

Thurrock Council

Standards & Audit Committee

Internal Audit Progress Report 2015/16

Date of Committee: 14th June 2016

Introduction

The internal audit plan for 2015/16 was presented to the Standards & Audit Committee on 16th July 2015. This report provides the final update on progress against that plan since the 15th March 2016 meeting.

Table showing Reports issued as Final

Assignment	Status	Opinion	Actions Agreed (by priority)		
			High	Medium	Low
Audits to address specific risks					
Bonnygate Primary School – Follow up	Final	Green	0	1	2
Safeguarding of Assets (Appointeeship and Deputyship)	Final	Amber/Red	1	4	2
Core Assurance					
NNDR (National Non Domestic Rates)	Final	Green	0	0	0
Council Tax	Final	Green	0	0	1
Payroll	Final	Green	0	2	2
Adult Social Care Income	Final	Green	0	2	1
Accounts Receivable	Final	Green	0	1	2
Accounts Payable	Final	Green	0	1	3

As previously reported to the March Committee, a follow up review on the implementation of recommendations made as part of the Bonnygate Primary School audit was undertaken on the 24th May 2016. As a result, only 1 medium and 2 low recommendations were outstanding and both were work in progress. This represents good progress and the opinion has now been updated to reflect a green assurance rating.

At the request of members following the issue of an Amber/Red report on Procurement Cards in May 2015, further work was undertaken to review what the cards were being used to purchase. As a result, a group was set up involving Corporate Finance and Procurement, with input around controls from Internal Audit, to develop a new system moving forward. In the past, all setting up and monitoring of spend fell on Corporate Finance. However, it has now been agreed that Procurement will lead on setting up and monitoring spend. Procurement are developing a new form requiring managers to provide a business case detailing the reason the member of staff needs a card, the specific areas they would need to spend against and the expected value of spend. The individual cards could then be locked down to these specific areas which provide far greater control over their use.

In respect of the Supported Living review which received an Amber/Red assurance opinion and was reported to members at the September Committee, the long term absence of a senior manager for personal reasons resulted in the date of implementation of the recommendations having to be extended. The service has now confirmed that the following actions have been agreed and will be completed by August 2016:

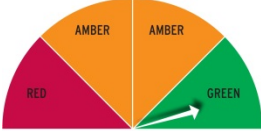
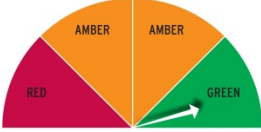
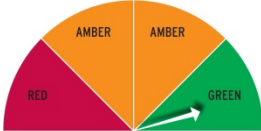
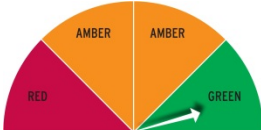
- Resources to be increased in the contract compliance function to ensure the contract can be managed appropriately and ensure that value for money has been obtained;
- Reducing the complexity of the contract as it is extremely laborious to manage;
- The purchase order for this year has already been raised for the correct amount (actioned);
- Change the signing off procedure to ensure that senior management have oversight of payments that are made for the block provision by PO and the additional services that have been commissioned; and
- Work with the performance team to ensure that the satisfaction surveys and quarterly returns are periodically checked to ensure they are accurate.

These actions will address the main issues raised within the report.

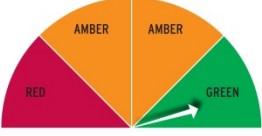
Progress has been made on the implementation of the recommendations of the Safeguarding of Assets (Appointeeship & Deputyship), which is included in detail at the end of this report. At the date of this report, 1 low and 2 medium recommendations had been actioned; 1 was superseded due to the change of bank and the process for dealing with the estates of deceased clients which is now handled directly by the bank; and, 3 recommendations had not reached their implementation date. A further update will be provided as part of the next progress report.

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

Key Findings from Internal Audit Work

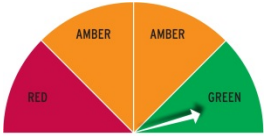
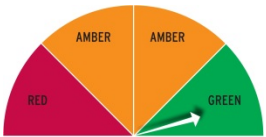
<p>Assignment: Bonnygate Primary School Follow Up</p>	<p>Opinion: Green</p>	
<p>Headline Findings: At the request of the headteacher, Internal Audit carried out a follow up review of Bonnygate Primary School and retested the 5 medium and 5 low recommendations identified during the audit carried out in January 2016, which resulted in the issuing of an Amber/Red assurance opinion. At the time of the follow up (24th May 2016), there was only 1 medium and 2 low recommendations outstanding. Two of these were work in progress with the marking of IT equipment and updating of the IT register to identify older stock currently being worked on. The 3rd recommendation related to the need to review and update if necessary, the schools Financial Regulations. This had been deferred as the governors felt that they did not need to be amended and would need to be totally reviewed when the school becomes an academy.</p>		
<p>Assignment: NNDR (National Non Domestic Rates)</p>	<p>Opinion: Green</p>	
<p>Headline Findings: Our review of NNDR did not identify any issues or areas of concern around the adequacy of the control framework. There were good controls around the following areas which were reviewed as part of the audit process: policies and procedures; accuracy and completeness of the NNDR database; receipting; amendments to accounts; clearing suspense promptly; refunds; system access; reductions and exemptions; inspections; management of arrears; and write offs. The 1 medium recommendation from the previous audit had been implemented.</p>		
<p>Assignment: Council Tax</p>	<p>Opinion: Green</p>	
<p>Headline Findings: Our review of Council Tax did not identify any issues or areas of concern, with only 1 low recommendation being identified around the adequacy of the control framework. The areas covered where there were good controls were the same as those identified above in the NNDR review. The 1 medium and 2 low recommendations from the previous audit had been implemented.</p>		
<p>Assignment: Payroll (including HR)</p>	<p>Opinion: Green</p>	
<p>Headline Findings: Our review of Payroll (including HR) identified 2 medium and 2 low recommendations around the adequacy of the control framework. The 1 medium and 3 low recommendations from the previous audit had been implemented.</p>		
<p>Action and Response</p>	<p>Responsible Officer</p>	<p>Date</p>
<p>Action - The number of superusers should be reduced to a maximum of 4 and this level maintained. Users' access rights to the Payroll System should be reviewed regularly, at least annually, to ensure employees who have left or no longer require access are removed. This reduces the likelihood of fraud and/or unauthorised access.</p> <p>Response – Accessibility would need to be streamlined so that only certain payroll functionalities are performed by specific users. Proper documentation will need to be drawn up with review dates taken into account. Look at options for tailoring access i.e. where the system enables full or restricted access.</p>	<p>Payroll Manager</p>	<p>April 2016</p>

<p>Action – Managers must inform HR, so they can inform Payroll, in advance of an employee leaving to reduce the likelihood of overpayments occurring. Debtors should be immediately notified by Payroll of any instances where an overpayment has not been recovered through the employee or ex-employee’s salary. This will allow them to raise invoices promptly and take appropriate recovery action. This reduces the risk of debts not being recovered.</p> <p>Response – Process reviewed with checklist to ensure appropriate workflow and timely notifications are captured within the current procedures. Robust checking by payroll to prevent overpayments but where this occurs, the recovery process should also be robust. Proposed payroll approvers for service managers to ensure accountability prior to submission to Payroll. Oracle will resolve these issues moving forward.</p>	<p>Operational Service HR and Payroll Service Lead with Payroll Manager</p>	<p>May 2016</p>
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<p>Assignment: Adult Social Care Income</p>	<p>Opinion: Green</p>	
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Headline Findings: Our review of Adult Social Care Income identified 3 medium and 1 low recommendation around the adequacy of the control framework. There has been no previous audit which is comparable to this review.

Action and Response	Responsible Officer	Date
<p>Action - When transferring the information into Objective, the section should ensure that all documentation is up-to-date and consent forms which are missing should be completed and signed by clients at the next review. This ensures there is an appropriate audit trail in place to support the assessments.</p> <p>Response – In principle this is sound. We would like to look at the least administratively burdensome approach by seeking to change the wording in the agreement to something along the lines “permission is given until withdrawn” but this would be subject to legal input.</p>	<p>Project Manager – Care Act Funding Reforms and Charging Policies</p>	<p>July 2016</p>
<p>Action - When a client dies owing money and their estate is in probate, an online check of the wills, probate and inheritance section of the gov.uk website should be carried out on a regular basis to determine when probate is obtained so the debt can then be collected promptly. This reduces the likelihood of funds being distributed before outstanding debts to the Council are paid.</p> <p>Response – Though this only makes sense when it is cost effective to do so. If the estate is below £5k (approx.) no grant of probate or letters of administration are required. The timing of this would be difficult due to common law obligations for the “executor’s year” therefore implementation could prove difficult. I would suggest this be taken to the next debt management meeting for discussion.</p>	<p>Debt Officer</p>	<p>July 2016</p>

Assignment: Accounts Receivable	Opinion: Green	
Headline Findings: Our review of Accounts Receivable identified 1 medium and 2 low recommendations around the adequacy of the control framework. Of the 1 medium and 2 low recommendations from the previous audit, the medium recommendation was still outstanding and has been repeated in this review.		
Action and Response	Responsible Officer	Date
<p>Action - It is recommended that a monthly report is produced which identifies all cases where a request form has not been raised in line with prescribed timescales. This report should be escalated to senior management so they can address persistent non-conformance issues.</p> <p>Response – Agreed, we advised the auditor this was in process. The date of supply is captured on the invoice request form, but up until transfer was not captured on the system. As advised we requested a field in Oracle to capture the date of supply via a footprint through PDG (Oracle support) which was confirmed recently. Next steps are to request the field is added to the new data extract so we can create a template, much like the BVPI08, to report on processing delays by debt type (which will identify the originating department).</p>	Section Manager	Commence June 16 (subject to PDG timescales)
Assignment: Accounts Payable	Opinion: Green	
Headline Findings: Our review of Accounts Payable identified 1 medium and 3 low recommendations around the adequacy of the control framework. Of the 1 medium and 3 low recommendations from the previous audit, the medium and 1 low recommendation were still outstanding and have been repeated in this review.		
Action and Response	Responsible Officer	Date
<p>Action - It is recommended that invoices which should have a corresponding purchase order but do not have one, are not processed until the order has been raised and approved appropriately. Staff are to be reminded that purchase orders need to be raised on the iProcurement system.</p> <p>Response – All supplier invoices are returned to the ordering department if the invoice does not have a PO number, the policy is no PO no pay. The only exceptions to this are those agreed by Sean Clark, which are predominantly payments to individuals such as refunds etc. We will draft an email to all requisitioners advising that orders should be raised prior to receiving goods or services, as opposed to retrospective. The %age of retrospective orders is monitored for manual invoices and reported to Senior Management as part of the BVPI08.</p>	Section Manager	May 2016

1 Executive Summary

1.1 INTRODUCTION

An audit of Safeguarding of Assets (Appointeeship & Deputyship) was undertaken as part of the approved internal audit periodic plan for 2015/16.

The Council acts in the role of Appointee by applying to the Department for Work and Pensions (DWP), or, Deputy by applying to the Court of Protection (COP), to manage the financial affairs of clients lacking mental capacity who are unable to engage family members or close friends to undertake the role. These are discretionary roles and there is no legal requirement on the Council to provide the service. However, the Council recognises the importance of supporting some of the Boroughs most vulnerable people to effectively manage their finances and to protect them from potential (or actual) financial abuse.

In the role of Appointee, the Council is authorised by the DWP to claim, collect and use welfare benefits on behalf of a service user who lacks the mental capacity to manage their own affairs or is at risk of, or subject to, financial abuse. Where a person lacks mental capacity and has other assets, or income other than payments received from the DWP, then the Council have to apply for Deputyship to the COP to make decisions about the client's property and affairs and/or health and welfare. The Deputy's powers are awarded through the issuing of a court order.

Currently, the Safeguarding Adults Team manages the accounts of 80 Appointees, 44 Court of Protection orders and 19 Deceased estates. However, it was stated that these numbers could increase as the Section have been made aware that there could be a further 20 new referrals.

The total amount held on behalf of clients in their receivership accounts as at 24th Sept 2015, was approximately £1.6 million. Apart from their receivership accounts, COP clients have various other assets including 5 properties, around 80 bank accounts, 13 private pensions and 16 other investments which have to be managed by the Section. There is currently not an accurate figure for these other assets as they have not all been included on the Casper software, which is designed to manage Deputyship, but their value is likely to be fairly substantial.

The cost of providing the service last year was £110,000 and the income was £17,681, resulting in a net cost of £92,319. The section is currently made up of 3 team members but they have just recruited a new staff member. However, the recruitment process, which started in February 2015, took some time to complete due to the nature of the post, with the person recruited only starting in early December.

Earlier this year the section had a visit from the Office of the Public Guardian, their 4th such visit and they were very impressed by the Financial Management Officer's commitment to managing client's affairs in accordance with the principles of the Mental Capacity Act 2005 including 3 examples of what was considered to be best practice. These were:

- Adapting delivery/provision of cash for clients in different ways to meet their needs.
- Ensuring that learning disability clients were helped to keep their cash in separate tranches by means of envelopes with pictures.
- Communicating with a depressed client with the use of coloured pencils in furtherance of the presumption of capacity.

Objective	The Council has a transparent and consistent approach when managing the affairs of vulnerable individuals.
Risk 1	Procedures for the receipt and recording of cash, valuables and property may not be in place or adhered to.
Risk 2	Sufficient checks may not have been undertaken to ensure correct balances were transferred to client's individual Bank Accounts.
Risk 3	The best price may not be obtained when disposing of client's property
Risk 4	Client's excess funds may not be properly invested.
Risk 5	The affairs of deceased clients may not be wound up promptly.
Risk 6	Income may not be maximised.

1.2 SCOPE OF THE REVIEW

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

Control activities to be tested:

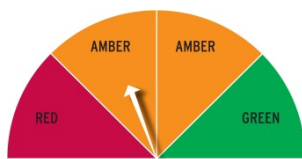
Procedures – Handling of Finances

Limitations to the scope of the audit:

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

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

1.3 CONCLUSION



Taking account of the issues identified, whilst the Council can take some assurance that the controls upon which it relies to manage the risk(s) are suitably designed, consistently applied and effective, action needs to be taken to ensure any risk is managed.

The above conclusions feeding into the overall assurance level are based on the evidence obtained during the review. The key findings from this review are as follows:

Overall Effectiveness and Design of control framework

- All transactions regarding cash payments and writing of cheques demonstrated that there was a clear separation of duties.
- Sufficient checks had been undertaken to ensure correct balances were transferred to client's individual bank accounts and that all ongoing transactions e.g. direct debits and standing orders had been actioned appropriately.
- There was not a formal policy which described the Council's approach to handling client's money.

- There were not sufficient documented procedures in place to support the actions taken by the section for the administration of client's moneys from their accounts.
- Client's surplus funds were not profitably invested.
- Affairs of the deceased were not always dealt with promptly.

Application of and compliance with control framework

- The correct procedures were adopted when selling a client's property. The sold property price in the area was checked and it was confirmed the right price had been obtained.
- Bank reconciliations were carried out on a weekly basis and signed off by the Financial Management Officer on a monthly basis. The file was up to date.
- Council's invoices for residential care were not always paid promptly.
- Investment income may not have been maximised.

1.4 RECOMMENDATIONS SUMMARY

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

Recommendations made during this audit:

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

Risk	Priority		
	High	Medium	Low
Procedures for the receipt and recording of cash, valuables and property may not be in place or adhered to.	0	0	2
Sufficient checks may not have been undertaken to ensure correct balances were transferred to client's individual bank accounts.	0	0	0
The best price may not be obtained when disposing of client's property	0	0	0
Client's excess funds may not be properly invested.	0	2	0
The affairs of deceased clients may not be wound up promptly.	0	1	0
Income may not be maximised.	1	1	0
TOTAL	1	4	2

1.5 ACKNOWLEDGEMENT

We would like to thank all staff who assisted in this review.

2 Action Plan

The priority of the recommendations made is as follows:

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

Ref	Recommendation	Risk Rating	Agreed (Y/N)	Management Action to address recommendations	Completion Date	Responsible Person
1.2	Whilst acknowledging that the current staff are very experienced, written procedures should be prepared which cover all aspects of work carried out by the Appointeeship/Deputyship Service. Not only will this ensure consistency of approach but will also be a useful reference and training document for any new staff joining the team.	Low	Y	Whilst there are no formal written procedures, there are some tick sheets which give staff guidance on what to do if someone dies. These are kept in a folder and any new member of staff is required to read them. The new member of staff has also been shadowed due to the complexity and varied nature of individual cases. Moving forward, it is intended to pull all the guidance together but the change from one bank account for all clients to one for each had to take priority.	Complete	Financial Management Officer
1.3	Safe audits should be carried out on a bi-monthly basis and be signed off by 2 people, with physical items being reconciled against seal references within property lists. Wherever possible, only small amounts of cash (e.g. no more than	Low	Y	Safe audits will be carried out. All items to be bagged and sealed against an individual seal number (as per the seals used by cashiers and schools). Audits can then be carried out against the sealed	May 16	Financial Management Officer

Ref	Recommendation	Risk Rating	Agreed (Y/N)	Management Action to address recommendations	Completion Date	Responsible Person
	£50) should be kept in the safe with any surplus amounts being paid into the relevant client's bank account. This will allow any discrepancies to be identified and rectified in a timely manner. It is acknowledged that where a protection of property search identifies cash, the Council have no control over this until they are appointed as the appointee or deputy so in certain instances, the amount may be larger.			property. Regular audits would ensure that money was not held for longer than necessary.		
4.1	Whilst acknowledging that the Financial Management Officer and her team are committed to providing the best service they can with the resources and skills available, it is recommended that an independent investment manager, with the appropriate knowledge and membership of a recognised professional body, should be appointed to assess and action opportunities to improve client's returns. A balance should be retained on the clients' receivership account to cover planned expenditure for the next 12 months. Whilst this should help maximise income for the client, the investments must be secure and be readily accessible should the need arise. In addition, receipts and invoices should be obtained for all expenditure and retained on file.	Medium	Y	A financial review process is to be put in place in line with the Court review periods. This will show anticipated annual expenditure against assets held and reviews the current investment position. This should prompt any changes to flag up if independent financial advice or local investment advice is required depending on the investment levels and expected expenditure. Chase De Vere has been appointed to review those clients with high value assets. Two initial client's details have been prepared for independent financial advice, the outcome of which, will assist reviewing other cases that may benefit from this.	Complete	Financial Management Officer
4.2	It is recommended that the Casper system is fully populated and staff are	Medium	Y	Future training in respect of Casper was scheduled for January 2016.	July 16	Financial Management

Ref	Recommendation	Risk Rating	Agreed (Y/N)	Management Action to address recommendations	Completion Date	Responsible Person
	trained in its use. This will provide a complete integrated client record eliminating the need for spreadsheets and paper files and thus reduce staff time spent manually managing the accounts.			This will involve complete account reconciliation for each client. At the annual financial review, all records held on Casper will be checked and updated if necessary.		Officer
5.1	It is recommended that clear procedures for dealing with the affairs of deceased clients in an efficient manner are developed. These should include timescales for carrying out different elements of the process. Invoices for any outstanding debts should be raised promptly to ensure the Council are included as a debtor prior to the final settlement of the estate.	Medium	Y	Following the change of banks in September 2015, with all clients now having individual accounts, the process is that NatWest will now deal with the distribution of estates to the next of kin and executors directly. NatWest will release funds below £25K under indemnity and over £25K upon receipt of probate. The Council will only be required to pass on details of the next of kin or executor. If there is no known next of kin or will, then a referral will continue to be made to the Treasury Solicitor.	Superseded	Financial Management Officer
6.1	It is recommended that invoices raised by the Council for any costs associated with providing services to clients are paid regularly. This reduces the likelihood that debts accumulate and are not paid or, cannot be recovered until an estate is settled.	High	Y	Bi-monthly meetings will be established with the Debtors team to monitor cases more closely and action payments promptly.	June 16	Financial Management Officer
6.2	Whilst acknowledging the importance of supporting vulnerable people to effectively manage their finances and to protect them from potential (or actual) financial abuse, this is a discretionary	Medium	Y	A piece of work is currently under review. Whilst we acknowledge that the Council can charge for work it carries out as an Appointee, there	Complete	Financial Management Officer

Ref	Recommendation	Risk Rating	Agreed (Y/N)	Management Action to address recommendations	Completion Date	Responsible Person
	<p>service which most users could contribute towards. Therefore, it is recommended that the Council should consider introducing fees and charges where possible. Not only would this help to ensure there are sufficient resources available to continue offering the service, but it would also help to pay for financial advice to benefit the clients and improve the service.</p>			<p>is no framework for this set out in legislation. The Appointee status was established for those who are most vulnerable and only receive state benefits.</p> <p>Any charges that could be introduced would not increase the Council's overall income by much as when assessments are made in respect of an individual's contribution to care, these charges need to be considered and charges reduced to reflect these due to disability related income.</p> <p>For Court of Protection clients, a schedule of fees is to be drawn up to ensure they are maximised. Fees are currently prompted when annual reports are created but historically this has only been for some of the case load, as clients with Court supervision level 3 did not require these to be done. Court regulations are changing and a report will be required for each client in future. This will prompt fee taking and also generate income for completing the report.</p>		