

Summary of Audit Work

October 2016 to January 2017

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. 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: -

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 November 2016 and January 2017.**HMRC Compliance (Employment Status Indicator Checks (ESI))**

Overall Opinion	Limited Assurance		
Date Completed	06/12/2016		
No. of Agreed Actions	4		
	High	Medium	Low
	3	1	0
Date of Follow-up	July 2017		

5. This is an annual compliance audit. The results of this audit conclude that as an organisation the County Council is are still not fully compliant. Of particular concern is the continued lack of awareness within schools regarding the HMRC requirements.
6. Guidance and communications have been issued to schools to ensure they are aware of the HMRC requirements. A working group has been formed to review the issues raised by the annual audit.

Foster Carers Recruitment Strategy and Allowances

Overall Opinion	Limited Assurance		
Date Completed	25/11/2016		
No. of Agreed Actions	9		
	High	Medium	Low
	4	5	0
Date of Follow-up	June 2017		

7. The County Council has a duty to provide sufficient placements for children in their care. Suffolk Fostering Services are key to finding appropriate placements for children and young people in order for the County Council to meet its sufficiency duty.
8. The aim of the review was to seek assurance that the Suffolk Fostering Services recruitment strategy and new tier scheme would achieve the strategic aim of the Children and Young People's Service (CYP) and that controls are in place for the administration of payments to in-house foster carers and purchased placements.
9. In June 2015, Cabinet agreed a new tiered scheme for foster carer fees and allowances (implemented in October 2015), in response to placement and cost pressures, with CYP's strategic aim being to increase in-house foster placement capacity and reduce the spend on externally purchased placements. Since the roll out of the new tier scheme, the business case projections presented to Cabinet to support their decision to implement the new tier scheme have proven to be

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ambitious, presenting challenges that made the targets hard to achieve. A revised business case was approved by CYP DMT in October 2016, with projected purchased placements expected to decrease by 2020 and in-house recruitment targets set at a more realistic level by 2020.

10. A new marketing strategy for 2016/17 is in place which is appropriate, targeted and innovative in 'thinking outside the box' to attract new foster carers. However, there are no timescales for the various elements of the plan, making it difficult to judge deliverables and effectiveness; there has not been a significant increase in enquiries within 2016/17.
11. From sample testing, payments for purchased and in-house placements were found to be accurate and valid. However, significant weaknesses in controls were identified in relation to the administration of in-house placement payments. The weaknesses are due in part to the set-up of the system and the lack of automation which would otherwise mitigate the above. As a result, the risk of erroneous or unnecessary payments to in-house carers was present.
12. At this stage, limited assurance was gained that the new tier scheme and marketing strategy would achieve CYP's strategic aim of increasing in-house foster placements and reducing purchased placements, thereby achieving the associated savings. In addition, weaknesses in controls in processing in-house placement payments have contributed to this overall opinion.

Integrated Health and Wellbeing Commissioning Arrangements

Overall Opinion	Sufficient Assurance		
Date Completed	06/12/2017		
No. of Agreed Actions	1		
	High	Medium	Low
	0	1	0
Date of Follow-up	July 2017		

13. The audit review sought to gain assurance that there was an integration strategy in place, with operational plans and processes, and governance arrangements to ensure the monitoring / reporting of outcomes for achieving the strategy.
14. From fact finding with staff from Adult & Community Services (ACS), CYP and Public Health (PH), together with examination of documentation it was concluded that sufficient assurance could be gained that services were moving in the direction of integration.
15. It was confirmed that an up to date strategy supporting integrated commissioning arrangements is in place. There is alignment of the County Council priorities, with those of the Health & Wellbeing Board and direction of travel is also evident in Directorate business plans.
16. Plans and processes are in place within CYP and PH to ensure that the strategy detailed in their business plans achieves the required outcomes. The ACS business plan priority 5 is 'To Create a Commissioning Function fit for the next 10 years.' Part of this priority focuses on agreeing 'effective joint commissioning proposals' where they want to see 'more integration between commissioning and

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operations' and what ACS will do is 'define and agree with CCGs/CYP/PH areas of joint commissioning and lead officers.' There is no evidence that plans, or a project, are currently in place within ACS to ensure that these outcomes are achieved.

17. Pooling of budgets currently only happens on a rare occasion, for example the mental health pooled fund and the better care fund both within ACS. Governance arrangements are in place to ensure that required outcomes are monitored, reported and achieved.
18. Sufficient assurance was gained in relation to integrated commissioning. It can be concluded that arrangements to work with partners, both internally and externally are in place. However, to gain momentum, the benefits from a single budget / pooled funding approach, breaking down barriers between partners and governance structures which support an area as 'one' organisation; are ways to drive change moving forward, although it is acknowledged that there may be initial costs to setting up integrated commissioning.

Adult Care Services Residential Care Overpayments

Overall Opinion	No Assurance		
Date Completed	02/12/2016		
No. of Agreed Actions	27		
	High	Medium	Low
	19	8	0
Date of Follow-up	July 2017		

19. The Adult and Community Services (ACS) Directorate provide residential care through a number of contracts with providers. In order to deliver this service, it is fundamental that ACS hold up to date information on its customers, with data quality being key.
20. In 2015/16, through the National Fraud Initiative (NFI) data matching exercise, Audit Services identified significant overpayments of residential care, mainly relating to deceased customers ACS was still paying for. In response to this, ACS set up a working group to identify control weaknesses and set an action plan to strengthen controls. However, in August 2016, Audit Services were made aware that overpayments had been made to one residential care provider for four customers who were no longer in their care.
21. Due to these instances of overpayments, Audit Services undertook a data match of open residential care packages in Care First 6 (CF6) that ACS were paying for, with the General Registers Office Disclosure of Death Registration (DDRI). Through this exercise and contact with residential care home providers, Audit Services identified a number of customers being paid for who were actually deceased. The data was passed on to the ACS Financial Assessment team who closed down the care packages and recovered the money.
22. Audit Services identified the data on customers within CF6 that drives the automated payments was not kept up to date for numerous reasons. From the review, no assurance was gained that controls were in place to capture and

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process changes in customer circumstances and therefore assurance was not gained that payments were accurate. In addition, there were weaknesses in contract management arrangements with residential care home providers. An action plan was created as a result of the audit, which when implemented will improve the control environment.

Payroll

Overall Opinion	Sufficient Assurance		
Date Completed	14/11/2016		
No. of Agreed Actions	10		
	High	Medium	Low
	5	5	0
Date of Follow-up	June 2017		

23. As a key financial system, payroll is subject to annual review to provide assurance regarding the effectiveness of controls, covering both County Council corporate and school payrolls.
24. Following a decision by Cabinet in July 2016 to divest Schools' Choice as a limited company from 1st January 2017, a number of County Council staff have been formally transferred to a separate payroll function in Schools Choice. This newly formed company will continue to use the iTrent HR and payroll system. These changes were considered within the scope of the audit review.
25. From the audit review sufficient assurance was gained that controls are working effectively covering both County Council corporate and school's payrolls. A detailed action plan was produced to tackle findings identified during the review.

Accountability (Governance)

Overall Opinion	Sufficient Assurance		
Date Completed	17/11/2016		
No. of Agreed Actions	4		
	High	Medium	Low
	0	4	0
Date of Follow-up	June 2017		

26. The County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards to secure continuous improvement in the way in which its functions are exercised. It is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. As a governance process, the Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/SOLACE (Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives and Senior Managers), Delivering

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Good Governance in Local Government Framework 2016. This review covered Principle G of the Code: Implementing Good Practice in Transparency, Reporting and Audit to Deliver Effective Accountability.

27. The review covered the areas of good practice in transparency, good practice in reporting and assurance and effective accountability.
28. No significant governance failures were identified from this review.

Audit Action Tracking

29. The following table shows details of actions that have passed their agreed implementation date. Agreed actions are not followed-up until six months after the date the audit was despatched. Action tracking commences after this period.

Overdue actions	Priority			Total
	High	Medium	Low	
Audit				
Access control and user management	0	2	0	2
Payroll	0	1	0	1
General Ledger	0	1	0	1
Safeguarding Assurance Framework	0	1	0	1
Declaration of Interests	0	1	0	1
Awaiting follow up				
Direct Payments - ACS	7	5	2	14
Cyber Security	2	5	0	7
Customers with Immigration Status including no Recourse to Public Funds	n/a	n/a	n/a	n/a
Individual Service Funds	n/a	n/a	n/a	n/a

30. Some actions remain outstanding and have passed their target dates agreed in the original audit. All of the actions shown have been followed up and either new completion dates agreed or the issues for non-completion have been escalated to senior management within the relevant Directorate. Two follow up audits have not been commenced by Audit Services as staff are currently deployed on higher priority work. These audit actions will be followed up when resources become available.
31. Audit Services were unable to carry out audits in two areas, Customers with Immigration Status including No Recourse to Public Funds and Individual Service Funds, because systems are not in place that are auditable. Audit Services will be revisiting these areas as soon as resources become available. This position has previously been reported to Committee.

Assurance Framework Reviews

Business Continuity and Emergency Planning Assurance

Assurance level – Sufficient Assurance

32. It is a requirement of the Civil Contingencies Act 2004 for 'Category 1 Responders', under which local authorities fall, to use the assessment of emergency risk to inform contingency planning, put in place emergency plans and to make arrangements for business continuity in the event of both internal incidents and external emergencies. The purpose of the assurance review was to understand the control framework in place for business continuity and emergency planning arrangements and identify the level of assurance that can be gained from the arrangements that are in place.
33. Based on audit interviews with the Business Continuity Manager and Deputy Head of Emergency Planning, together with evidence gathering and observations, it was concluded that the Council has strong arrangements in place for the management of, and control over, business continuity and emergency planning.
34. Actions were raised to highlight concerns about the knowledge of business continuity in schools and whether some key contractors/suppliers have appropriate business continuity arrangements in place.

Financial Governance Assurance

Assurance level – Sufficient Assurance

35. As a public body spending a significant amount of money, it is vital that the County Council has strong financial governance arrangements in place in order to ensure public money is spent appropriately, in line with its strategic objectives and value for money is obtained.
36. The controls in place to govern the County Council's financial affairs are set out within Part 4 of the Constitution – The Financial Regulations and Financial Procedures. The Financial Regulations and Procedures provide the framework for governance of the County Council's financial affairs and document the financial controls that are in place.
37. The Head of Finance (Director of Resource Management) is responsible for the proper administration of financial affairs, setting appropriate financial management standards and monitoring compliance to them, within the statutory duties arising from Section 151 of the Local Government Act 1972.
38. Directors are responsible for ensuring financial control and accountability within their Directorate and reviewing quarterly reports to DMT regarding budget position and forecast outturn for the year.
39. Schemes of Delegation of Financial Management are in place for each Directorate. However, it was found that these are outdated following changes in structures and responsibilities within Directorates but this was not impacting on the financial management of the Council.

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40. In addition, there is a danger that the Financial Regulations and Procedures are not updated to take into account advances in technology and practices in the financial industry.
41. Processes are in place for budget setting and financial planning over the medium-term, with controls in place to account for the County Council's financial activities, detailed in the annual statement of accounts.
42. Appropriate accountability of the County Council's financial affairs is provided through independent challenge by Scrutiny and Audit Committees, Internal and External Audit, and other assurance providers such as HMRC.
43. Whilst proper systems of internal controls are in place and there is a strong culture of financial governance within the organisation, assurance could not be gained that full compliance with those systems is present throughout the First Line of Defence
44. During the review, gaps were identified where sufficient assurance could not be gained. Audit Services will risk assess these areas and this may result in more targeted audit work in the future in order to gain assurance.