

ANNUAL AUDIT OPINION 2014 / 2015

ANNUAL REPORT

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1. **INTRODUCTION**

1.1 Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. On behalf of the Audit Committee and the Director of Strategic Resources, Internal Audit acts as an assurance function providing an independent and objective opinion to the organisation on the entire control environment by evaluating the effectiveness in achieving the organisation's objectives. This report is the culmination of the work during the course of the year and seeks to provide an opinion on the adequacy of the control environment and report the incidence of any significant control failings or weaknesses. The report also gives an overview of audit performance during the year. The overall report will then feed into the Annual Governance Statement included in the Statement of Accounts.

2. **ARRIVING AT AN OPINION**

2.1 **Background**

The opinion is derived from work carried out by Internal Audit during the year, as part of the agreed Internal Audit Plan for 2014 / 2015. The Internal Audit Plan was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the systems of internal control. We have conducted our audits both in accordance with the mandatory standards and good practice within the Code of Practice and additionally from our own internal quality assurance systems. Our opinion is limited to the work carried out by Internal Audit but, where possible, we have considered the work of other assurance providers, such as External Audit.

2.2 **Risk Based Planning**

Internal Audit continues to embrace the risk assessment approach to audit. A risk based approach is used to develop the Internal Audit Annual Plan, allowing us to direct resources at areas key to the organisation's success and to provide an opinion on the control environment as a whole. During the course of the year the risks of the Authority are continually reviewed and used to update the plan. Each audit job also uses risk assessment to ensure that suitable audit time and resources are devoted to the more significant areas. This risk based approach to audit planning results in a detailed range of audits that are undertaken during the course of the year to support the overall opinion on the control environment. Examples include:

- Governance reviews, including a review of key assurance frameworks and the Annual Governance Statement;
- Risk based reviews of fundamental financial systems that could have a material impact on the accounts, and other departmental systems;
- Fraud strategy work, responsive fraud and irregularity investigations;
- Contract, procurement, performance and project audits; and
- Audits of Council establishments.

2.3 The Audit Review

There are three elements to each internal audit review.

- Firstly, the control and risk environment is reviewed by identifying the objectives of the system and then assessing the controls in place mitigating the risk of those objectives not being achieved. Completion of this work enables internal audit to establish an opinion on the adequacy of the control framework in place.
- However, controls are not always complied with which in itself will increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This element of the review enables internal audit to form a view on the extent to which the control environment, designed to mitigate risk, is being complied with.
- Finally, where there are significant control weaknesses or where the controls are not being complied with and only limited assurance can be given, internal audit undertakes further substantive testing to ascertain the impact of these control weaknesses.

2.4 Reporting

Where appropriate, each report we issue during the year is given an overall opinion based on the criteria below. Certain pieces of work do not result in an audit report with an opinion – such as consultancy work, grant reviews, involvement in working groups, review of National Fraud Initiative (NFI) reports and follow-ups (unless further recommendations are made). However the certification of grant work should indicate that at the point of approval, information being submitted to external organisation meets required criteria. The assessment from each report, along with our consideration of other audit work, is used to formulate the overall Opinion.

AUDIT ASSURANCE	
Assurance	Definitions
Full	The system is designed to meet objectives / controls are consistently applied that protect the Authority from foreseeable risks.
Significant	The system is generally sound but there are some weaknesses of the design of control and / or the inconsistent application of controls. Opportunities exist to mitigate further against potential risks.
Limited	There are weaknesses in the design of controls and / or consistency of application, which can put the system objectives at risk. Therefore there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.
No	Controls are weak and / or there is consistent non-compliance, which can result in the failure of the system. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss / embarrassment / failure to achieve key objectives.

This is based upon the number and type of recommendations we make in each report. The prioritisation is established as follows:

RECOMMENDATIONS MADE TO IMPROVE ASSURANCE LEVELS		
Status	Definitions	Implementation
Critical	Extreme control weakness that jeopardises the complete operation of the service.	Immediately
High	Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency.	As a matter of priority
Medium	Significant control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority.	At the first opportunity
Low	Control weakness, which, if corrected, will enhance control procedures that are already relatively robust.	As soon as reasonably practical

3. **OPINION 2014 / 2015**

As Head of Internal Audit, in line with Public Sector Internal Audit Standards and prior best practice, I am required to provide an opinion on the overall adequacy and effectiveness of the Council's control environment. I have undertaken the following in order to form a basis for providing my assurance:

1. Assessed the quantity and coverage of internal audit work against the 2014 / 2015 internal audit plan to allow a reasonable conclusion as to the adequacy and effectiveness of the council's risk management control and governance processes;
2. Reviewed the reports from the reviews undertaken during the year by Internal Audit and other assurance providers where appropriate;
3. Considered any significant actions not accepted by management and the consequent risks, of which there were none;
4. Assessed the status of actions identified as not implemented as part of Internal Audit follow up reviews and subsequent progress tracking;
5. Considered the effects of significant changes in the Councils objectives or systems;
6. Reviewed and considered matters arising from reports to Council committees; and
7. Considered whether there were any limitations which may have been placed on the scope of Internal Audit.

Following consideration of the above I am able to provide the following Head of Internal Audit Opinion for 2014 / 2015:

I am satisfied that sufficient quantity and coverage of internal audit work and other independent assurance work has been undertaken to allow me to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's risk management, control and governance processes. In my opinion, the Council has adequate and effective systems of internal control in place to manage the achievement of its objectives. In giving this opinion, it should be noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes.

Notwithstanding my overall opinion, Internal Audit's work identified a number of opportunities for improving control procedures which management has accepted and are documented in each individual audit report.

*Chief Internal Auditor
June 2015*

4. **BASIS OF ANNUAL OPINION**

- 4.1 The audit work that was completed for the year to 31 March 2015 is detailed at the end of the report and lists all the audits and their results in terms of the audit assurance levels provided and the number of recommendations made. A summary of assurance levels is detailed below. This shows that **44%** of the systems audited achieved an assurance level of significant or higher (2013/14: **43%** 2012/13: **50%**). The lower proportion of higher assurance levels in the last two years is likely to be the result of the change in focus of audit work, rather than an indication of a downward trend in overall assurance.

AUDIT ASSURANCE						
Assurance Levels	Issued			%		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/5
Full	0	0	0	0	0	0
Significant	7	6	8	50	43	44
Limited	5	7	9	36	50	50
No	2	1	1	14	7	6
	14	14	18	100	100	100

RECOMMENDATIONS MADE			
	Numbers		
	2012/13	2013/14	2014/15
Low	8	31	38
Medium	41	45	68
High	63	40	67
Critical	4	1	0
	116	117	173

- 4.2 In addition to the audits detailed in the above table, further audit work was carried out, including 8 follow-ups, 13 grant reviews, 8 pieces of consultancy work as well as 4 governance reports. At the year-end 8 audit reviews and 4 follow ups were in various stages of completion and audit opinions relating to these will be reported during 2015 / 2016 as part of the agreed performance reporting timetable to the Audit Committee.

4.3 **Annual Governance Statement**

Using the proper practice guidance issued by CIPFA as the basis, Internal Audit reviews the corporate governance evidence framework to confirm that there is evidence to indicate that policies, procedures and systems are in place for corporate governance to be effective within the Council. The Council has demonstrated a firm foundation for this and Internal Audit remains of the opinion that the policies, procedures and systems are generally in place for good corporate governance.

4.4 **Risk Management and Business Continuity**

Progress continues to be made, with a new mechanism for determining Risk Appetite being included in the Risk Management Strategy. The risk management working group continues to meet regularly and risk registers are updated and reported to Audit Committee. Whilst progress

is being made, the key aspects of: cascading the process throughout the authority and developing robust reporting mechanisms is still underway. In addition to this the organisation is discussing risk with PCC Partners with a view obtaining risk registers in relation to service provision

4.5 **Key Financial Systems**

One or more of the authority's key financial systems is reviewed every year, based on an assessment of risk. This year, budgetary control within Adult Social Care was reviewed, with no major issues identified. We have also been involved in the implementation of the new Agresso financial system (covering Financial Accounting, Accounts Receivable and Accounts Payment modules) as well as the new Human Resources system (covering online expenses). Our role has been to review and advise in relation to the proposed control frameworks.

4.6 **External Activities**

Internal Audit has undertaken a number of reviews under a Service Level Agreement with Vivacity Leisure Trust. The nature of the works undertaken are confidential between us and the client and are not incorporated into or form part of the Head of Internal Audit Annual Opinion.

4.7 **Allegations of Fraud / Irregularity and Breaches of Code of Conduct**

In December 2014 the Compliance Team moved into Internal Audit from the Governance directorate. This team are responsible for investigating corporate fraud, staff misconduct and Blue Badge fraud and a separate report covering their activity for the year is brought to the Audit Committee alongside this one. There is some crossover in the work of the Compliance team and Internal Audit, particularly where control failures have resulted in alleged corporate fraud. In 2014 / 2015 Internal Audit have been involved in three investigations, two of which are ongoing.

4.8 **Limited and No Assurance reports**

The audits listed below have resulted in a limited or no assurance opinion. Where the resultant reports have been issued as a final, executive summaries are provided within Section 7.

- Parking Charges
- Petty Cash (St Georges and Children Services Central)
- Leaving Care Allowances
- Heltwate Primary
- Winyates Primary
- Mobile Phones
- Electronic Call Monitoring
- Frameworki (Accounts Payable)

4.9 Significant Control Weaknesses

Internal Audit is required to form an opinion on the quality of the internal control environment which includes consideration of any significant risk or governance issues and control failures which arise. Those areas worthy of note are:

Electronic Call Monitoring (ECM): This is a system for recording homecare visit start and end times, and was introduced to provide reassurance that service users are receiving the care commissioned on their behalf, and that the amounts invoiced by care providers are a fair reflection of the time carers spend with the service users. The audit found a number of issues which meant that we could not place reliance on the accuracy of the data being submitted by the care providers. We also found that the data was not used as a routine part of the process to check that care was being provided as commissioned. Since the audit there has been a change of focus towards an outcomes based method for monitoring contracts for commissioned care, with ECM becoming voluntary, therefore the recommendations in our report have become obsolete.

Frameworki - Accounts Payable: Frameworki is a care management IT system used by Adult Social Care. It has a finance module that is capable of accounts payable functions and is used to control and manage payments made in relation to service users. Within this module, purchase orders are raised and approved and invoices are processed for payment. The resultant payment information is exported to Oracle (our main accounts payable system) from where the actual payment is made. At the time of the audit only direct payments to services users were being processed in this way (approx. £4.5m per annum), but payments to care providers are now being included. Our audit identified a lack of adequate audit trail currently within FWI, coupled with lack of enforced separation of duties which, together, increases the risk of fraud significantly. Mitigating controls exist within the care management process, and this is an area which will be reviewed in the coming months. Additionally, a recent response to our follow-up indicates that access controls have been tightened significantly. This will be subject to further testing.

5. **RESOURCING AND PERFORMANCE**

5.1 **Resourcing**

5.1.1 During 2014 / 2015, resources were made up as follows:

Chief Internal Auditor	1 post	0.40 FTE
Group Auditor	2 posts	1.46 FTE
Principal Auditor	1 post	0.60 FTE
Senior Auditor	2 posts	2.00 FTE
Auditor	1 post	1.00 FTE
	TOTAL	5.46 FTE

5.1.2 The shared service arrangement with Cambridge City Council and South Cambs District Council, which has delivered efficiency savings and improved performance, has continued. Under this arrangement the Chief Internal Auditor's full time post is split between the authorities with South Cambridgeshire District Council receiving 20% of the post and Peterborough and Cambridge both receiving 40%.

5.1.3 In addition to the Internal Audit shared service arrangement the Chief Internal Auditor has management responsibility for the Insurance Team and the Compliance Team (the latter since December 2014).

5.1.4 The level of sickness within the Internal Audit team is low with 1.58 days per person (0.6%) reported during the year compared to 1.85 days per person at the same time last year. This is also below the corporate target of 3% for employees (8 days).

5.2 **Performance**

5.2.1 We have achieved 90% of the audit plan. Where reviews were not delivered this was mainly due to changes in priority resulting in reviews being replaced with other unplanned audits. Where reviews are still considered to be pertinent they have been rescheduled to be undertaken during 2015/16.

5.2.2 All reports, plans and progress reports have been produced in accordance with agreed timescales and presented to Members via the Audit Committee. The Annual Governance Statement was reviewed by External Audit without any adverse comments.

- 5.2.3 Customer feedback remains very positive with continued high levels of satisfaction demonstrated from our customer questionnaires in excess of our target. Additionally, Internal Audit services have been provided to external customers and positive comments received regarding the reviews undertaken. This work has generated additional funds for the Council.
- 5.2.4 96% of all recommendations made in 2014 / 2015 have been accepted by management (100% of high and critical recommendations), against a target of 90%.
- 5.2.5 Where we have conducted follow-ups, we found that 56% of high priority recommendations that were agreed have been implemented, against a target of 90%. This low figure results from two reports: Electronic Call Monitoring, where a decision has been made to discontinue with the process that was audited; and Frameworki - Accounts Payable, where the IT system cannot be changed to enable some of our recommendations to be implemented. Discounting these two reports, our performance in this area is 100%.

6. ASSURANCE LEVELS AND RECOMMENDATIONS 2014 / 2015

Where audits are "shaded", these represent those jobs not started at 31 March 2015.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
CORE SYSTEM ASSURANCE WORK	Core systems are those that are fundamental to providing control assurance for internal financial control and allow the s.151 officer to make his statement included in the authority's Annual Statement of Accounts. The External Auditor also places reliance on the work undertaken by Internal Audit on core systems.							
Budgetary Control	Adult Social Care & Public Health / Resources	Significant	0	0	3	0	3	Draft issued
Main Accounting	Serco / Resources							Deleted from plan due to the implementation of the new financial system. Budgeted time to be used to review proposals for the new financial system – see below.
Fixed Asset Accounting	Serco / Resources							Removed from plan as covered by External Audit.
Council Tax Reduction Scheme	Serco / Resources							In progress
Accounts Receivable – Parking Charges	Serco / Resources	Limited	0	5	0	0	5	Final issued
Financial System Implementation (Agresso)	Serco / Resources	N/A	N/A	N/A	N/A	N/A	N/A	Consultancy role ongoing – no report expected.
HR System Implementation	Governance / Serco	N/A	N/A	N/A	N/A	N/A	N/A	Consultancy role ongoing – no report expected.

AUDIT ACTIVITY	Department	COMMENTARY
ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK	Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. This section details audit work that specifically relates to the production of the Annual Governance Statement, as well as high level governance reviews.	
Annual Governance Statement Review	All	Complete. Presented and agreed by Audit Committee on 30 June 2014
Annual Audit Opinion	All	Complete. Presented to Audit Committee on 30 June 2014
Annual Audit Plan	All	Complete. Presented to Audit Committee on 16 March 2015
Internal Audit Effectiveness / Audit Committee Effectiveness	All	Complete. Presented to Audit Committee on 30 June 2014
Anti-Fraud Culture	All	NFI Initiative – review of data matches to commenced early 2015 and continuing. Liaison with the Corporate Compliance Team and evaluation of controls resulting from frauds.
Information Governance	All	Liaison and strategic overview as part of the Information Governance Group On-going
Risk Management	All	Attendance at Risk Working Group/consultancy advice on proposals.
Partnership Governance	Serco / Resources	Review of Serco Contract Management in progress

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
STRATEGIC AND OPERATIONAL RISKS	Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks							
Care Needs Assessment	Adult Social Care & Public Health							Deferred to 15/16 plan due to the changes introduced by the Care Act.
Frameworki – IT system	ASC & Public Health							To be combined with above audit.
Public Health Delivery	ASC & Public Health							In progress
Commissioning	Communities							In progress
Recruitment and Retention	Children Services	Significant	0	1	0	2	3	Final issued
Children's Svcs IT system	Children Services							In progress
Petty Cash – St George's	Children Services	Limited	0	3	3	3	9	Draft issued
Petty Cash – Children's Services	Children Services	Limited	0	9	7	8	24	Draft issued
Leaving Care Allowances	Children Services	Limited	0	2	10	2	14	Final issued
Heltwate Primary School	Children Services	Limited	0	5	1	1	7	Draft issued
Winyates Primary School	Children Services	No Assurance	0	14	10	4	28	Draft issued
Capital Project Management	Growth & Regeneration							Deferred until 2015/6
Materials Recycling Facility	Serco / Resources							No longer required
Data Security – Mobile ices	Serco / Resources							Carried Forward to 2015/16

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
STRATEGIC AND OPERATIONAL RISKS	Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks							
Business Continuity	Governance							In progress
Procurement	Serco/Resources							To be combined with Commissioning.
Contracts: Dementia Resource Centre Care & Repair Schedule of rates contract	Adult Social Care	N/A	N/A	N/A	N/A	N/A	N/A	Investigation into overspend. Complete. Overview of contract process issue. Complete.
Projects: J17 – Fletton Parkway Overspend	Growth & Regeneration	Significant	N/A	N/A	N/A	N/A	N/A	Draft memo in progress.
Community Infrastructure Levy / S106	Growth & Regeneration	Significant	0	0	3	2	5	Final issued
Mobile Phones - Value For Money Review	All	Limited	0	6	9	3	18	Draft report and memos issued

EXTERNAL WORKS	Work which generates income for the council
Vivacity	9 audits carried out during the year.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	COMMENTARY
GRANT CLAIM CERTIFICATION	Certification of claims in relation to UK and European funding requirements		
Bus Service Operators 2012/13	Growth and Regeneration	Certified	A grant to support bus services, including community transport services.
Growth Area Fund 2013/14	Growth and Regeneration	Certified	A non ring-fenced capital grant to support a programme of growth and development.
Cleantech Incubation Europe	Serco/Resources	Certified	European funding to support small and medium sized businesses in their use of clean technology. Two claims certified.
Zecos 7 th and 8 th (final) claim	Growth and Regeneration	Certified	European funding to support carbon reduction in the local community. Both claims certified.
Disabled Facilities Grant 2013	Communities	Certified	Non ring-fenced capital funding towards Disabled Facilities grants that PCC can award to disabled clients for necessary housing alterations.
Electoral Registration Transformation Programme	Governance	Certified	Funding to support the transition to Individual Electoral Registration.
Local Transport Funding Grant 2013/14.	Growth and Regeneration	Certified	This grant is used by local authorities for small transport improvement schemes costing less than £5 million and also for planning and managing the road networks.
Local Transport Funding - Additional Highways Grant	Growth and Regeneration	Certified	A grant to support local authorities in funding capital costs for integrated transport measures and highway maintenance schemes.
Pinch Point Grant 2013/14	Growth and Regeneration	Certified	A fund to help local authorities keep traffic moving and remove bottlenecks on the local highways network.
Severe Weather Grant 2013/14	Growth and Regeneration	Certified	A scheme to support local authorities with costs in dealing with recovery from flood damage in December 2013 and severe weather between December 2013 and up to 7th February 2014.
Local Sustainable Transport Grant 12/13	Growth and Regeneration	Certified	Grant relating to Travelchoice Plus.
Troubled Families	Communities	Certified	Results based funding to support families meeting certain criteria. July 2014 certification complete.

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS MADE					COMMENTARY
			Critical	High	Medium	Low	Total	
OTHER RESOURCE PROVISION	Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests as a result of changing risks. In addition there will be a number of follow ups of previous audit activities. Finally, a number of jobs will overlap between financial years and require some time to complete.							
Carry Forward Provision	Provision for the completion of 2013-14 audits							
Risk Management	Governance	Significant	N/A	N/A	N/A	N/A	N/A	Final Issued
Electronic Call Monitoring	Adult Social Care/ Communities	Limited	0	7	1	2	10	Final issued
Accounts Payable	Serco/Resources	Significant	0	5	7	5	17	Final issued
Payroll	Serco/Resources	Significant	0	2	2	2	6	Final issued
Fuel Cards	Serco/Resources	Limited	0	1	6	2	9	Draft issued
Frameworki – Accounts Payable module	Adult Social Care	Limited	0	6	3	2	11	Final issued.
Contract Management – Alleged Irregularity	Adult Social Care/ Communities / Governance	Investigation into alleged under-delivery of contracted services. Complete						

AUDIT ACTIVITY	Department	ASSURANCE LEVEL	RECOMMENDATIONS IMPLEMENTED					COMMENTARY
			Critical	High	Medium	Low	Total	
OTHER RESOURCE PROVISION	Throughout the year audit activities will include reviews that have not been specified within the plan and may include management requests as a result of changing risks. In addition there will be a number of follow ups of previous audit activities. Finally, a number of jobs will overlap between financial years and require some time to complete.							
Follow-up Provision:	Revisiting audits after 6 months to monitor the implementation of recommendations							
Electronic Call Monitoring	Communities	N/A	N/A	N/A	N/A	N/A	N/A	Complete
Integrated Community Equipment Store	Adult Social Care							In progress
The Beeches Primary School	Resources	N/A	N/A	N/A	N/A	N/A	N/A	Complete
Payroll Overpayments	Resources	Significant	0	1	3	0	4	Draft issued.
Travel & Subsistence	Resources							In progress
Frameworki – Accounts Payable	Adult Social Care	Limited	N/A	N/A	N/A	N/A	N/A	Memo issued
Direct Payments	Adult Social Care							In progress
Translation Services	Communities							In progress

AUDIT ACTIVITY	Department	COMMENTARY
Provision for unplanned activities:		Internal Audit provides control and risk advice to officers/management/members as a result of changing risks. This audit activity covers review work that is additional and was not specified as part of the original audit plan
Translation Services – Payment Proposals	Communities	Advice on proposals to speed up payments for translation services. Complete
Shared Lives – Carer Invoices	Adult Social Care	Investigation into delays and errors in the payment of certain invoices. Complete.
Care Provider Invoicing Proposals	Adult Social Care	Provision of advice regarding the proposal to use Frameworki /Oracle interface to pay residential care costs, and the proposal to pay without invoice. Complete.
School A	Children's Services/ Resources	Investigation into allegations of inappropriate spending. In progress.
Financial Regulations Review	Resources	Provision of a summary of audit observations that have an impact on the review of Financial regs. Complete.
Authorised signatory forms	Resources	Advice on the use of manual signatures as a control within Payroll, Accounts Payable, petty cash etc. Complete
Foster Carer Payment process	Resources/Serco	Review of processes following the need to make an emergency CHAPS payment. Memo issued. Complete.
Penalty Charge Notice cancellations	Governance	Review of reasons for cancellations. Memo issued. Complete.
Schools	Resources	Advice on selling unwanted items. Guidance on the use of purchasing cards. Complete
Statutory Compliance Testing in Schools (Amey)	Resources	Whistleblowing allegation leading to a review that checks are being carried out as required under contract In progress

7. **AUDIT REPORTS ISSUED: OPINION OF LIMITED ASSURANCE OR NO ASSURANCE**

	AUDIT ACTIVITY	ASSURANCE RATING	DATE TO AUDIT COMMITTEE
1.	Parking Charges	Limited	29 June 2015
2.	Leaving Care Allowances	Limited	29 th June 2015
3.	Frameworki – Accounts Payable	Limited	29 th June 2015
4.	Electronic Call Monitoring	Limited	3 November 2014

Audit Title 1	Parking charges
Objectives	To obtain assurance that all parking revenue is received for on and off street parking, penalty charge notices, occasional and annual parking permits; that income is accounted for and recovered where necessary; that penalty charge notices and appeals are managed in accordance with the Traffic Management Act 2004 and that occasional and emergency parking permits are issued appropriately.
Findings	<ul style="list-style-type: none"> • There is a fragmented approach to reconciliation and thus limited assurance that all parking income is received and accounted for. • There is a lack of central control and reconciliation for staff permits. Staff with responsibility for selling the permits account for their small number but there needs to be a more holistic approach to accounting for them. These risks have resulted in the recommendations that control for both types of permit (occasional and emergency) should be brought back under the Parking Manager and his staff. • Enforcement Officers are alert to the potential for misuse of occasional permits by staff (whereby permits are completed in pencil, then erased and used on subsequent days), and a number of cases have been dealt with via the disciplinary process. Options to reduce this potential may prove expensive. Using Insite to warn staff of the consequences of misusing permits has also been discussed with the Parking Manager and we would welcome this action to raise the profile of any campaign targeting permit abuse. • Emergency permits are being issued often without approval and without giving a reason. Certain members of staff obtain these emergency permits frequently. It is not possible to give assurance that they are being used appropriately. • The appeals policy for penalty charge notices is not being complied with. A high proportion of penalty charge notices are being cancelled by the sundry debtor team without the authorisation of the budget holder. Testing showed 8 out of 10 being cancelled in contravention of the exemption code. This has resulted in the recommendation that all cancellations and write offs are signed off by the budget holder/Parking Manager.
Findings and Conclusions	<p>Parking Services has been fragmented over recent years with no one area having responsibility for the service as a whole, this together with staff cuts has led to a general lack of control. Parking Services have now been put back under the control of one manager within PCC and this is seen as an opportunity to get it back on track.</p> <p>Limited Assurance</p>

Audit Title 2	Leaving Care Services
Objectives	To provide assurance that there are controls in place to mitigate against the risk of: <ul style="list-style-type: none"> - Expenditure not being identified, resulting in budget overspend - Young people not being referred to the leaving care team and therefore do not receive their entitlements - Payments being made to the wrong person, incorrect amounts paid and payments not authorised
Findings	The lack of monitoring of the budget for Leaving Care Allowances is a concern. Monitoring reports are not received by the team manager and reconciliations between Oracle Financials and team records are not undertaken. Without these controls in place, there is a greater risk of fraud and/or error taking place. Financial Guidance for Practitioners is a document provided to the Leaving Care team to ensure payments made to support young people are in accordance with legislation. However, the review found that guidance is not followed in every case. The document itself requires a review to reflect current practices.
Conclusions	Overall, assurance cannot be given that the budget information for the team is accurate. The records kept form the basis of a monitoring tool, but the lack of reconciliation between these and Oracle Financials means there is a risk of inaccurate and incomplete information being provided. A review of the 'Leaving Care Financial Guidance' will ensure that current practice is documented, but practitioners interpretation of the guidelines needs to be consistent. Limited Assurance

Audit Title 3	Frameworki – Accounts Payable
Scope	<p>The purpose of the audit was to establish whether satisfactory process, access, approval rights, and separation of duties controls are in place in the FWI finance module and associated processes to reduce the risk of error or fraud. The scope was to establish whether effective controls were in place to ensure that:</p> <ul style="list-style-type: none"> • Payments are valid and accurate • Payments made via the interface between FWI and Oracle are correctly accounted for.
Findings	<ul style="list-style-type: none"> • Some individual users have powerful access rights that would allow them to create and authorise a purchase order, then create and approve a payment cycle within FWI. FWI does not prevent the same officer creating and authorising a purchase order. • The FWI system does not always identify who approved a purchase order, and it was not possible to obtain a report listing all authorisations. It was therefore not possible to assess whether appropriate separation of duties had actually taken place. • A few users have been granted powerful authorisation rights (e.g. approval of personal budgets up to £250,000 per annum per service user). This gives those officers far greater approval powers than have been directly assigned to them. • Authorisation levels allocated to individuals in FWI are generally inconsistent with, and in many cases exceed, those laid down in Financial Regulations. Although there is scope for variations to standard limits to be approved, this approval does not appear to have been sought. • It was estimated that 80% of purchase orders generated in FWI are open-ended, due to the indefinite nature of required care. Contract and Financial Regulations require that the total estimated cost of a purchase is calculated. Open-ended POs present a risk that the council's procurement thresholds could be breached without an appropriate procurement exercise.
Conclusions	<p>While no evidence of fraud or error was noted during testing, the lack of adequate audit trail currently within FWI, coupled with lack of enforced separation of duties within FWI makes this a real possibility. It may be necessary to ask CoreLogic, the supplier of FWI, for advice on system configuration to allow effective controls to be set, and a satisfactory audit trail obtained.</p> <p>It is noted that Financial Regulations (FRs) and Contract Rules (CRs) do not reflect the reality of care provision within ASC. Many types of care procured by ASC are not currently covered by existing framework contracts, although it is understood that efforts are being made to get all care types on framework contracts. Contract Rules permit a retrospective exemption from normal contract processes where "it is necessary for an officer in Children's Services or Adult Social Care to act immediately to secure care for any vulnerable person". CRs do not explain at what point immediate need lapses and starts being foreseeable future need. In other words, in non-framework cases, whether care secured under the initial exemption may run indefinitely or is for a fixed short term period leading to a further procurement exercise. CRs do not reflect that once a care package is implemented for a service user (e.g. placement in residential care) there may be valid reasons, related to health of clients and PCC's reputation, why there might be reluctance to change supplier at cessation of contract, but CRs require competition between potential suppliers. It is important that these issues are resolved. These issues are relevant to FWI, because the system and how it is used, should reflect the requirements of CRs and FRs.</p> <p>Limited Assurance.</p>

Audit Title 4	Electronic Call Monitoring
Scope	<p>Electronic Call Monitoring systems automate the recording of care visit start and end times, and are intended to provide reassurance that service users are receiving the care commissioned on their behalf, and that invoiced visit durations are a fair reflection of the time carers spend with the service users. The purpose of the audit was to:</p> <ul style="list-style-type: none"> • Establish whether contractual requirements for ECM are robust enough to allow PCC to properly monitor service delivery and ensure security of data • Review how PCC uses ECM data to monitor service delivery and accuracy of billing • Form a view on reliability of data sets provided • Establish whether care provided, according to the data sets, was reasonably consistent with that planned, and matches that billed.
Findings	<ul style="list-style-type: none"> • Schedule 13 of the new framework contract allows ECM systems to accept “manual overrides” so that legitimate exceptions can be manually entered. ECM reports are submitted by care providers, rather than produced remotely by PCC. This raises concerns about editability of data within and outwith ECM systems. • None of the five ECM reports provided for examination contained sufficient information to comply with the contractual requirements laid down in Schedule 13. For example, two of them did not detail the scheduled care planned by the care provider. PCC’s template ECM report was not completed until after the new contracts went live • ECM data is not tested to ensure it appears reasonable and that it meets contractual requirements. Currently, ECM data is only referred to in exceptional cases, e.g. where invoiced charges are significantly higher than expected, or where there are specific grounds for concern. • Two ECM reports showed that more than 50% of all visits listed matched exactly to the minute, the actual visit duration, to the commissioned care stated on Frameworki, and/or the planned care entered into the ECM system by the care provider. The same two reports showed in excess of 50% of actual visit start times, end times, and durations ending in 0 or 5. These figures seem disproportionately high, and suggest that a substantial portion are resulting from rounded rather than “real time” data. • While there is a mechanism in place to detect where care charges are in excess of that expected, there is none to detect lower than expected charges (which could indicate insufficient care provision).
Conclusions	<p>Without control over one centralised ECM system for all care providers, PCC must trust the care providers to introduce and operate effective systems. For reliance to be placed on any ECM data, it is necessary to ensure that genuine automated call data is uneditable, readily accessible, and easily distinguishable from manually entered data. Adequate safeguards must exist to prevent data being manipulated to PCC’s disadvantage. Recommendations in this report are made with a view to maximising reliability of data without substantial changes. However, management are now considering introduction of Provider Management Software (PMS) to collate and analyse data from care providers’ own systems, or a centrally administered ECM system. Such systems would take time to introduce, and consideration will need to be given to how the interim period is managed.</p> <p>Limited Assurance.</p>

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