

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

26 SEPTEMBER 2013

**INTERNAL AUDIT WORK FOR THE HEALTH AND ADULT SERVICES
DIRECTORATE**

Report of the Head of Internal Audit

1.0 PURPOSE OF THE REPORT

- 1.1 To inform Members of the **internal audit work** performed during the year ended 31 August 2013 for the Health and Adult Services (HAS) directorate and to give an opinion on the systems of internal control in respect of this area.

2.0 BACKGROUND

- 2.1 The Audit Committee is required to assess the quality and effectiveness of the corporate governance arrangements operating within the County Council. In relation to HAS, the Committee receives assurance through the work of internal audit (as provided by Veritau Ltd), as well as receiving a copy of the latest directorate risk register and the relevant Statement of Assurance (SoA).
- 2.2 In line with recent practice, this agenda item is considered in 2 parts. This report is the 1st part which considers the work carried out by Veritau and is produced by the Head of Internal Audit. The 2nd part is produced by the Corporate Director and considers a range of control issues..

3.0 WORK DONE DURING THE YEAR ENDED 31 AUGUST 2013

- 3.1 Details of the work undertaken for the HAS directorate and the outcomes of these audits are provided in **Appendix 1**.
- 3.2 Veritau has also been involved in carrying out a number of special investigations that have either been communicated via the Whistleblowers' hotline or have arisen from issues and concerns referred to Veritau by HAS management. In addition, Veritau has provided support to directorate management in respect of a number of safeguarding alerts.
- 3.3 As with previous audit reports, an overall opinion has been given for each of the specific systems or areas under review. The opinion given has been based on an assessment of the risks associated with any weaknesses in control identified. Where weaknesses are identified then remedial actions will be agreed with management. Each agreed action has been given a priority ranking. The opinions and priority rankings used by Veritau are detailed in **Appendix 2**.

3.4 It is important that agreed actions are formally followed up to ensure that they have been implemented. Veritau follow up all agreed actions on a regular basis, taking account of the timescales previously agreed with management for implementation. **On the basis of the follow up work undertaken during the year, the Head of Internal Audit is satisfied with the progress that has been made by management to implement previously agreed actions necessary to address identified control weaknesses.**

3.5 All internal audit work undertaken by Veritau is based on an Audit Risk Assessment. Areas that are assessed as well controlled or low risk are reviewed less often and in our experience continue to be satisfactory between audits. Veritau's audit work therefore focuses on the areas of highest risk. Veritau's auditors work closely with directorate senior managers to address any areas of concern. The scope of many audits means that a large number of processes are reviewed with many of these being found to be satisfactory or better.

4.0 **AUDIT OPINION**

4.1 Veritau performs its work in accordance with the Public Sector Internal Audit Standards (PSIAS). In connection with reporting, the relevant standard (2450) states that the Chief Audit Executive (CAE)¹ should provide an annual report to the board². The report should include:

- (a) details of the scope of the work undertaken and the time period to which the opinion refers (together with disclosure of any restrictions in the scope of that work)
- (b) a summary of the audit work from which the opinion is derived (including details of the reliance placed on the work of other assurance bodies)
- (c) an opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (ie the control environment)
- (d) disclosure of any qualifications to that opinion, together with the reasons for that qualification
- (e) details of any issues which the CAE judges are of particular relevance to the preparation of the Annual Governance Statement
- (f) a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme.

4.2 The overall opinion of the Head of Internal Audit on the controls operated within the Health and Adult Services directorate is that they provide **moderate assurance**. This opinion is based on the individual opinions / risk ratings as detailed in the appendix of this report. Moderate assurance is defined by Veritau as:

Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made

¹ The PSIAS refers to the Chief Audit Executive. This is taken to be the Head of Internal Audit.

² The PSIAS refers to the board. This is taken to be the Audit Committee.

5.0 RECOMMENDATION

- 5.1 That Members consider the information provided in this report and determine whether they are satisfied that the internal control environment operating in the Health and Adult Services Directorate is both adequate and effective.

MAX THOMAS
Head of Internal Audit

Veritau Ltd
County Hall
Northallerton

10 September 2013

BACKGROUND DOCUMENTS

Relevant audit reports kept by Veritau Ltd at 50 South Parade, Northallerton.

Report prepared by Roman Pronyszyn, Client Relationship Manager, Veritau and presented by Max Thomas, Head of Internal Audit.

FINAL AUDIT REPORTS ISSUED IN THE YEAR ENDED 31 AUGUST 2013

System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken	
A	Respite Care	Moderate	A review of the procedures in place for when respite care is arranged for individuals who also receive care at home.	September 2012	<p>The audit found that there were no formal procedures in place to notify providers of personal care that a service user was to have a period of residential respite care. Effective procedures were also not in place to notify support staff of these changes.</p> <p>Controls were also not in place within benefits and financial assessments that would detect if a service user was being overcharged for their personal contribution for the care provided.</p>	<p>Four P2 actions were agreed.</p> <p>The audit findings were accepted and new procedures introduced. The service user and/or family will be asked to inform the home care provider of any arrangements made for respite care and to also inform their care manager at NYCC. The care manager will inform brokerage staff of the respite provision and brokerage will formally notify the personal care at home provider of the change (within the required notice period).</p> <p>A weekly email detailing any changes to care provision will be sent to support staff to enable them to check the invoices for personal care at home.</p> <p>Responsible Officer: Assistant Director Contracting, Procurement and Quality Assurance</p>
B	Direct Payments follow up	Moderate	A follow up of the action plan developed by the County Council to address the findings contained in the Direct Payments report (issued in April 2012).	November 2012	<p>A small number of weaknesses were found to have not been addressed fully. An updated action plan was therefore agreed. The areas requiring improvement</p>	<p>One P1, four P2 and one P3 actions were agreed.</p> <p>The Senior Adult Services Lawyer has since provided guidance which has enabled the DP Agent form to be</p>

System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken	
				<p>included the need:</p> <ul style="list-style-type: none"> to evidence that agents have been made aware of their responsibilities for improved guidance on what information should be recorded in the case notes on AIS and when this should be done. 	<p>updated to more clearly state responsibilities.</p> <p>Forms and guidance have been updated to improve the information recorded within AIS.</p> <p>Responsible Officer: Service Development Manager – SDS and Direct Payments</p>	
C	Establishment Financial Procedures – Avalon	Substantial	The audit examined the procedures for handling tenants' monies at supported living establishments provided by Avalon (a third party provider)	October 2012	<p>An effective control environment was found to be in operation, although there was scope for improvement when recording and accounting for staff meal contributions and the monitoring of service user bank account balances.</p>	<p>One P2 and Three P3 action were agreed.</p> <p>Avalon has taken appropriate action to address the findings identified in the report.</p>
D	Establishment Financial Procedures – Milestone House.	Substantial	The audit examined the procedures for handling tenants' monies at supported living establishments provided by Milestone House (an internal home)	October 2012	<p>An effective control environment was found to be in operation. Minor issues were noted in respect of information recorded in the staff meals book and loaning of monies to service users.</p>	<p>Two P3 actions were agreed.</p> <p>The establishment has taken the appropriate action to deal with the identified issues.</p>
E	Charges for Domiciliary Care Electronic Invoicing	Limited	The audit reviewed the processes in place to raise debtor invoices for service user contributions and to	June 2013	<p>A number of control weaknesses in key areas were identified, including:</p>	<p>Nine P2 and eight P3 actions were agreed.</p> <p>The audit findings were accepted. The necessary improvements would be</p>

	System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
			make payments to providers for home care spot contracts, based on the submission of electronic invoices in the Scarborough, Whitby and Ryedale area.		<ul style="list-style-type: none"> the use of a unitised hourly rate instead of charging for the actual cost of care that was provided, meaning costs incurred may be under/over recovered the processes for checking timesheets were either not in place or not fully effective the processes for checking electronic invoices were inconsistently applied and not fully effective. There was also potential duplication between different teams. 	<p>achieved following the completion of the restructure. There will then be a dedicated specialist resource in each locality (with a single locality manager). Procedures can then be consistently applied and replicated across each area.</p> <p>Work is in progress to enable one system to be used and accessed by both finance and B&AC staff.</p> <p>A full review of current practice in terms of unitised hourly rates is now underway</p> <p>Responsible Officer: Business Support Manager</p>
F	Swift Financials - Direct Payments	Substantial	The audit reviewed the controls within Swift Financials in respect of direct payments. The scope of the audit included access permissions, amendments to standing data and reconciliations.	April 2013	The transition from using spreadsheets to Swift Financials was completed without any difficulty. A small number of instances were noted where information was being entered incorrectly or not in a timely manor. Some members of staff also had access to functionality not apparently required for their role.	<p>Two P2 and two P3 actions were agreed.</p> <p>Further work will be done with HAS Care Management staff to ensure that they understand the importance of accurate and timely input of information to Swift Financials.</p> <p>The possibility of restricting access will be investigated although it is noted that some of the functionality identified in the audit report is considered necessary.</p> <p>Responsible Officer: HAS Finance Manager (Operations)</p>

Audit Opinions and Priorities for Actions

Audit Opinions	
<i>Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.</i>	
<i>Our overall audit opinion is based on 5 grades of opinion, as set out below.</i>	
Opinion	Assessment of internal control
<i>High Assurance</i>	<i>Overall, very good management of risk. An effective control environment appears to be in operation.</i>
<i>Substantial Assurance</i>	<i>Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.</i>
<i>Moderate assurance</i>	<i>Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.</i>
<i>Limited Assurance</i>	<i>Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.</i>
<i>No Assurance</i>	<i>Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.</i>

Priorities for Actions	
<i>Priority 1</i>	<i>A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.</i>
<i>Priority 2</i>	<i>A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.</i>
<i>Priority 3</i>	<i>The system objectives are not exposed to significant risk, but the issue merits attention by management.</i>