At the time of this follow up review three contracts – Age Concern, Disability Powys and Powys CAB have been reviewed and new contracts have been set up. The remaining contracts are outstanding and are due to be reviewed by 31st March 2012. It was noted that the new contract states that a review date is set in the service specification.

Audit Opinion: **Partly Implemented.**

4.11 In addition to above control weaknesses it was noted during the follow up review that the sum of £52, 826 has not been paid to Powys County Council from the Local Health Board as agreed in a Section 28 agreement for the LHB contribution towards the a hospital.

5.0 AUDIT OPINION

This follow up audit of Grants to Voluntary Bodies has highlighted that the majority of control weakness identified in the Audit Report of June 2010 have now been implemented by Management. Therefore the audit opinion has been raised from “Low Assurance” to:

Qualified Assurance – Majority of key controls exist, but some areas of inconsistent application. These should not significantly affect the service objectives.

However, it should be noted that many of the actions that were reported to have been implemented in the updated action plan presented to Audit Committee in June 2011 were not actually completed until this follow up review.

6.0 ACKNOWLEDGEMENTS

6.1 The Internal Auditors wish to thank all of those people that assisted in the production of the audit report. If you would like to discuss any matters relating to the report in further detail, Please contact Nicola Williams 01597 826877, Senior Auditor.

8.0 ACTION PLAN - Outstanding

Ref	Control Weakness	Consequences / Risk	Grading	Audit Comment	
8.1	No evidence could be found for the authorisation to rollover funding for 2011/12.	Unauthorised grants may have been processed.	Significant	Evidence that such authorisation has been obtained from the appropriate body must be retained in future.	
8.2	Funding to all third sector organisations is not controlled centrally within the Contracts and Commissioning Unit.	The CCU may not be aware of grant funding that is being paid.	Significant	Best practice would be for all funding for third sector organisations to be controlled centrally within PCC. (See point 4.6 in report).	
8.3	Powys LHB has not paid PCC their contribution towards a Hospital as agreed in a Section 28 agreement.	Powys LHB are not fulfilling their legal requirement. Loss of income to PCC	Significant	At the time of the audit Powys LHB are being actively pursued for the payment. (See point 4.11 in report).	
8.4	At the time of the Audit review three contracts had been reviewed with many remaining outstanding.	It may be difficult to achieve the deadline of 31 st March 2012 for the review of all contracts.	Significant	The Contracts and Commissioning Officer gave assurances that all contracts will be reviewed by 31 st March 2012. (See point 4.10 in report).	

