

## NORTH YORKSHIRE COUNTY COUNCIL

## AUDIT COMMITTEE

25 SEPTEMBER 2014

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 2014 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 two parts. This report considers the work carried out by Veritau and is presented by the Head of Internal Audit. The second part is presented by the Corporate Director – Health and Adult Services and considers the risks relevant to the directorate and the actions being taken to manage those risks.

**3.0 WORK DONE DURING THE YEAR ENDED 31 AUGUST 2014**

- 3.1 Details of the internal audit work undertaken for the 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 assignments which have not resulted in the completion of an audit report. This work includes 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**. Some of the audits undertaken in the period focused on value for money or the review of specific risks so did not have an audit opinion assigned to them.

3.4 It is important 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 with audit work instead focused on the areas of highest risk. Veritau's auditors work closely with directorate senior managers to address any areas of concern.

#### 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)<sup>1</sup> should provide an annual report to the board<sup>2</sup>. 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 framework of governance, risk management and control operating in the Health and Adult Services directorate is that it provides **Substantial Assurance**. There are no qualifications to this opinion and no reliance was placed on the work of other assurance bodies in reaching that opinion.

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

<sup>2</sup> 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

1 September 2014

**BACKGROUND DOCUMENTS**

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

Report prepared by Stuart Cutts, Audit Manager, Veritau and presented by Max Thomas, Head of Internal Audit.

## FINAL AUDIT REPORTS ISSUED IN THE YEAR ENDED 31 AUGUST 2014

	System/Area	Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
A	Payments for Residential Care – follow up	Substantial Assurance	The audit reviewed the progress made by the directorate to address previously identified control weaknesses including the completion of bed returns, the authorisation of Individual Placement Agreements and the method for making payments to providers.	September 2013	<p>There had been an overall improvement since the previous audit. The following issues were however noted:</p> <ul style="list-style-type: none"> <li>some bed return forms were not being returned by private providers within the required timescales. Some were not received at all. However, no payments had been withheld, despite this incomplete information;</li> <li>the time taken to authorise Individual Placement Agreements varied significantly within, and between different areas.</li> </ul>	<p><b>Two P2 and one P3 actions were agreed</b></p> <p><b>Responsible Officer</b> Assistant Director – Resources</p> <p>Reminders were sent to staff on the importance of chasing and checking bed returns. It was envisaged that the introduction of Liquid Logic, including the provider portal, would allow processes to be improved to help address the other findings raised in the audit.</p>
B	Charges for Residential Care – follow up	Substantial Assurance	The audit reviewed the progress made by management to address previously identified control weaknesses including errors in financial assessments and service contributions.	September 2013	<p>There had been an overall improvement since the previous audit. The following issues were however noted:</p> <ul style="list-style-type: none"> <li>some letters advising the service user of their contribution were not being sent out in a timely manner;</li> <li>some financial assessments had not been undertaken in line with internal procedures, for example when moving from short term to</li> </ul>	<p><b>Two P2 actions were agreed</b></p> <p><b>Responsible Officer</b> Assistant Director – Resources</p> <p>Discussions were to be held with the Benefits, Assessment and Charging team with a view to considering a system of independent sampling. It was also envisaged the introduction of Liquid Logic, including the provider portal, would allow</p>

System/Area		Audit Opinion	Areas Reviewed	Date Issued	Comments	Action Taken
					permanent care.	processes to be improved to help address findings raised in the audit.
C	Court of Protection	No opinion given	The Court of Protection (COP) has jurisdiction over the property, financial affairs and personal welfare of people who lack mental capacity to make their own decisions. The County Council may be appointed as a 'deputy' to manage all aspects of a service user's care. Alternatively, it may be granted an 'appointeeship' from the Department for Work and Pensions (DWP) to receive and manage a service user's welfare benefits. A deputy undertakes responsibility for the management of all a person's financial affairs if they become incapable of doing so themselves. An appointee is only responsible for managing a person's benefits and a small and limited amount of savings in case of unforeseen circumstances; paying bills and managing money if the client has smaller assets. The aim of the audit was to investigate and share	September 2013	<p>The auditors visited the City of York and Newcastle MBC Councils to benchmark the County Council's current 'Court of Protection' arrangements. Feedback was then provided on areas where changes or improvements should be considered, including:</p> <ul style="list-style-type: none"> <li>• the obtaining of Court of Protection orders;</li> <li>• the processing of income and expenditure for service users, including reconciliation procedures;</li> <li>• banking and accounting arrangements;</li> <li>• the paying of personal allowances;</li> <li>• organisational arrangements.</li> </ul>	The results of the review were considered by management.

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			understanding of how different bodies organise and discharge their Court of Protection responsibilities and to identify areas where processes could be delivered more effectively at the County Council.			
D	Physical and Sensory Impairment (PSI) Groups	No opinion given	There are four PSI groups in North Yorkshire each supported by a separate service provider. At the time of the audit, the contracts for the service providers were for three years and included a series of performance indicators. The contracts were due to end in March 2014. Funding was initially allocated to the 'Physical and Sensory Impairment Board' and then split equally between the four PSI groups. The audit reviewed the operation of the groups to establish whether they were achieving the expected outcomes.	November 2013	<p>The audit identified variable performance by the PSI Groups and support providers and there was scope for improvement in a number of areas. The County Council also needed to ensure contract outcomes were delivered and effective contract management practices applied.</p> <p>The report recommended a number of improvements to current and future arrangements to enable the required outcomes to be achieved.</p>	<p>Four separate reports and a summary report were provided to the Assistant Director – Contracting, Procurement and Quality Assurance.</p> <p>The future of the groups is part of a corporate review which will lead to the development of the Community Engagement Framework. The PSI Board will take part in the workshops and consultation as the Framework is developed. Work continues with the four reference groups to ensure a more directed focus in the future.</p>
E	Accrued Debt	Moderate Assurance	The audit examined the assessment and monitoring procedures for services users who are in permanent residential care but who own	January 2014	The management of the Accrued Debt function has been restructured and the processes re-organised over the last 12-18 months. As a result, the overall control framework had improved.	<p><b>Three P2 and five P3 actions were agreed</b></p> <p><b>Responsible Officer</b> Benefits, Assessment and Charging</p>

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			property and accrue debts in relation to their care. The debt is in the form of an interest free loan up to the point of the service user's death. Interest is then added to the outstanding debt until the property is sold and/or the debt is repaid.		<p>However, a number of issues were found, including:</p> <ul style="list-style-type: none"> <li>instances where monitoring procedures were not working as envisaged;</li> <li>a lack of reconciliation of the debt recorded on Oracle to the monitoring spreadsheets maintained and used by Benefits and Charging staff;</li> <li>inconsistencies in the method for calculating the accrument of debt;</li> <li>the use of monitoring spreadsheets that require significant staff time to produce and paper files, which are not integrated to other electronic systems and not always available.</li> </ul>	<p>Manager</p> <p>The audit findings on monitoring procedures were noted and follow up actions were taken during and after the audit. The new systems of Liquid Logic and Controc were to be investigated to improve reconciliation procedures and minimise the need for surrogate spreadsheet procedures.</p> <p>A revised and consistent approach to calculating accrued debt and for determining potential bad debts is to be proposed</p>
F	Public Health	Moderate Assurance	The audit reviewed the new arrangements for managing the provision of public health services, including risk management and contract monitoring.	March 2014	Public health responsibilities transferred to the County Council in April 2013. The period covered by the audit therefore involved significant change for the delivery of public health services and for the County Council itself. These changes were well managed but it is recognised that further work is required to fully establish effective processes and systems. The main findings from the audit related to:	<p><b>Three P2 and five P3 actions were agreed</b></p> <p><b>Responsible Officer</b> Director of Public Health</p> <p>The contracts that operated during 2013/14 were those that transferred from the North Yorkshire Primary Care Trust. The County Council is part way through re-tendering all of the transferred contracts. This process has allowed specific</p>

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					<ul style="list-style-type: none"> <li>the ongoing provision of performance information by some of the transferred providers of public health services;</li> <li>the need to establish appropriate information sharing agreements with NHS bodies and service providers;</li> <li>the need to develop consistent and proportionate contract performance structures.</li> </ul>	<p>requirements to be specified, including the provision of regular and consistent performance information. Work is ongoing to establish appropriate information sharing agreements and to overcome some of the difficulties experienced with certain providers.</p>
G	Fairer Contribution	Substantial Assurance	<p>The audit examined the systems and processes for charging for home care and other non – residential care services. The decision to charge for non-residential care continues to be a matter for the Council's discretion but the Department of Health has determined that the net income of a service user should not fall below the basic level of Income Support, plus 25%. A financial assessment is therefore required to calculate the client contribution towards the cost of any services provided. The audit assessed whether:</p> <ul style="list-style-type: none"> <li>financial assessment are carried out for all</li> </ul>	May 2014	<p>The control framework was found to be effective. A small number of improvements were however identified, including the need to:</p> <ul style="list-style-type: none"> <li>obtain receipts for disability related expenses;</li> <li>query and record the reasons for any large variances between financial assessments;</li> <li>ensure the online records contain a copy of the signed declaration.</li> </ul>	<p><b>One P2 and one P3 actions were agreed</b></p> <p><b>Responsible Officer</b> Benefits, Assessment and Charging Manager</p> <p>The requirement to obtain receipts for disability related expenses and to review the previous financial assessment will be stressed as part of the re-issue of the General Procedure document. Staff will be reminded of the requirement to scan the signed declaration document for inclusion on the electronic record</p> <p>A further review of the system is to take place during 2014/15 after the introduction on Controc.</p>

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			<p>service users in line with the Fairer Charging Policies and the County Council's own guidance;</p> <ul style="list-style-type: none"> <li>all relevant income, expenditure and capital is taken into consideration; and</li> <li>appropriate performance management arrangements are in place.</li> </ul>			
H	Care Home reactive visits – summary report	No opinion given	The report identified a number of common themes following a series of reactive visits to care providers in early 2014.	July 2014	The current contract performance management arrangements do not include the routine review of the processes operated by care homes in respect of service users' finances. The report recommended that further work to review arrangements at those 'at risk' care providers should be undertaken.	<p><b>Responsible Officer</b> Assistant Director – Contracting, Procurement and Quality Assurance</p> <p>The findings will be considered by management. This may result in the need for further involvement by internal audit.</p>
I	<p>Visits to the following Care Providers:</p> <ul style="list-style-type: none"> <li>Meadow Lodge (Kellington)</li> <li>Skell Lodge (Ripon)</li> </ul>	Various	<p>A series of audit visits to care providers to provide assurance that:</p> <ul style="list-style-type: none"> <li>the financial transactions of service users are recorded correctly and in accordance with the care providers policies and</li> </ul>	Various	<p>The overall arrangements were found to be good with effective controls operating in the homes visited. Two of the reports were high assurance and the other four were all substantial assurance.</p> <p>One common problem was that reconciliations of service users'</p>	<p><b>P3 actions were agreed for all the substantial assurance reports</b></p> <p><b>Responsible Officer</b> Assistant Director – Contracting, Procurement and Quality Assurance</p> <p>The Contract, Procurement and Quality Assessment Team will</p>

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<ul style="list-style-type: none"> <li>• Westfield (Killinghall)</li> <li>• Sabre Court (Scarborough)</li> <li>• Beanlands (Glusburn)</li> <li>• Spring Cottage (Norton)</li> </ul>		<p>procedures;</p> <ul style="list-style-type: none"> <li>• all expenditure relating to service users is appropriate and properly evidenced;</li> <li>• financial arrangements ensure the property of the service users is protected.</li> </ul>		<p>personal allowances were not evidenced as being verified by an independent person.</p>	<p>discuss the issues identified with the homes in question.</p>

### Audit Opinions and Priorities for Actions

Audit Opinions	
<p>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.</p> <p>Our overall audit opinion is based on 5 grades of opinion, as set out below.</p>	
Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	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.
Moderate assurance	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.
Limited Assurance	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.
No Assurance	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.

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