

Audit and Performance Committee Report

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| Meeting: | Audit and Performance Committee |
| Date: | 2 December 2020 |
| Classification: | General Release |
| Title: | Internal Audit Progress Report (September to October 2020) |
| Wards Affected: | All |
| Key Decision: | No |
| Financial Summary: | There are no financial implications arising from this report |
| Report of: | Director for Audit, Fraud, Risk Management & Insurance |
| Report author: | Moira Mackie, Head of Internal Audit Contact Details: Moira.Mackie@rbkc.gov.uk . Tel: 07800 513 192 |

1. Executive Summary

- 1.1 The Covid-19 pandemic has slightly delayed the start of the 2020/21 Internal Audit work, which is in line with audit teams across the London boroughs. Although good progress is now being made in undertaking the audits contained in the revised Audit Plan, with one audit finalised since the last report to the Committee. The details of this audit are contained in this report however no overall opinion is given at this time on the adequacy and effectiveness of the Council's governance, risk management and controls.

2. Recommendation

That the Committee consider and comment on the results of the internal audit work carried out during the period.

3. Reasons for Decision

The work undertaken by the Internal Audit Service is reported to the Committee during the financial year to enable the Committee to consider the progress made against the Internal Audit Plan and the outcomes of the completed audits which are considered as part of the Annual Assurance Opinion provided by the Shared Services Director for Audit, Fraud, Risk and Insurance.

4. Background, including Policy Context

The Council's internal audit service is managed by the Shared Services Director for Audit, Fraud, Risk and Insurance. Audits are undertaken by the in-house audit team or by the external contractor to the service, in accordance with the Internal Audit Charter. Key issues identified from audit work are reported each month to the Council's Deputy Section 151 Officer. The Audit & Performance Committee are provided with updates at each meeting on all assurance audits issued in the period.

5. Internal Audit Outcomes (September to October 2020)

- 5.1 The revised Audit Plan for 2020/21 was reviewed by the Committee in September 2020. Where significant changes in the coverage of the plan occur, these will be reported to the Committee and a full record of the changes during the year is also reported within the Head of Internal Audit's Annual report. Appendix 1 shows the status of the audits contained in the Audit Plan.
- 5.3 Since the last report to the Committee one audit has been completed, which is a limited assurance review, the details of which are summarised below.

Adult Social Care – Direct Payments (Amber)

- 5.4 Direct Payments (DPs) were introduced to those assessed as having eligible social care needs could receive social care funds directly to pay for their care needs as agreed within their care and support needs assessment. When a service user receives a DP, they are responsible for organising how their care is delivered to meet their assessed eligible needs. DPs may be made into a specific bank account set-up for the purpose or by pre-paid payment card in the name of the Service User or nominated person. Service users may ask the Council to signpost them to care providers or they may choose to engage care agencies themselves. Should service users employ staff directly, they must meet employment law requirements.
- 5.5 DPs should be reviewed after six weeks, followed by a six-month review, and then annually to ensure that they continue to be managed sufficiently and used appropriately to meet the service user's needs, and that the service user still has the eligible needs for receiving the direct payment. By signing-up to receive DPs, service users or their nominated person are deemed to have retained full legal responsibility for the administration and monitoring of their payments in accordance with DP policies. The payments are monitored by one team under the management of the Bi-Borough Direct Payments Finance team manager. The council will not process a direct payment until all the necessary documents have been completed.

5.6 The key areas where improvements to controls were required are:

- A Direct Payments Strategy is still in draft form and was not available for review (this was the case when the previous audit of Direct Payments was undertaken in 2018).
- The DP Process interlinks with several services and requires effective communication in order to operate properly. A number of issues were noted with regards to ownership of tasks between Practitioners and DP Finance, which lead to actions not being completed.
- There were concerns expressed regarding over and underspending of DP by service users. There were also concerns around the potential misuse of funds and the ability of some service users to manage their DP. As part of the last internal audit review in 2018, it was recommended that all clients were issued with updated contracts highlighting the importance of financial monitoring and the potential repercussions for misusing DPs. Discussion with senior management identified that this has not taken place. Sample testing identified a number of cases where signed or updated DP agreements were not on file. In some cases, contracts had not been renewed or reviewed since 2012 although there have been changes with HMRC regulations since then.
- Internal Audit reviewed a gap analysis report and noted that there were a significant number of reviews overdue. Due to a lack of evidence of meetings, we were unable to determine what action was being taken by the service to ensure that reviews are completed in a timely manner. It was also noted that the need for review was not always entered as a process on the case management system (Mosaic).
- DP finance is aware that there can be issues regarding recovering unspent funds from service users who had in excess of the nominal 8-week contingency limit or had been shown to have misused funds. At the time of the audit there was approximately £160k of debt that needed to be recovered or written-off. Sample testing identified in 12/20 cases financial reviews had not been undertaken in a consistent manner or the service user was over the 8-week contingency amount. In addition, Practitioners had identified cases where funds may have been misused but this had not been identified through financial monitoring.
- Sufficient information has been provided to service users regarding Statutory Employer Compliance. However, Internal Audit noted for cases where a DP finance review had taken place not all Service Users had the appropriate insurance or had made the necessary payments to HMRC.
- There was no evidence of the issues discussed at Performance & Finance Meetings or the actions arising.
- In a number of cases, the indicative budget for care differed from the payment being made to the service user. This could be because the service has identified cheaper or a free option to provide the care needed. Although this difference was raised in the previous audit of DPs, this continues to be an issue with either insufficient or no notes providing an explanation as to why the amounts differ.

- 5.7 Three high, five medium and five low priority recommendations have been made to address the weaknesses identified which have been accepted by management with an action plan in place to address the recommendations. A follow up review is expected to commence in January 2021.

6. Follow up

Five follow-up reviews were undertaken in the period (September to October 2020) which confirmed that 73% of recommendations made had been fully or partially implemented with good progress made to implement all recommendations:

| Audit | No of Recs Made | | | No of Recs Implemented | | | No of Recs in Progress | | | No of Recs not yet actioned | | |
|--------------------------------|-----------------|----|---|------------------------|----|---|------------------------|----|---|-----------------------------|---|---|
| Client Affairs | 11 | | | 2 | | | 6 | | | 3 | | |
| Barrow Hill Primary School | 3 | | | 3 | | | 0 | | | 0 | | |
| Churchill Gardens (RA) | 27 | | | 11 | | | 16 | | | 0 | | |
| Cemeteries Contract Management | 13 | | | 8 | | | 4 | | | 1 | | |
| PCI DSS Compliance | 2 | | | 1 | | | 1 | | | 0 | | |
| Total | 56 | | | 25 | | | 27 | | | 4 | | |
| Priority of recommendations | H | M | L | H | M | L | H | M | L | H | M | L |
| | 7 | 44 | 5 | 4 | 17 | 4 | 3 | 24 | 0 | 0 | 3 | 1 |

Follow up work is undertaken when the majority of the recommendations made are expected to have been implemented as indicated in an agreed management action plan. Sometimes recommendations cannot be fully implemented in the anticipated timescales. In these cases, where appropriate progress is being made to implement the recommendations, these are identified as “in progress”. Recommendations will be followed up until all high and medium priority recommendations are implemented or good progress in implementing them can be demonstrated. Where appropriate, the follow up is included in the next full audit of the area

7. Financial Implications

There are no financial implications from this report.

8. Legal Implications

There are no legal implications from this report.

9. Staffing Implications

There are no staffing implications from this report.

10. Consultation

The Internal Audit Plan and the work undertaken by the Internal Audit Service is prepared in consultation with the Council's Executive Leadership Team and officers within the Council and supports the Executive Director's responsibility under S151 of the Local Government Act 1972 relating to the proper administration of the Council's financial affairs.

If you have any queries about this Report or wish to inspect any of the Background Papers - please contact:

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BACKGROUND PAPERS:

Internal Audit Reports

Audit Plan 2020-21 – Status Report to end October 2020

Completed Audits:

| Plan Area | Auditable Area | Issued | Assurance level given | No of High Priority Recs | No of Med. Priority Recs | No of Low Priority Recs | Reported to Committee |
|---------------------|-------------------------------|----------|-----------------------|--------------------------|--------------------------|-------------------------|-----------------------|
| ASC/ Finance | Direct Payments | Oct-2020 | Limited | 3 | 5 | 5 | Dec-2020 |
| Finance & Resources | Contract Expenditure Controls | Aug-2020 | Advisory | 0 | 5 | 0 | n/a |

Status of Remaining Audits:

| Plan Area | In Progress | Being Scoped | Booked for Q4 | To Be Confirmed | Defer/ Cancelled |
|--------------------------|---|--|---------------|---|------------------|
| Cross Cutting | <ul style="list-style-type: none"> • GDRP (information assets) – Advisory • Procurement & Pre-paid Cards • Finance/ HR/ Payroll Compliance • Digital Accessibility • Gifts & Hospitality (Ongoing) | <ul style="list-style-type: none"> • Business Continuity Compliance | | <ul style="list-style-type: none"> • Risk Management • Contract Management • Procurement | |
| Adult Social Care | <ul style="list-style-type: none"> • Financial Assessments cfwd 2019/20 (DRAFT) • Test & Trace Grant (ongoing) • Deprivation of Liberty Safeguards (DRAFT) | <ul style="list-style-type: none"> • Mosaic Financial Controls | | <ul style="list-style-type: none"> • Placements | |

Audit Plan 2020-21 – Status Report to end October 2020

| Plan Area | In Progress | Being Scoped | Booked for Q4 | To Be Confirmed | Defer/ Cancelled |
|--------------------------------|---|--|--|---|------------------|
| Children's Services | <ul style="list-style-type: none"> • Cost Sharing cfwd 2019/20 (DRAFT) • Supporting People (Ongoing) | <ul style="list-style-type: none"> • Contract Management/ Procurement | | <ul style="list-style-type: none"> • Replacement system (possible advisory) • Registrar Service • Libraries | |
| Schools | <ul style="list-style-type: none"> • College Park Special • QEII Special • Soho Parish • St Stephen's • Edward Wilson • St Saviour's • Thematic Reviews (H&S and GDPR) | | <ul style="list-style-type: none"> • St Peter's Eaton Sq • Robinsfield | | |
| Finance & Resources | <ul style="list-style-type: none"> • Treasury Management • Income Compensation Scheme • Property Income cfwd 2019/20 (DRAFT) | <ul style="list-style-type: none"> • Council Tax • Housing Benefit • NNDR • IT Supplier Chain Management (Cyber) • IT Asset Management • BACS Interfaces | | <ul style="list-style-type: none"> • Corporate Landlord Model • Property – Voluntary & Community Sector • Property Management Information Systems • Property Health & Safety • Procurement | |
| People Services | <ul style="list-style-type: none"> • Learning & Development Tools | | | <ul style="list-style-type: none"> • Cyclical review topic to be confirmed | |

Audit Plan 2020-21 – Status Report to end October 2020

| Plan Area | In Progress | Being Scoped | Booked for Q4 | To Be Confirmed | Defer/ Cancelled |
|---|--|--|--|--|---|
| <p>Growth, Planning & Housing</p> | <ul style="list-style-type: none"> • H&S Asbestos Compliance • Resident Managed Halls (LALGRA) cfwd 2019/20 (DRAFT) • Management of Halls • Building Control Income cfwd 2019/20 • Westminster Community Homes cfwd 2019/20 • Emergency Planning integration of CWH with Housing cfwd 2019/20 (DRAFT) • Procurement of Temporary Accommodation cfwd 2019/20 (DRAFT) | <ul style="list-style-type: none"> • Major Works and Lessee Charges | <ul style="list-style-type: none"> • Capital Programme (advisory) | <ul style="list-style-type: none"> • Apprenticeships & Traineeships in Social Value & S106 cfwd 2019/20 (consider priorities) | |
| <p>Environment & City Management</p> | <ul style="list-style-type: none"> • Electric Vehicle Grant Claims (ongoing) | <ul style="list-style-type: none"> • Trading Standards • Food Safety • Corporate Health & Safety (Covid impact) | | <ul style="list-style-type: none"> • Public Realm external funding | <ul style="list-style-type: none"> • |