

Summary of Audit Work

26 April to 31 October 2016

1. The activities of Audit Services are conducted in conformance with the Public Sector Internal Audit Standards (PSIAS) – “Enhancing and protecting organisational value by providing risk-based and objective assurance, advice and insight”.
2. The key outcome of each audit is an overall opinion on the level of assurance provided by the controls within the area audited. Audits will be given a ‘scoring’ of one of four levels depending on the strengths of controls and the operation of those controls. Councillors should note that there have been changes made to the opinions given to Audit work since the last progress report, these changes align the opinions for audit work to the opinions used for assurance framework purposes. The four categories ranging from the highest to lowest were previously High Standard, Effective, Ineffective, and Poor, these are now replaced with the terms found in the table below. The opinion reflects both the design of the control environment and the operation of controls.
3. Explanations of the meaning of these opinions are as follows: -

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|------------------------------|---|
| Substantial assurance | <i>There are sound governance, risk management and control arrangements in place in order to meet the objectives of the area under examination</i> |
| Sufficient assurance | <i>Whilst there are basically sound governance, risk management and control arrangements in place, there are some gaps in assurance which put at risk some of the objectives of the area under examination.</i> |
| Limited assurance | <i>There are gaps in assurance within key areas of governance, risk management and control arrangements, which put at risk the objectives of the area under examination.</i> |
| No assurance | <i>Governance, risk management and control arrangements are weak, leaving the area under examination open to significant failure of objectives.</i> |

4. The findings within audits are categorised according to risk. These are provided to assist in the planning of implementation of agreed actions:

| | |
|--------------------------------|---|
| Priority 1 (High) | Higher risk - management should be implementing actions as soon as possible |
| Priority 2 (Medium) | Medium risk - actions should be considered as important to address |
| Priority 3 (Low) | Lower risk - but could be implemented quickly for improvement or benefit |

Audits completed between 26 April 2016 and 31 October 2016.**Direct Payments - Adult Care Services**

| | | | |
|-----------------------|-------------------|--------|-----|
| Overall Opinion | Limited Assurance | | |
| Date Completed | 14.06.2016 | | |
| No. of Agreed Actions | 20 | | |
| | High | Medium | Low |
| | 12 | 5 | 3 |
| Date of Follow-up | January 2017 | | |

5. The Adult and Community Services (ACS) Directorate's strategy is to increase personalisation and choice for its customers requiring care and support in accordance with the Care Act 2014. Direct Payments (DP) are a vital part of this strategy as they enable customers to arrange and pay for their own care and support services. Currently, ACS has over 1,600 DP customers with approximately £19 million paid out to them annually. In addition, 1,400 'one off' DP were made during 2015/16 amounting to over £727,000.
6. The DP system was previously audited in 2013, resulting in an audit report issued in January 2014 with an opinion of 'ineffective' (Controls in place are not being consistently applied – improvements required). Following the report, a working group was set up to look at the issues the audit raised, make decisions and implement improvements to the control environment. Audit Services took part in the group and were happy that the improvements if implemented would solve control issues identified by the audit.
7. This audit has identified that, although it can be seen that steps had been taken to improve the system, and plans are in place to address monitoring of ongoing DP in the future, it is of concern that these are not yet fully in place despite the previous audit being carried out two years ago.
8. Furthermore, ACS has taken the decision to accept the risk of not monitoring any one-off direct payments. Whilst this has been noted, Audit Services has still highlighted this as a risk within the audit report because there will be no assurance that payments (over £700,000 in 2015/16) were actually used to purchase the identified service/ equipment required to fulfil customer needs.
9. It was noted that, whilst there is a timetable in place to address the outstanding monitoring problem for ongoing payments, the success of achieving this (alongside everyday business) will depend on having enough appropriately trained resources available. This places ACS' strategy of increased personalisation through promoting DP at risk, as the resources to administer increased customer numbers are already stretched.
10. The fact that not all customers are having their care and support plan reviewed annually, and that some new DP customers have not been monitored for the first time within the initial six months, means that ACS are not compliant with the Care Act

APPENDIX A

guidance. Section 12.24 of the Care and Support Statutory Guidance states “The local authority must be satisfied that the direct payment is being used to meet eligible care and support needs, and should therefore have systems in place to monitor direct payment usage”. The Care and Support (Direct Payments) Regulations 2014 set out that the local authority must review the making of direct payments initially within six months, and thereafter every 12 months.

11. Audit testing identified inconsistencies in the payment of DPs, and issues with regard to the level and regularity of the monitoring arrangements of payment and care plans of DP customers.

Highways Network Asset Inventory.

| | | | |
|-----------------------|----------------------|--------|-----|
| Overall Opinion | Sufficient Assurance | | |
| Date Completed | 26.05.2016 | | |
| No. of Agreed Actions | 12 | | |
| | High | Medium | Low |
| | 5 | 5 | 2 |
| Date of Follow-up | November 2016. | | |

12. Council has adopted an asset management strategy to effectively and efficiently manage the maintenance of the highways network, with the aim of ensuring public funds are better utilised. Key to this strategy is having up to date, complete and accurate asset data. In addition, holding asset data is essential in order to provide CIPFA with accurate valuations as part of the statutory accounting code for highways assets. The review sought to ensure that controls were in place to maintain a complete and accurate asset inventory based on the data required for CIPFA valuations. It was recognised, prior to the audit, that data gaps do exist and these were being addressed through the Highways Transformation Programme.

14. The fact that data required for valuations is missing means that there is also a risk that the Council's statement of accounts will receive a qualified opinion in following years.

Cyber Security.

| | | | |
|-----------------------|----------------------|--------|-----|
| Overall Opinion | Sufficient Assurance | | |
| Date Completed | 13.07.2016 | | |
| No. of Agreed Actions | 10 | | |
| | High | Medium | Low |
| | 4 | 6 | 0 |
| Date of Follow-up | January 2017 | | |

15. In June 2016, 'Strategic Risk' magazine reported on cyber security, stating that 'Despite the best efforts of risk managers, the likelihood of an attack is ever-increasing, so it is important for businesses to be ready when one does happen'. A form of cyber attack, then, is inevitable and it is the responsibility of the Council to

ensure that appropriate controls are in place to weaken, prevent or pre-empt an attack occurring.

- 16. This audit was undertaken to provide assurance on whether the Council has in place controls that will ensure cyber security. The review gave consideration to the UK Government Communications Headquarters (GCHQ)-produced *10 Steps to Cyber Security* and an opinion was formed against each of the 10 steps based on the controls in place.
- 17. Improvements were identified in the areas of training, monitoring and reporting and agreed actions put in place.
- 18. The findings of the audit have been communicated and an action plan has been put in place to further improve the control arrangements. Since the audit the Council has suffered a cyber-attack on its customer facing web site, the controls in place prevented serious service interruption and no permanent damage occurred.

Transformation Programme Savings.

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|-----------------------|-----------------------|--------|-----|
| Overall Opinion | Substantial Assurance | | |
| Date Completed | 10.06.2016 | | |
| No. of Agreed Actions | 2 | | |
| | High | Medium | Low |
| | 0 | 2 | 0 |
| Date of Follow-up | December 2016 | | |

- 19. Supporting Lives, Connecting Communities (SLCC), one of the Council's ten Transformation Programmes, seeks to fundamentally change the way in which Adult Care Services (ACS) offers support to their customers, whilst contributing to the Council's priorities and savings targets. It looks at the management of demand, cost of care and impact on the spend for care purchasing.
- 20. The review was undertaken to ascertain assurance over the accuracy of demand forecasting and budgetary control systems (i.e. to ensure the set savings targets are being achieved).
- 21. There is evidence to show that, although demand is monitored mainly via the review of expenditure patterns, some forecasting had been undertaken. However, this has been completed using National data that is some years old, and the last full review by ACS was based on 2012/13 and 2013/14 activity and spend.
- 22. Systems are in place to measure / monitor service changes and their impact on demand at various management levels. However, there was a lack of evidence that monthly performance reports were discussed at some Area Management Team meetings.
- 23. The Audit concluded that it is important that the ongoing work of the SLCC programme is closely monitored to ensure that it continues to provide the service changes required to contribute to the identified savings target. As the programme of changes moves forward there remains a risk regarding the impact of the outcomes on contributing to the savings target.

24. Overspending on care purchasing remains a major risk for the Directorate going forwards. Outcomes from the SLCC programme will impact more widely on care contracts and customer income and these will be monitored closely by Audit Services.

Declaration of Interests, Gifts and Hospitality (Officers and Councillors)

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|-----------------------|----------------------|--------|-----|
| Overall Opinion | Sufficient Assurance | | |
| Date Completed | 23.05.2016 | | |
| No. of Agreed Actions | 7 | | |
| | High | Medium | Low |
| | 0 | 7 | 0 |
| Date of Follow-up | November 2016 | | |

25. The declaration of Interests and Gifts and Hospitality process forms part of the Council’s Governance systems. The Bribery and Corruption Act 2010, places a legal obligation on the Council to ensure it has adequate procedures in place to prevent bribery by, or of, any persons associated with the organisation. The processes in relation to declaring an interest and a gift form part of the Council’s code of conduct procedures.

26. The Council has a effective and efficient system for the declaring of an interest or the offering of a gift or hospitality for both Officers and Councillors. The review concentrated not only on compliance with the policies in place for declarations, but also the culture of the organisation, by looking at how the declaration process has been understood and embedded with Officers (other than those in schools) and Councillors.

27. The review identified only one minor finding for Councillors relating to retention guidelines within the policies.

28. All other findings related to Officers only, in respect of noncompliance to the requirements of the policy regarding declaration of interests. Eight instances were identified where an interest should have been declared but the individual had not understood the requirements and the associated risk.

29. The audit findings and agreed actions were to raise awareness of the requirements of the process through a communication campaign. Also, to achieve efficiencies within the process and obtain better controls. Work is in progress on automating the system through the iTrent Human Resources system.

Compliance with Procurement Regulations

| | | | |
|-----------------------|-------------------|--------|-----|
| Overall Opinion | Limited Assurance | | |
| Date Completed | 04.10.2016 | | |
| No. of Agreed Actions | 21 | | |
| | High | Medium | Low |
| | 9 | 8 | 4 |
| Date of Follow-up | April 2017 | | |

30. The SCC Procurement Rules were updated in March 2015, following changes to the European Procurement Regulations and the introduction of the Public Contracts Regulations (PCR) 2015. The revised Procurement Rules include an increase in the value of a purchase before three quotes are required, and new transparency obligations such as advertising contract opportunities on Contracts Finder, the central database for public procurement opportunities.
31. The Audit tested a sample of purchases between £25,000 and £50,000 to ascertain if Directorates are complying with the SCC Procurement Rules (e.g. obtaining 3 – 5 quotes). There was non-compliance identified as only one quote was obtained for most of the purchases tested. The Procurement Rules do not specify on what grounds it is acceptable to only request one quote (apart from where the value of purchase is below £25,000), or specifically what should be recorded and retained to support the decision. Testing showed that there was a lack of knowledge / understanding of the Procurement Rules – particularly regarding aggregated expenditure.
32. A sample of contracts at below and above EU thresholds was examined to ascertain whether Procurement and Passenger Transport are complying with the Procurement Rules. Audit is satisfied that generally the rules are being complied with, but there are some areas of non-compliance – e.g. not publishing notices on Contracts Finder and not recording the decision for not dividing contracts into lots, which are both transparency issues. In addition, Passenger Transport have not always clearly documented the decision process and outcome when evaluating their tenders.

Driver Education Centre

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|-----------------------|-------------------|--------|-----|
| Overall Opinion | Limited Assurance | | |
| Date Completed | 18.10.2016 | | |
| No. of Agreed Actions | 14 | | |
| | High | Medium | Low |
| | 8 | 5 | 1 |
| Date of Follow-up | April 2017 | | |

33. Internal Audit visited the Driver Education Centre to carry out an establishment audit. The Centre was identified as an area for review following a risk assessment process; considered as part of this process were the level of financial operations undertaken at the Centre, and the Centre's responsibility to provide a service to the public on behalf of Suffolk Constabulary.
34. The audit sought to evaluate the effectiveness of controls in place for the establishment in relation to key financial and governance processes.
35. The Centre has been open since May 2014 and in a bid to satisfy the deadlines to get the Service set up some key financial and governance arrangements were found lacking.
36. Actions have been agreed to address the issues identified.

Identified Risks where audit work has been undertaken

37. In some instances, risks will be identified where full audits either are unnecessary or where the lack of controls is such that a full audit would not add value at that time. Work of this nature is listed below.

Unaccompanied Asylum Seeking Children (UASC).

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|-------------------|-----------------------|
| Overall Opinion | Substantial Assurance |
| Date Completed | 14.07.2016 |
| Date of Follow-up | N/a |

38. Separated children, including unaccompanied asylum seeking children, should be supported by local authorities in accordance with their duties to children under Part III of the Children Act 1989.

39. This area was identified as a potential risk to the County Council in terms of funding and ability to provide the service requirements. This was widely reported as a national issue affecting local authorities.

40. From discussions with Officers within Children and Young Peoples Services and consideration of the risk, assurance has been gained that the procedures with regard to UASC do not currently present a major risk for the County Council.

Individual Service Funds

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|-------------------|-------------------|
| Overall Opinion | Limited Assurance |
| Date Completed | 11.07.2016 |
| Date of Follow-up | January 2017 |

41. Adult & Community Services (ACS) strategy is to develop an increasing personalised approach to providing care and support alongside it's priority of supporting those most vulnerable in our communities, in accordance with the Care Act 2014. The use of Individual Service Funds (ISF) is strongly recommended by the Care Act guidelines. ISF differ from Direct Payments, ISF payments are made to an organisation who administer the payments on behalf of the customer.

42. Following discussions with key officers, it became apparent that there had been issues with the initial phase 1 roll out of ISF in September 2015. This has resulted in the Council suspending the offer of ISF to new customers.

43. The risk of not providing ISF will result in the Council not following the strongly recommended guidance from the Care Act 2014 and this will not be in line with the current ACS strategy of providing a personalised approach.

44. A project has been initiated with the aim of the Council being in a position to offer ISFs and cease their suspension. Audit Services has been able to take assurance from this project that joined up work is currently being undertaken between the relevant ACS teams. The timeline for key milestones within this project has been defined. In light of these factors it was decided that a full audit review was not practical at this stage.

45. Audit Services will revisit this area in January 2017 to undertake a full audit, as currently only limited assurance could be gained. Delaying the audit will enable the new processes to be embedded and testing will be possible in order to gain assurance that ISF are operating effectively and efficiently in accordance with the Care Act 2014.

Customers with Immigration Status including ‘no recourse to public funds’

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|-------------------|-------------------|
| Overall Opinion | Limited Assurance |
| Date Completed | 20.05.2016 |
| Date of Follow-up | January 2017 |

46. This review was undertaken to provide assurance that the Council is meeting its priorities of supporting those most vulnerable in communities and abides by the Immigration and Asylum Act 1999, and the relevant sections of the Care Act 2014. There is a risk that if the Council fails to assess the immigration status of children and families from abroad, funds may be made available when there is not a requirement within the legislation.

47. Although the County Council has recently developed a Policy on ‘Children and Families from Abroad’, procedures are now only in the development stage. In addition, the CareFirst 6 (CF6), system where customer information is recorded, does not identify customers that fall within this classification.

48. This issue spans both of the Directorates of Adult and Community Services and Children and Young Peoples Services. Whilst there are some systems and procedures in place, or being developed, to inform staff, capture and manage information and costs, these are not formal.

49. Consequently, it has not been possible to undertake audit testing and, assurance cannot be provided that controls are in place which would mitigate the risk that funding is being provided to customers that are not entitled to receive it, or for a longer period of time than is required. An audit will be undertaken in 2017.