

NORTH YORKSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

24 SEPTEMBER 2015

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 2015 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.
- 2.2 This agenda item is considered in two parts. This first 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 2015

- 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 has included 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 One of the investigations completed during the year involved the Granby Lodge care home in Harrogate. Auditors initially visited the provider as part of a routine audit in October 2014. During this visit a number of financial irregularities were noted and an investigation was therefore commenced. Veritau subsequently worked closely with the police, Council and other agencies to quickly progress the

matters identified. The two owners of Granby Lodge were found to have stolen over £45k from vulnerable residents of the home. They pleaded guilty to nine counts of fraud and, in August 2015, were sentenced to two years in prison.

- 3.4 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)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 (i.e. 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.

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.

- 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.

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

11 September 2015

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 2015

| System/Area | Audit Opinion | Areas Reviewed | Date Issued | Comments | Action Taken |
|-------------|---------------------|-----------------------|---------------|--|--|
| A | Fairer Contribution | Substantial Assurance | December 2014 | <p>The overall control framework was found to be effective.</p> <p>Financial assessments had been carried out correctly and the number of instances where paperwork was not available had reduced compared to the previous audit.</p> <p>A small number of improvements were identified, including the need to:</p> <ul style="list-style-type: none"> • obtain receipts for all disability related expenses; • ensure the online records contain a copy of the signed declaration. <p>It was recognised that non residential charging is due to be transferred to the new Controc system. Controc should provide an opportunity to further streamline processes and improve the availability of supporting documentation.</p> | <p>Two P3 actions were agreed</p> <p>Responsible officer: Benefits, Assessments and Charging Manager</p> <p>As part of the financial assessment, receipts are requested wherever practicable. A reminder will be sent to staff asking them to obtain receipts whenever they can.</p> <p>Portable printing devices and electronic signature capture technologies will be reconsidered in the future. Staff will be reminded to obtain a signed declaration where possible.</p> <p>The project to implement the provider portal is underway with resource from Technology and Change secured to ensure the implementation delivers maximum benefits and efficiencies. It is envisaged the implementation could take 12 months.</p> |
| B | Public Health | Substantial Assurance | December 2014 | <p>The transfer of public health responsibilities to local government has been a significant challenge for all councils, including North Yorkshire.</p> | <p>Two P2 and two P3 actions were agreed</p> <p>Responsible officer:</p> |

| | System/Area | Audit Opinion | Areas Reviewed | Date Issued | Comments | Action Taken |
|---|----------------------------|-----------------------|--|-------------|--|---|
| | | | <p>The audit reviewed the procedures and controls in place to:</p> <ul style="list-style-type: none"> • measure the effectiveness of public health policies and strategies; • ensure budgets are managed effectively and supported by sound and documented assumptions; • commission new services and arrange new public health contracts; • monitor and report performance. | | <p>This area has therefore been reviewed both years since the date of transfer.</p> <p>The audit found good progress has continued to be made in developing the required systems and procedures. A number of new public health contracts have been arranged in the year. The new contracts include key performance indicators designed to provide the information necessary to measure the achievement of expected outputs.</p> <p>A key challenge for the Council however remains budgetary control. Closer working with other directorates is also an area for the Council to further improve.</p> | <p>The Director of Public Health</p> <p>Public health budget holders have received targeted training. Measures were taken to ensure the 2015/16 budget setting processes addressed all of the weaknesses identified.</p> <p>Arrangements for much closer inter-departmental working are to be further developed. Work was underway as part of planning the 2015/16 budget.</p> |
| C | Extra Care Housing 2014-15 | Substantial Assurance | <p>Extra Care Housing remains an important element of the Council's provision of care for the elderly. In previous years the Council has been involved in a number of schemes and in 2014 the Council approved the business case for the next generation of Extra Care Housing.</p> <p>The audit was intended to inform future Extra Care</p> | May 2015 | <p>The audit found that good processes and procedures had been developed by the Extra Care Housing Team. There is a clear benefit in having a dedicated specialist team, especially when negotiating with partners in the early stages. The team ensures compliance with national and local guidelines. There was also an awareness of the lessons learnt from previous schemes.</p> <p>The audit highlighted the following areas for future consideration:</p> | <p>Six P3 actions were agreed</p> <p>Responsible officer: Head of Accommodation</p> <p>NYCC entered into a formal procurement process to deliver extra care housing from February 2015.</p> <p>Work is being undertaken to develop a Dementia Care strategy within HAS and relevant factors from the strategy will be considered.</p> |

| | System/Area | Audit Opinion | Areas Reviewed | Date Issued | Comments | Action Taken |
|---|---|---------------|---|-------------|--|--|
| | | | <p>Housing schemes by reviewing project management arrangements for a number of completed schemes and examining the extent to which the council's aims and objectives had been achieved.</p> | | <ul style="list-style-type: none"> • the need to resolve ambiguities around capital contributions before entering into formal partnerships • staff training and design implications for dementia and dementia care • the possible impact on residents in extra care housing schemes where day care and/or respite services are planned to be located in the same premises • the need for improved engagement with and feedback from local GP's • the timely disposal of unused land and buildings • a review of the lessons learnt log to make it simpler and easier to use. | <p>The accommodation team will engage with all stakeholders as part of the planning process where service provision is planned to be accommodated in extra care housing locations.</p> <p>Locality based working will allow for greater opportunities for partnership working including with GP's</p> <p>Permission will be sought to dispose of the land at Thorpe Willoughby</p> <p>A review of the structure of the lessons learnt log will be undertaken with a view to including the suggested improvements by July 2015.</p> |
| D | <p>Care providers - compliance audits:</p> <ul style="list-style-type: none"> • Nydsley Care Home, Pately Bridge • Granby Lodge, Harrogate • The Holt, Hutton Brucel | Various | <p>A programme of audit visits to care providers to ensure that:</p> <ul style="list-style-type: none"> • the financial transactions of service users are recorded correctly and in accordance with the care provider's policies and procedures; | Various | <p>The overall arrangements were found to be good with effective controls operating in the homes visited. Three of the reports were given a high assurance opinion and a further four were given substantial assurance. The visit to Granby Lodge did not result in an opinion being given.</p> <p>One common problem was that reconciliations of service users'</p> | <p>A number of P2 and P3 actions were agreed</p> <p>Responsible Officer Assistant Director – Contracting, Procurement and Quality Assurance</p> <p>The Contract, Procurement and Quality Assessment Team discuss the issues identified with the homes</p> |

| System/Area | Audit Opinion | Areas Reviewed | Date Issued | Comments | Action Taken |
|--|---------------|---|-------------|---|---------------------|
| <ul style="list-style-type: none"> • Milestone House, Seamer • Rosefern House, Scarborough • Anley Hall Nursing Home, Settle • Eden House Filey • Pennyghael, Selby | | <ul style="list-style-type: none"> • all expenditure relating to service users is appropriate and properly evidenced; • financial arrangements ensure the property of the service users is protected. | | <p>personal allowances were not evidenced as being verified by an independent person.</p> <p>As noted in paragraph 3.3 of the covering report, the visit to Granby Lodge highlighted irregularities which subsequently led to a criminal investigation and prosecution.</p> | <p>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. |
| Reasonable 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. |