

Internal Audit

People

Annual Report 2015/16

Devon County Council

May 2016
Official



Auditing for achievement

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Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay and Devon councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at robert.hutchins@devonaudit.gov.uk.

Confidentiality and Disclosure Clause

This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

Introduction

This report provides a summary of the performance against the internal audit plan for the 2015/16 financial year, highlighting the key areas of work undertaken and summarising our main findings and recommendations aimed at improving controls.

The key objectives of the Devon Audit Partnership (DAP) have been to provide assurance to the Director on the adequacy, security and effectiveness of the systems and controls operating within the People service area and to provide advice and assurance to managers and staff.

The Internal Audit plan for 2015/16 was presented to and approved by the Audit Committee in March 2015. The following report and appendices set out the current position; reviewing work undertaken within 2015/16 and providing an opinion on the overall adequacy and effectiveness of the service area's internal control environment. The Public Sector Internal Audit Standards require the Head of Internal Audit to provide a report providing an opinion that can be used by the organisation to inform its governance statement. This report, when consolidated with those of other service areas, provides a position statement at year end with regard that opinion.

The level of risk associated with each of the areas in Appendix A has been determined either from the Local Authority's Strategic / Operational Risk Register (LARR), or the Audit Needs Assessment (ANA). Where the audit was undertaken at the request of client, it has not been risk assessed. Assurance and recommendations should be considered in light of these risk levels and the impact this has on achievement of corporate / service goals.

Expectations of the Director and Senior Management from this annual report

The Director and Senior Management are requested to consider:

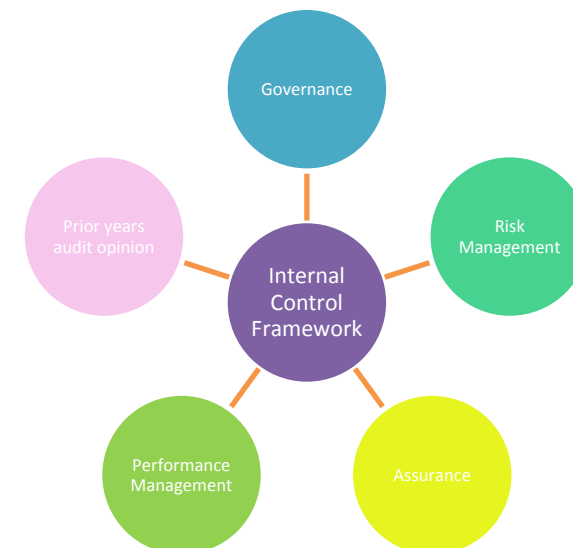
- the opinion statement within this report;
- the completion of audit work against the plan;
- the scope and opportunity of audit to complete the audit work;
- progress impact against strategic aims;
- audit findings provided;
- the overall performance and customer satisfaction on audit delivery.

In review of the above Senior Management are required to consider the assurance provided alongside that of the Corporate Risk Management and satisfy themselves from this assurance that the internal control framework continues to be maintained at an adequate level to mitigate risks and inform the Executive for governance requirements.

Audit Opinion

Overall, and based on work performed during 2015/16 and that of our experience from previous years audit, Internal Audit is able to provide significant assurance that adequate controls are in place to control operations in the People service area.

This statement of opinion is underpinned by our consideration of:



Where weaknesses have been identified management have agreed these findings and have either agreed the recommendations or accepted the associated risks. Where management actions have been agreed, as appropriate we shall undertake follow up work to ensure that the identified risks have been mitigated

(This opinion statement will provide Senior Management and Members with an indication of the direction of travel for their consideration for the Annual Governance Statement).

The Strategic Director and senior management have been provided with details of Internal Audit’s opinion on each audit review carried out in 2015/16. All audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified during a review. If significant weaknesses have been identified in specific areas, these will need to be considered by the Authority when preparing its Annual Governance Statement for inclusion within the 2015/16 Statement of Accounts.

Full Assurance	Risk management arrangements are properly established, effective and fully embedded, aligned to the risk appetite of the organisation. The systems and control framework mitigate exposure to risks identified & are being consistently applied in the areas reviewed.
Significant Assurance	Risk management and the system of internal control are generally sound and designed to meet the organisation’s objectives. However, some weaknesses in design and / or inconsistent application of controls do not mitigate all risks identified, putting the achievement of particular objectives at risk.
Limited Assurance	Inadequate risk management arrangements and weaknesses in design, and / or inconsistent application of controls put the achievement of the organisation’s objectives at risk in a number of areas reviewed.
No Assurance	Risks are not mitigated and weaknesses in control, and / or consistent non-compliance with controls could result / has resulted in failure to achieve the organisation’s objectives in the areas reviewed, to the extent that the resources of the Council may be at risk, and the ability to deliver the services may be

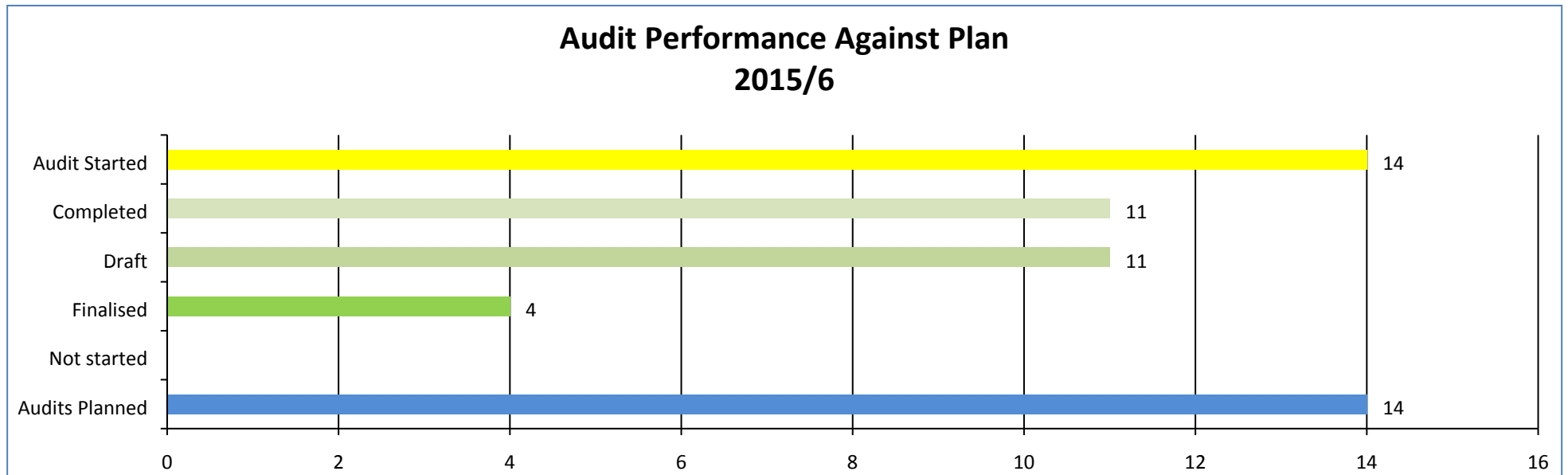
	adversely affected.
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Performance against Plan

This report compares the work carried out with the work that was planned through risk assessment, presents a summary of the audit work undertaken, includes an opinion on the adequacy and effectiveness of the People service area's internal control environment and summarises the performance of the Internal Audit function against its performance measures and other criteria. The bar chart right shows delivery of the plan against target. Progress during the year also included completion of work from 2014/15 necessarily spanning year end, undertaking follow up audits on areas where significant findings were made in the previous year and reporting to committee thereon, and progressing assignments in accordance with timescales agreed with management.

A table showing the status of planned audits and their associated reported executive summaries is contained at Appendix 1. In addition to this year's planned work, consultancy and advice continues to be provided where required.

Progress against plan was as expected. Changes were made to plan at the start of the year post Audit Committee approval and also within the final six months of the financial year. As in 2014/15, work undertaken has continued to involve responding to Safeguarding Alerts concerning allegations of financial abuse against vulnerable adults; such work does significantly impact upon the agreed plan.



Progress Impact Assessment

The audit fieldwork completed during this financial year provides assurance that identified risks are being minimised or mitigated where appropriate.

At the commencement of the financial year an audit plan is agreed which has to be both proactive and reactive to changes as they occur and as such Audit has to be flexible responding to management requests. Work envisaged to be completed at the start of the financial year may not therefore actually have been completed by financial year end.

Work upon agreed audits within the 2015/6 audit plan was significantly impacted upon by a major lengthy and complex piece of work undertaken during the year which related to the undertaking and completion of a second commissioned review upon a further sample of service users receiving domiciliary care services from a care provider previously reviewed in 2014/15. The findings and conclusions within the report produced have been the subject of a number of meetings with the directors of the company and their consultant. Review on site of prime documents relating to the care of individual service users fully substantiated findings detailed within the audit report.

Our work in connection with various safeguarding alerts provides opportunity for DAP to give independent objective assurance regarding relevant documentation and financial records reviewed and assists the safeguarding process in scenarios of allegations of financial abuse against vulnerable people.

A protocol has now been agreed whereby rather than individual teams contacting DAP directly and asking for assistance with safeguarding scenarios a request is submitted to the Head of Adult Social Care who then makes the decision as to whether to authorise audit involvement.

Those audit reviews not undertaken during 2015/16 will be subject to audit in future years if required.

Value Added

Our internal audit activity has added value to the organisation and its stakeholders by:

- providing objective and relevant assurance;
- contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.

Our work has identified specific added value benefits in key areas and in mitigating key risks. Notable benefits have been reported in the following area:

- Providing assurance during the evaluation and moderation of the Living Well at Home tender submissions
- Reviewing the tender evaluation process used in the original tendering of the DILIS contract, which resulted in a number of recommendations for improvements;
- Providing advice and support to the project responsible for the re-running of the DILIS procurement exercise.

Senior Management has found our engagement, support as a “trusted advisor” effective and constructive in these significantly changing times.

Executive Summary - Audit Findings

In our opinion, and based upon our audit work completed we are able to report that internal controls continue to operate effectively and where recommendations for improvements have been made, action plans have been agreed with management.

Any concerns identified through our work leading to recommendations for improvement are responded to positively by management.

Appendix 1 details the assurance opinions for individual audits. Definitions of the assurance opinion ratings are given in Appendix 2.

Findings from work in connection with our involvement in the various safeguarding alerts in which Audit has been involved are being collated and will shortly be provided in the form a report to management.

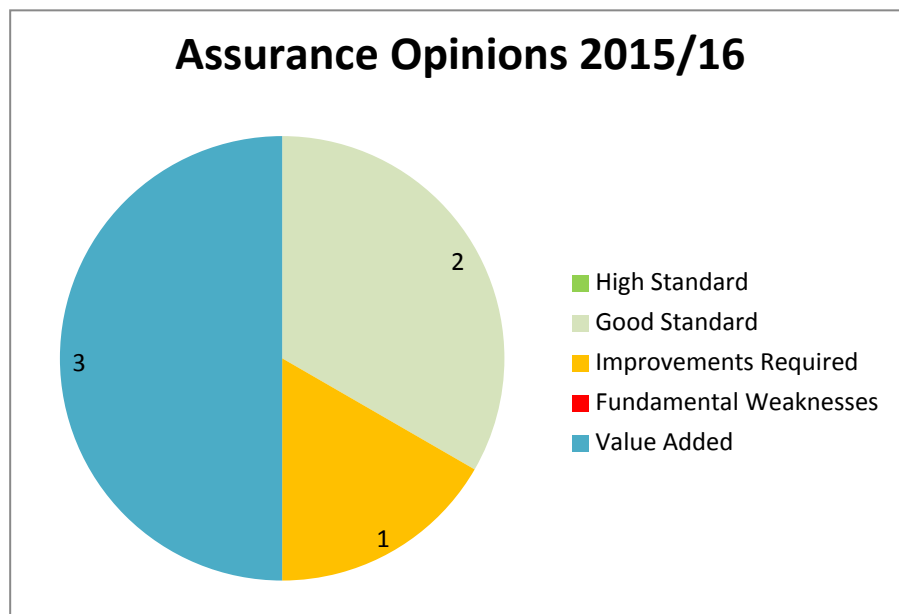
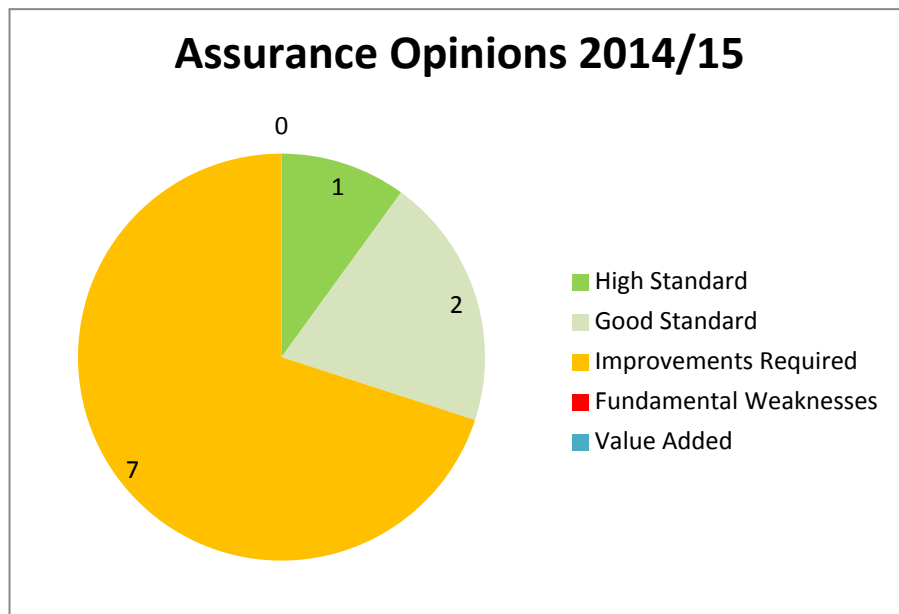
Key Risks / Issues

DAP has been involved both within the tender preparation for the five year £200m 'Living Well at Home' personal care contract and also with regard subsequently providing assurance during evaluation of the tender bids submitted back to the authority. We found the evaluation and moderation of the bids was conducted in an appropriate manner and had been accurately recorded.

We continue to provide support and challenge during re-procurement of the DILIS contract through comment on price evaluation models and service specification.

The Virtual School report identified PEPs being completed for all Children in Care up to 16 years of age but little or no system in place for those CIC over 16 years of age. The Virtual Head stated this was a task in hand to ensure a continuity of care or receipt of support required.

Work undertaken regarding a care provider the subject of a safeguarding alert has been lengthy and consumed a large amount of audit resource across a large part of the financial year. Work has been included in the 2016/17 plan to review such scenarios are negated in the new personal care contracts shortly being introduced.



Fraud Prevention and Detection

Fraud Prevention and Detection

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. Work has continued in 2015/16 reviewing the various data sets involved with the National Fraud Initiative (NFI) which includes Direct Payments and Private Supported Care Home Residents. Most data matches have been reviewed but a small number have yet to be completed, relating mainly to Blue Badges and Direct Payments. A meeting has recently taken place with the appropriate officers to move forward the review of the Direct Payment data matches. There are a small number of queries outstanding on some of the other reports but these are not significant and we still await the results of investigations by relevant teams across the Council.

Irregularities - During 2015/16, Internal Audit have carried out, or assisted in a total of 12 irregularity investigations within the service area. Analysis of the types of investigation and the number undertaken shows the following:-

Issue	Number
Financial Irregularity	6
Employee Conduct	2
IT Misuse	2
Tenders and Contracts	2

Following on from previous investigation work, Internal Audit were requested to examine further alleged overcharging by a Community Care provider. This has identified over £20,000 of potential overcharges and currently no more clients are being allocated to the provider.

With regard to the two IT-misuse investigations, concerns were raised that an employee was sending and receiving work related emails to and from their personal email account we investigated and provided HR with evidence in relation to this. The second investigation concerned excessive telephone call charges being incurred at an establishment where it is suspected that the telephone line was hacked. The office is now closed so the issue will not reoccur.

DAP has assisted with two employee conduct investigations. The first related to preferential treatment of certain members of staff, the second related to a complaint by a job applicant who alleged inappropriate sharing of personal information during the recruitment process. We did not identify any evidence to support the allegation.

A number of alleged financial irregularities were reported to DAP during the year including a third party employee allegedly booking a course in the name of the County Council. In addition, DAP learned of banking going missing from Learn Devon and were able to provide support to the Investigating Officer. DAP also were made aware of an overpayment of salary to an employee who left following the closure of an establishment. It is understood that the debt is being repaid.

Customer Value

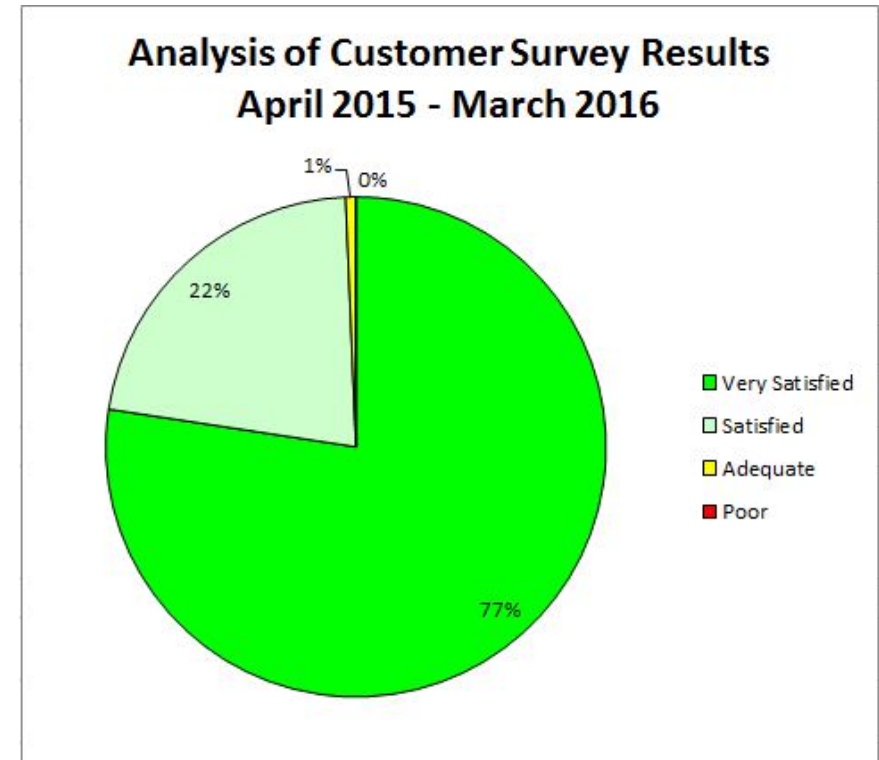
Customer Service Excellence

DAP maintains accreditation by G4S Assessment Services of the CSE Standard during the year.

During the period we issued client survey forms with our final reports. The results of the surveys returned are, although low in number, very good and again are very positive. The overall result is very pleasing, with 99% being "satisfied" or better across our services. It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.

Recent feedback received across our partners includes

- 'face to face meeting was very good',
- 'useful to show the Board',
- 'a useful check for us on our processes'
- 'the planning and conduct of the report was informative and allowed for some self-reflection on processes',
- 'useful to confirm some areas for improvement and prompted us to progress action in them', and
- your input has helped 'sell' the new system.



Inherent Limitations

The opinions contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

Acknowledgements

We would like to express our thanks and appreciation to all those who provided support and assistance during the course of the audits.

Robert Hutchins
Head of Audit Partnership




Appendix 1 - Summary of audit reports and findings for 2015/16



Risk Assessment Key


LARR - Local Authority Risk Register score Impact x Likelihood = Total & Level
 ANA - Audit Needs Assessment risk level as agreed with Client Senior Management
 Client Request - additional audit at request of Client Senior Management; no risk assessment information available

Assurance Progress Key

Green - action plan agreed with client for delivery over an appropriate timescale;
 Amber - agreement of action plan delayed or we are aware progress is hindered;
 Red - action plan not agreed or we are aware progress on key risks is not being made.
 * report recently issued, assurance progress is of managers feedback at debrief meeting.

People					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Charging for Care Team (Corporate Services) / Care Management (People) - Client Contributions - Non Residential Services	ANA - High		Improvements Required	Findings reported in September follow up reviews. Action plan agreed. Close liaison needed between Care management staff and the Charging for Care Team to ensure good progress continues to be made. 2016/17 DCC Audit plan includes audit of 'Finance - Non Residential Financial Assessments'.	
Personal Care Contract 'Living Well at Home'	ANA - High Client Request	Complete	Value Added	Audit involvement has been requested to support key / significant elements of the tender. This includes <ul style="list-style-type: none"> - 'needs analysis' and forecast of volumes and types of business (personal care, rapid response, learning disabilities); - financial evaluation and - quality of supply Further support will also be provided around the tender evaluation process and final award recommendation	
Personal Care Contract 'Living Well at Home' Tender Evaluation Process / Final Award Recommendation	ANA - High Client Request	Complete	Value Added	Internal Audit was asked to provide assurance during the evaluation of the Living Well at Home tender bids. The evaluation and moderation of bids was conducted in an appropriate manner and recorded accurately. We provided guidance on minor improvements to the recording of scores and evaluator comments.	

People					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
DAPH / DASH / SHAD	Client Request	Ongoing	Good Standard	<p>The DAPH annual accounts prepared for the four financial years 2012/13 - 2015/16 inclusive.</p> <p>The Association's involvement in National Primary Headteachers Ltd. (NPH) has resulted in a potential write off of £14,922 (net of VAT). A bad provision has been established in the NPH commissioned work statement of accounts as at 31 March 2016. This sum will have to be written off in the March 2017 accounts against the Business Development Activities accounts as it is unlikely that any dividend will be received following the liquidation of this company.</p> <p>With the ever changing landscape of the membership of the Association between maintained and academy schools, the Executive Committee has started to look at alternative service delivery vehicles for the Association. This could mean that the Association moves away from the financial umbrella of the County Council but this raises significant issues on financial management and procedures. Based on this review of the last four years' accounts, additional expenditure would be incurred by the Core Activities.</p>	
The Virtual School - CIC (Children in Care)	ANA - High	Final	Good Standard	<p>PEP's are completed for all Children in Care up to the age of 16 but there seemed to be little or no system in place for those Children in Care who are over the age of 16. On speaking to the Virtual Head this is a task in hand to ensure a continuity of care and or involvement with these adolescents to ensure they receive the support they need.</p> <p>In interviewing a number of people connected with social care and the Virtual School, there was a mixed response to the role of the Virtual School. It was clear in many areas that its profile and role had become more apparent. However this increased profile needs to be reiterated and continually promoted to ensure that the new reporting lines and responsibilities are distributed to all areas of social care, as for instance not all Independent Reviewing Officers (IRO's) knew who they should be reporting any concerns to or where to go if any information or</p>	

People					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				<p>assistance is required. The IRO's advised they reported to previous post holders under previous reporting lines, even though these members of staff are no longer responsible for that concern or issue. Once the new Virtual School structures have been affirmed to all social care teams and embedded, the potential for better educational achievement and child welfare is apparent.</p> <p>The appointment of a separate strategic Head and also a Manager of the Virtual School must be seen as a positive move to enable the Authority achieve its desire of promoting the educational welfare of it's looked after children.</p>	
Procurement - Review of Tender Evaluation Model DILIS	ANA - High Client Request	Ongoing	Value Added	<p>The award of a significant contract within People was challenged by an unsuccessful bidder with a counter challenge by the successful bidder. We were asked to examine the evaluation process and assessments undertaken by members of the evaluation team. Our findings have been reported to management within Procurement, Finance and People and we facilitated a subsequent workshop to examine the lessons learnt.</p> <p>Internal Audit has provided, and will continue to provide, support and challenge during the re-procurement of the DILIS contract, providing comment on price evaluation models and service specification.</p>	
Adult Residential Care Bandings	ANA - High Client Request	Ongoing		Draft report meeting scheduled for early June 2016.	
SEND	ANA - High Client Request	Ongoing			
Grants					
Autism Innovation	N/A	Completed	Certified	No issues identified	N/A

People					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Local Sustainable Transport Fund - Access to Education	N/A	Completed	Certified	No issues identified	N/A
Transforming Care	N/A	Completed	Certified	1 issue reported	N/A
Targeted Family Support Programme x2	N/A	Completed	Certified	No issues identified	N/A

The following audit was cancelled as it was no longer required

- Adoption Support

Appendix 2 – Definitions

Definitions of Audit Assurance Opinion Levels

Confidentiality under the National Protective Marking Scheme

Assurance	Definition	Marking	Definition
High Standard.	The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. We have made only minor recommendations aimed at further enhancing already sound procedures.	Not Protectively Marked or Unclassified	Documents, information, data or artefacts that have been prepared for the general public or are for the public web pages or can be given to any member of the public without any exemptions or exceptions to release applying, have the classification NOT PROTECTIVELY MARKED. Some organisations will also use the word UNCLASSIFIED for publicly available information.
Good Standard.	The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.	Official	The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.
Improvements required.	In our opinion there are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.	Secret	Very sensitive information that justifies heightened protective measures to defend against determined and highly capable threat actors. For example, where compromise could seriously damage military capabilities, international relations or the investigation of serious organised crime.
Fundamental Weaknesses Identified.	The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and / or resources of the Council may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.	Secret and Top Secret	The most sensitive information requiring the highest levels of protection from the most serious threats. For example, where compromise could cause widespread loss of life or else threaten the security or economic wellbeing of the country or friendly nations.