

Buckinghamshire County Council

Audit & Risk Management Service Annual Report of the Chief Internal Auditor 2014/15

1 Background

- 1.1 The Account and Audit Regulations 2011 require the Council to maintain an adequate and effective Internal Audit Service in accordance with proper internal audit practices. The Public Sector Internal Audit Standards 2013 (the Code), which sets out proper practice for Internal Audit, requires the Chief Internal Auditor to provide an annual report to those charged with governance, which should include an opinion on the overall adequacies of the internal control environment.

2 Responsibilities

- 2.1 It is a management responsibility to develop and maintain the internal control framework and to ensure compliance. It is the responsibility of Internal Audit to form an independent opinion on the adequacy of the system of internal control.
- 2.2 The role of the Internal Audit Service is to provide management with an objective assessment of whether systems and controls are working properly. It is a key part of the Authority's internal control system because it measures and evaluates the adequacy and effectiveness of other controls so that:
 - The Council can establish the extent to which they can rely on the whole system; and
 - Individual managers can establish how reliable the systems and controls for which they are responsible are.

3. Basis of Audit Opinion

- 3.1 The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards; however, there are currently three areas of non-conformance with those standards:-
 - The Chief Auditor has operational management responsibility for the Business Assurance Team, including Risk Management and Strategic Insurance functions, so is not wholly independent. The risk of conflict of interest is managed through the Risk Management Group who under the direction of the Chairman of the Regulatory and Audit Committee, monitors and reviews the adequacy and effectiveness of the risk management strategy and process; and, where audit activity is undertaken in areas where the Chief Auditor has operational responsibility, the Audit Manager reports directly to the Director of Assurance;

- An Internal Audit Charter is to be drafted as part of the governance framework; and,
 - A Quality Assurance and Improvement Programme is to be drafted and will be presented to the Regulatory and Audit Committee with the Internal Audit Charter
- 3.2 The strategy for delivery of the Internal Audit Service is reviewed annually and subject to the approval of the Regulatory and Audit Committee. Internal Audit is required to objectively examine, evaluate and report on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.
- 3.3 The Regulatory & Audit Committee agreed the quarterly Internal Audit Plans, which focussed specifically on financial management, and corporate processes. There were no constraints placed on the scope of audit work.
- 3.4 A summary of the work undertaken during the year forming the basis of the audit opinion on the internal control environment is shown in Appendix 1. Summaries of the outcomes of each audit have been presented to the Regulatory and Audit Committee on a quarterly basis. Summaries of the audits completed since the last report are attached in Appendix 2.
- 3.5 The system for the reporting and monitoring of risk management is well embedded into the business management process. The strategic risk register was regularly reviewed by COMT throughout 2014/15, and this process continues with the One Council Board into 2015/16. The risk management system is a key part of the Council's Assurance Framework, which has been developed through the Future Shape Programme and on-going into 15/16. The profile of the Risk Management Service is good, with strong engagement on major change programmes such as Future Shape, and increasingly projects setting up new delivery vehicles, or implementation of new legislative requirements, for examples establishing Bucks Law Plus, and impact of the Care Act. It is routinely reporting to the Regulatory and Audit Committee through the Risk Management Group, which it also supports with agenda setting to ensure focus is on key risk areas, including major projects. The risk management system is used to inform the work of Internal Audit.
- 3.6 The Internal Audit activity in relation to schools has been limited in 2014/15 to one audit. The development of a clear assurance framework over the financial management in schools has not yet been concluded, and was delayed in part due to the change in personnel at Finance Business Partner. This is now close to being concluded. Going forward, Internal Audit will continue to work closely with the Finance Director and the Finance Teams supporting schools, to maintain oversight of the assurance process, and to identify emerging issues where an internal audit should be undertaken.

- 3.7 Contract management is a key control process for the Council. The main source of management assurance was to be the Contract Management Application. A recent audit concluded only limited assurance that the system is meeting its objective. The audit plan originally set out a small number of contract audits to be undertaken, including follow up on Highways and Amey audits undertaken in 13/14. Unfortunately as previously reported to the Regulatory and Audit Committee these audits had to be withdrawn from the plan; however, the Committee has received updates from Senior Managers during the year with regards to those contracts. The main source of assurance for contracts has to be the corporate management system, the Contract Management Application. This has been highlighted as a key action in the 14/15 Annual Governance Statement.
- 3.8 Reliance has been placed on the monitoring of procurement activity by the Commercial Services Team, who report six monthly to the Regulatory and Audit Committee, on compliance with the Contract Standing Orders. Internal Audit has also supported the Procure to Pay project, with the CIA being on the Project Board. The Accounts Payable audit has also focussed on the main purchasing controls with regards to vendor management, and areas for improvement have been identified for addressing through the procure to pay project.
- 3.9 A key part of the audit plan for 2014/15 was the governance audits. A review of the key control processes was undertaken, with testing at a directorate level. In addition the annual governance statement assurance checklist was completed by all Service Managers, as a self-assessment of compliance with the key governance processes.
- 3.10 The audit of IT systems has been limited in 2014/15. An exercise has been undertaken to map the management assurance processes across the key IT risk areas, and this will be followed up in 2015/16 with the Professional Lead, as part of their regular assurance monitoring and reporting.
- 3.11 Where internal audits identify weaknesses in control, or areas for improvement, management action is agreed. The implementation of management actions is tracked by Internal Audit and reported to the Regulatory and Audit Committee. This relies on receiving positive assurance from the responsible officer reporting that actions have been completed. A new action tracking system was introduced during the first quarter of 2014/15. Managers are using the new system, and implementation of actions is generally good.
- 3.12 In addition to the planned audits, the Audit and Risk Management Team has supported the development of the system of internal control, through providing ad-hoc advice and guidance, and through work on specific projects, including:
- Procure to Pay Project
 - Contract Management Framework

- Contract Management Application
- Future Shape Programme
- Annual Governance Statement
- Planning Applications

3.13 There is a demand on internal audit to provide assurance on the use of external grants. In 2014/15 the CIA has certified without qualification all three grants referred to audit.

3.14 In arriving at our opinion on the system of internal control, we have taken into account:

- The results of all audits completed in 2014/15
- Whether or not management actions have been agreed for all material areas of weakness identified.
- The effects of any material changes in the Authority's objectives or activities or risk profile.
- Whether any limitations have been placed on the scope of audit.
- The scope of internal control environment - which comprises the whole network of systems and controls established to manage BCC to ensure that its objectives are met.

3.10 In giving our audit opinion, it should be noted that assurance can never be absolute. The most that the Internal Audit Service can provide to the Accountable Officers and Committee is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

4. Opinion on the Council's Internal Control Environment Summary

In my opinion Buckinghamshire County Council's overall system of internal control continues to facilitate the effective exercise of the Council's functions and provides a **reasonable** assurance regarding the effective, efficient and economic exercise of the Council's functions.

There is no doubt that the Senior Officers in the organisation take governance and internal control very seriously, evidenced through the new structure and operating framework resulting from the Future Shape Programme. Assurance and risk is a prominent feature in the framework, but also in management meetings, projects and business as usual activity. The development of the Business Assurance Team, which incorporates Risk Management and Internal Audit functions, reporting to a Director of Assurance provides accountability and responsibility for the management and reporting on the effectiveness of the governance system. The introduction of an Assurance framework, with clearly defined three lines of assurance, will significantly improve the evidence base to the Regulatory and Audit Committee, and the One Council Board; it will also ensure that going forward, the independent Internal Audit assurance is focussed in the key areas, making best use of the resource.

- 4.2 This opinion is consistent with the outcomes of the individual audits, in which of the 24 opinion based audits completed 80% had opinions of "reasonable" or "substantial" assurance, and all three grant claims reviewed were acceptable. There have been five audits with opinions of "limited" assurance; management have responded positively to these audits and have initiated appropriate action plans to address the issues raised.

5. Anti-Fraud

- 5.1 The Anti-fraud and corruption strategy remains current and relevant. The internal audit team is notified of instances of suspected fraud, and maintains oversight of the investigations being undertaken, or directly undertakes investigations. There has been no increase in this activity in 2014/15, which would suggest the control environment is operating effectively in preventing fraud; however, this is not consistent with the national picture, and therefore fraud risk is an area that needs to be focussed on going forward.

6. The Audit Team

- 6.1 During 2014/15 the Internal Audit Team continued to be resourced jointly with resources shared through the collaboration with Oxfordshire County Council. The structure is reviewed at least annually to ensure the right

balance of skills is maintained. There was a significant pressure on resources in 2014/15 through impact of the future shape programme; sickness, and extended audits. The structure has been reviewed for 2015/16, with the majority of the internal audit staff now internal, with the exception of the Chief Auditor who remains working across the two authorities.

- 6.2 It is a requirement to notify the Regulatory and Audit Committee of any conflicts of interest that may exist in discharging the internal audit activity. There is only one matter to report. The Chief Internal Auditor and the Senior Auditor who led on counter-fraud in the team are related. To manage that conflict, the CIA has no direct management of the Senior Auditor, and their line manager reports directly to the CIA's line manager on all personnel and performance matters.

Ian Dyson, Chief Internal Auditor June 2015.

Appendix 1 - Summary of audit outcomes for year.

Audit Methodology

For each audit an opinion was determined firstly on the framework of controls that exist for that operational area and secondly on compliance with the controls. From this an overall audit opinion is given for each audit. An opinion on the quality of risk management in place is also provided. Work has been planned and performed so as to obtain all the information and explanations which were considered necessary to provide sufficient evidence in forming an audit opinion. The range of overall audit opinions is:-

- **Substantial** - All controls are in place to give assurance that the system's objectives will be met.
- **Reasonable** - Most controls are in place to give assurance that the system's objectives will be met but there are some minor weaknesses.
- **Limited** - There are not the necessary controls in place to give assurance that the system's objectives will be met.

The following table sets out the range of opinions for risk management and the framework of controls for each audit.

	Type / Area	Audit (If highlighted, the summary has not previously been reported and is in Appendix 2)	2013/14 Overall Opinion	2014/15 Overall Opinion
1	Key Financial System	General Ledger	Reasonable	Reasonable
2	Key Financial System	Accounts Payable	Reasonable	Reasonable
3	Key Financial System	Accounts Receivable inc. Income Management	Reasonable	Reasonable
4	Key Financial System	Pensions	Reasonable	Reasonable
5	Key Financial System	Treasury Management	Substantial	Substantial
6	Key Financial System	Payroll	Reasonable	Reasonable
7	Key Financial System	Feeder Systems		Reasonable
8	Governance	Annual Governance Statement	N/a	N/a

9	Governance	Contract Management Application		Limited
10	Governance	Business Continuity Management		Limited
11	Governance	S106 Agreements and CILS		Draft report
12	Governance	AFW – Direct Payments		Reasonable
13	Governance	AFW – Payments to Providers		Limited
14	Governance	AFW – Debt Management		Limited
15	Governance	RBT - Payments to Foster Carers		Substantial
16	Governance	CBE Governance and Financial Management	Reasonable	Reasonable
17	Governance	AFW Governance and Financial Management	Reasonable	Reasonable
18	Governance	PPC Governance and Financial Management	Reasonable	Reasonable
19	Governance	RBT Governance and Financial Management	Reasonable	Reasonable
20	Governance	CYP Governance and Financial Management	Reasonable	Reasonable
21	Contract Audit	PLACE – Property Contract process and procedures		DRAFT
22	Risk	SVA – management controls – care management processes, case file management, supervision	Limited	Reasonable
23	Risk	CYP – Safeguarding Management Controls	Limited	Reasonable
24	Schools	Meadows School		Limited
25	Grant Certification	Joint Waste Committee Return	No opinion	No opinion
26	Grant Certification	ADEPT Accounts	No opinion	No opinion
27	Grant Certification	Families First	No opinion	No opinion

APPENDIX 2 - SUMMARY OF COMPLETED AUDITS NOT PREVIOUSLY REPORTED TO THE REGULATORY AND AUDIT COMMITTEE

Note for information:

We categorise our management actions according to their level of priority:

High	Major issue or exposure to a significant risk that requires immediate action or the attention of Senior Management.
Medium	Significant issue that requires prompt action and improvement by the local manager.

GENERAL LEDGER – REASONABLE

Our overall conclusion is **Reasonable**. The scope covered the following risk areas:

RISK AREAS	AREA CONCLUSION	No of High Priority Management Actions	No of Medium Priority Management Actions
Risk Management	Reasonable	1	0
Procedures & Data Security	Reasonable	0	2
Financial Information & Reporting	Substantial	0	0
Coding Structures	Substantial	0	0
Feeder Systems	Substantial	0	0
Journals & Internal Transactions	Reasonable	0	1
Suspense and Holding Accounts	Substantial	0	0
Bank Reconciliations	Substantial	0	0
Final Accounts	Reasonable	0	1
		1	4

As a result of our work, one High Priority action has been raised regarding the need to update and evidence progress on risks recorded in the Finance & Commercial Risk Register. It was confirmed by management that the splitting of the Finance & Commercial Risk Register to HQ and Business units is in progress. Risks will be updated and closed if necessary. A new Risk and Assurance Strategy is due to go to Regularity and Audit Committee on 10 June 2015.

Four Medium Priority actions have also been raised which include: confirming that appropriate segregation of duties exists within the SAP system; confirming whether access rights to Feeder system are correct and provide appropriate segregation of duties; the need for Journal Transfer templates to be completed to evidence that journals have been authorised; and for outstanding external auditor action points to be addressed and completed.

No low priority issues were raised.

ACCOUNTS PAYABLE - REASONABLE

Our overall conclusion is **Reasonable**. The scope covered the following risk areas:

RISK AREAS	AREA CONCLUSION	No of High Priority Management Actions	No of Medium Priority Management Actions
Risk Management	Substantial	0	0
Accounts Payable Framework	Substantial	0	0
IT Systems and Data Accuracy	Reasonable	1	1
Vendor Creation and Amendments	Reasonable	1	1
Purchase Order Creation and Invoice Processing	Reasonable	0	1
Payments	Substantial	0	0
Supplier Credit / Refunds	Substantial	0	0
Control Account Reconciliation	Substantial	0	0
		2	3

As a result of our work, two High Priority actions have been raised which include the need to review SAP access rights and critical transactions to confirm segregation of duties are enforced and for a vendor data cleaning exercise to be completed. Both of these issues were raised during the 2013/14 audit.

Three Medium Priority actions have also been raised which include the creation of a framework template setting out the required actions before vendor updates are made, increased oversight of any access permission changes and work to gain more visibility and reduce the use of Retrospective Orders. This will include dashboard reporting highlighting the number of retrospective orders and which Business Units are raising them. This issue was raised as part of the 2013/14 audit.

In addition, two Low Priority actions have been raised.

ACCOUNTS RECEIVABLE – REASONABLE

Our overall conclusion is **Reasonable**. The scope covered the following risk areas:

RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Risk Management	Reasonable	0	2
Income Management Framework	Reasonable	0	1
IT Systems and Data Accuracy	Reasonable	0	1
Customer Creation and Invoice Collection	Substantial	0	0
Cash Receipting	Substantial	0	0
Debt Recovery and Enforcement	Reasonable	0	1
Debit and Credit Card Payments	Substantial	0	0
Control Account Reconciliation	Substantial	0	0
Bank Reconciliations	Substantial	0	0
		0	5

Risks are being mitigated to acceptable levels, however as a result of our work, five Medium Priority actions have been raised. These relate to: the inclusion of debt management risks in the Council's risk registers; the review and dissemination of the Financial Instructions; the regular review of system access rights; and details of debt monitoring and training requirements should be recorded. In addition, a separate review has recently been issued to senior management identifying issues around Aged Debt reporting. 12 actions were identified as a result of the work and this has been reported under separate cover to senior management at the Council. The issue of the report is acknowledged here for completeness.

The actions raised during the previous audits of Accounts Receivable have been followed up as part of our review and where appropriate have been included within our findings. These relate to the inclusion of debt management risks in the Council's risk registers; review of Financial Instructions; review of access rights on the SAP system; and debt monitoring and recording staff training.

PAYROLL – REASONABLE

Our overall conclusion is **Reasonable**. The scope covered the following risk areas:

RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Policy and Procedures	Reasonable	0	1
Starters	Reasonable	0	2
Leavers	Substantial	0	0
Variations	Reasonable *	0	0
Overpayments	Reasonable *	0	0
Monthly Pay Run Controls	Substantial	0	0
Reconciliations and Suspense Account	Reasonable	0	1
Deductions	Reasonable *	0	0
Master Data	Substantial	0	0
Services to Other Organisations	Reasonable	0	1
		0	5

Risks are being mitigated to acceptable levels; however as a result of our work, five Medium Priority actions have been raised. These relate to the maintenance of policies and procedures for the use of staff; retention of starter documentation to support the recruitment process; and the creation of a signatory list to check that payroll documentation had been correctly authorised. In addition an independent review of reconciliations should be evidenced; and service level agreements signed for organisations where the Council provides payroll services.

No low priority issues were identified as part of our audit work.

FEEDER SYSTEMS - REASONABLE

The audit of Feeder Systems included testing of a sample of transactions processed to the General Ledger. Testing focused on a sample of Feeder Systems detailed below:

The overall conclusion for Feeder Systems is **Reasonable**. There is generally a good system of internal control in place and the majority of risks are being effectively managed. However some action is required to improve controls. The opinions on each area tested are as follows:

FEEDER SYSTEM RISK AREAS	AREA CONCLUSION
Overview to Feeder Systems	Reasonable
K2 to SAP AP – Property Maintenance	Reasonable
SystemsLink to SAP AP – Property Energy Bills	Reasonable
Civica/Spydus (ALS) to SAP AP – Library Management	Reasonable
Pay Online to SAP AR – E Commerce	Substantial
E-payments/e-Commerce to SAP GL – Shop On-Line	Reasonable
Routewise to SAP AP – Client Transport	Reasonable
Altair (AXISe) to SAP GL Interface – Pensioner Payroll	Reasonable
SWIFT to SAP Commitments – Adult Social Care	Substantial
School Reimbursement – Accounts Payable – Petty Cash	Substantial
SIMS to SAP AP – Invoice Authorisation	Substantial
SIMS VAT Claims to SAP AP/GL – VAT Reimbursement	Substantial
SIMS Reconciliation Interface – Schools Reconciliation Data	Reasonable
SWIFT to SAP AP - Supporting People	Reasonable

Feeder Systems are an integral part of Buckinghamshire County Council (BCC) accounting system. Information recorded feeds through to the General Ledger, thereby providing financial data that is used in preparing the annual accounts. The audit

reviewed 13 separate feeder system processes and included transactional testing to ensure data from feeder systems was being fed through to SAP correctly and on a timely basis. As a result of the audit, two High Priority actions have been raised which include: the K2 interface file formats to Capital & Revenue will be designed to align with SAP imported alignments and a reconciliation process will be introduced between SystemsLink and SAP.

13 Medium Priority actions have also been raised. These include: updating the diagrammatic overview of SAP feeder systems, documenting the terms of reference for the K2 IT Consultant, updating the Scheme of Delegation in K2 to align with BCC's Scheme of Delegation, reviewing the SystemsLink export file format and access controls, enhancing the process for authorising energy bills, resolving the VAT rounding issues within the Civica/Spydus system, reviewing the e-Payments / e-Commerce control account on a regular basis, enhancing the duplicate payment controls within Routewise, improving the Altair reconciliation process and updating of the Pensions reconciliation log on a monthly basis, a central log/register for SIMS school queries will be introduced and maintained and SWIFT Supporting People to SAP payment spreadsheet will be kept up to date.

Three Low Priority actions have been raised.

Business Continuity Management – LIMITED

Our overall conclusion is **Limited**. The scope covered the following risk areas:

RISK AREAS	AREA CONCLUSION	No of Priority 1 Management Actions	No of Priority 2 Management Actions
Roles and Responsibilities	Reasonable	1	2
Business Continuity Management	Limited	4	1
Staff Training and Awareness	Reasonable	3	0
Rehearsing the Plan	Limited	5	0
Management Information	Reasonable *	0	0
Contract Management	Limited	4	0
		17	3

BCM is a holistic management system that establishes a strategic, tactical and operational BCM framework and whose purpose is to ensure that the Council is able to continue to provide its identified mission critical activities in the event of a disruption to normal service delivery and be able to rapidly restore all activities as quickly as possible. Testing of BCM arrangements for services was undertaken from across the Council. The services that replied to requests during the audit were Localities Service, Trading Standards, Adult Learning, Safe Communities, Support Services Centre, Adult Social Care (Service Provision and Commissioning), Youth Service, Finance Service Centre, Service Transformation (ICT), Resilience (Corporate) and Libraries, Archives, Registrars & Coroners.

The services who did not reply to requests during the audit were Community Cohesion & Equality, Democratic Services, Regeneration & Infrastructure, Environment, Service Transformation (Service Improvement), Health & Safety, Public Health and Growth & Strategy. Testing identified the following issues:

- The Council's BCM Policy will need to be updated to align with Future Shape and the organisation's reporting and assurance process will be reviewed and agreed.
- Three out of the eleven BCPs reviewed had not been updated in the last 12 months.
- One out of the eleven teams sample tested did not have a BCP held off site.
- Five out of the eleven teams sample tested did not know of, or have undertaken a BCM training exercise in the last 12 months.
- Six out of the eleven teams sample tested had not tested their BCP in the last 12 months.
- From a sample of eleven areas reviewed, six stated that they had limited or no assurance that external service providers have effective BCM arrangements.

The Resilience Team currently maintains a snapshot of service area compliance with BCM requirements that is updated at the end of each Financial Year in accordance with the BCM Policy and in support of HQ Assurance's Annual Governance process. As the name suggests, the spreadsheet provides a snapshot of the current state of BCM preparedness in each of the Service / Teams that hold a BCP. It is derived from a more detailed spreadsheet that assesses the overall status of each phase of BCM documentation. The snapshot details a RAG status of each service's arrangements. As at April 2015, of the 69 services / teams that require a BCP, the following status was noted:

- Green: 4 (6%). (completed).
- Amber / Green: 14 (20%). (almost complete – BCP provided, though some minor work required).
- Amber: 20 (29%). (started but significant action still required – if a BCP is provided it is not yet fit for purpose).
- Red / Amber: 8 (12%). (started / made contact with the Resilience Team, but no effective planning undertaken).
- Red: 23 (33%). (not yet started / not made contact with the Resilience Team despite requests made).

The snapshot of performance is currently reported annually to the Chief Executive, as well as to the Director of Assurance, although this is not requested via a formal process.

DIRECT PAYMENTS – REASONABLE

Our overall conclusion is **Reasonable**. The scope covered the following risk areas:

RISK AREAS	AREA CONCLUSION	No of High Priority Management Actions	No of Medium Priority Management Actions
New control processes and extent of issues established resulting from case review	Reasonable	0	3
Funding through POhWER	Substantial	0	1
		0	4

A case review was conducted by audit in 2013/14; the review found a number of weaknesses in processes or processes not followed correctly. The review was conducted on one individual, as such control weaknesses and process issues could have related solely to this one case, however could also indicate wider poor practice. The results of the case review have not been picked up and reviewed in any detail to ascertain the extent of the issues. It was established however, that some of the issues have been resolved through positive steps introduced, such as training for staff and care managers in how the direct payments process works and key responsibilities. An internal working group, which meet on a regular basis, pick up issues with processes (including the issue with POhWER retaining funds) and sets to resolve those issues, as such some of the issues within the review will have also been resolved in this forum. However, there is insufficient evidence to show that the issues in the report have been formally acknowledged and followed up to ensure they are all resolved.

The audit case review highlighted areas within the Feb 2014 version of the Direct Payments Policy where additional clarification was needed in certain areas to address gaps and potential issues. The DP Policy has been revised to accommodate the new Care Act implementation, and is currently in draft format. The draft policy was reviewed in line with the issues highlighted in the case review and it was found that they were still evident in the policy.

The controls BCC have introduced to monitor client accounts held by POhWER appear to be an effective way to ensure funds do not build up or fall to a level where the client is in debt. Any funds that are over or under around eight weeks' worth of care could potentially indicate a number of things, such as the care needs of the individual and support need reviewing, the client may have deceased, or the care

provider may not be providing care in line with the agreed care plan. Effective implementation of the controls is reliant on BCC sufficiently undertaking the checks and quickly ascertaining why there are variations in client accounts. Failing to do so, could potentially have financial implications for BCC or the client, if they are contributing to their own care. More importantly though, there could also be safeguarding risks to the clients.

BCC have managed to recover around £340k of surplus funds from POHWER, having undertaken a review of client accounts where there were extremes in what would be expected. A further £300k is due to be returned imminently.

AFW Debt Management – LIMITED

Our overall conclusion is **Limited**. The scope covered the following risk areas:

RISK AREAS	AREA CONCLUSION	No of High Priority Management Actions	No of Medium Priority Management Actions
Framework	Reasonable		2
Management of Debt	Limited	9	5
Management Information	Limited	1	1
Write offs	Reasonable	1	1
		11	9

It was found that there are numerous anomalies and inconsistencies in the various coding systems for client debts in SAP that have resulted in management reports showing an incorrect debt position.

SAP is not currently utilised to record when debt recovery letters are issued but this is recorded on a spreadsheet maintained by the Financial Assessments Team. However this spreadsheet is not shared with AFW senior managers who are therefore unable to get an oversight of the debt numbers and amounts of debt at each stage of the debt recovery process. As part of the audit, aged debt reports from SAP were run to enable a sample to be taken. From these it was found that there were numerous instances of inconsistencies within SAP that have resulted in the senior management aged debt reports being inaccurate. These are detailed below:

- On SAP dunning codes are applied to an invoice to indicate the status and type of the debt. It was found that dunning codes have not been applied consistently; in some cases debt secured by property did not have the correct dunning code applied, some customers had two different dunning codes when there should be one.
- Each customer is assigned a customer number based on the type of customer e.g. residential care secured by property. It was found that Customer Types on SAP are not always consistent with the type of debt i.e. secured or unsecured.
- When customer invoices are raised on SAP the officer selects the relevant sales reference based on Sales Office and Sales Group. It was found that some customers had two different sales references

i.e. sales reference for secured debt and sales reference for unsecured when there should be one.

There is a backlog of older unsecured debt, of which £83,469 is over 5 years old, that the Financial Assessments Team has been unable to recover. However it was found that these have not been resolved by being referred to Legal to take action or written off. It was found that there were inconsistencies between SAP and the records maintained by Legal for secured and unsecured debts. For example cases that are closed according to Legal have not been closed/written off on SAP.

The findings above have resulted in poor data quality in senior management aged debt reports and there was no evidence that the data has been validated. The Debt Management Strategy documents three performance measures that should be included in monthly monitoring reporting to Finance Assessment Team Leader. There is currently no debt management performance reporting to the Finance Director, Communities, Health and Adult Social Care. Within the report the designations Service User, Client and Customer are interchangeable.

PAYMENTS TO FOSTER CARERS - SUBSTANTIAL

Our overall conclusion is **Substantial**. The scope covered the following risk areas:

RISK AREAS	AREA CONCLUSION	No of High Priority Management Actions	No of Medium Priority Management Actions
1. Payment Accuracy and Completeness	Reasonable	0	1
2. Timeliness of Payments	Substantial	0	0
3. Processing of Payments	Substantial	0	0
		0	1

Payment Accuracy and Completeness

There are written procedures and guidance in place, although some work could be done to consolidate the number of documents. Despite users of the Foster Carer database noting that the system is very old and not fully automated in some of the areas required, the controls in place do not indicate that this is a risk area, although any improvements to the Foster Carer database would add to the efficiency of the current processes in place. However the Foster Carer database has no owner and is currently unsupported. This poses a risk to the Foster Care System and therefore the organisation should consider exploring other options.

Payments can be traced back to supporting paperwork that has been approved by Children Services. Likewise paperwork approved can be followed through to payments made on SAP and what was stored on the Foster Carer database. There are checks put in place to ensure the accuracy of the payments being processed in line with Foster Carer allowances and all payments are authorised before being processed. There are also controls in place in relation to the set-up of Foster Carers as vendors in SAP. During the audit, it was noted that there was a change in process; the Finance Service Desk no longer verifies bank details with Foster Carers. The emphasis is therefore with Children Services to ensure that the Foster Carers' details are correct ahead of any payment made.

Access to the relevant parts of the Foster Carer database and SAP is restricted to those users that require access and there is segregation of duties on the systems used for the processing of payments to Foster Carers. It was highlighted that once payments for Foster Carer main allowances are set up, regular payments continue to be made unless instructed otherwise from Children Services. There are controls in

place to ensure that any regular payment continues to be the correct amount. However there are examples where there have been overpayments and underpayments to carers, giving rise to some concerns around the adequacy and effectiveness of the management controls currently in operation.

Timeliness of Payments

Payments due are paid promptly and all relevant staff are aware of the deadline for submitting payment documents.

Processing of Payments

Reconciliation between SAP and the Foster Carer database does take place to ensure that payments due to Foster Carers are processed. If there are any discrepancies, these are investigated, resolved and escalated, if appropriate.

GOVERNANCE AND FINANCIAL MANAGEMENT

These audits were undertaken across all the Directorates. The scope included testing compliance with financial and governance policies and procedures at Service area level on the areas detailed below:

- AUTHORITY AND GOVERNANCE.
- FINANCIAL MANAGEMENT.
- PERFORMANCE MANAGEMENT.
- LEGISLATION.
- INFORMATION GOVERNANCE.
- PROJECT MANAGEMENT.

The overall conclusions by Directorate are as follows:

RBT – REASONABLE

Area	Opinion
Authority and Governance	Reasonable
Financial Management	Reasonable
Performance Management	Substantial
Legislation	Reasonable
Information Governance	Reasonable
Project Management	Reasonable

The overall conclusion for Resources and Business Transformation is **Reasonable**. This is based on the adequacy of risk management techniques, the existing control framework and compliance with the existing framework. The issues identified during the audit are:

- The RBT Scheme of Delegation was last updated in April 2013 and currently, compared to the authorising limits in SAP, does not list all SAP approvers, lists previous SAP approvers and shows differing levels set to financial approval.
- Financial Instructions are being reviewed to ensure that they remain valid and fit for purpose under the new operating environment.
- Quarterly Reporting from Corporate Complaints has not been undertaken during 2014/15. Additionally, with increased commissioning of services to external providers, it was not clear as to how the external providers' complaints process is set up,

monitored or fed back to the Council. Testing also identified differences between the Intranet & Website Feedback and Complaints Form.

- There is a lack of visibility to underlying budget figures and that they may not reflect current cost centre financing. It was also reported that some budgets are managed from the bottom line. The Future Shape profile moving to Business Units seeks to address some inherency to the current process through improved performance management to cost centre profiles.
- A lack of assurance as to how staff is being trained to fulfil their budget responsibilities.
- A sample of budgets was not being reviewed on a timely basis and the details not being accurately updated and reflected on SAP.
- The audit identified an inconsistent approach to communicating legislative changes, with some department managing this well, whilst others identified areas for improvement.
- A list at 31 December 2014 was obtained of completions of the mandatory data protection E-Learning training. Not all staff within RBT had completed the training.
- The Project Management Toolkit has not been updated in 2014/15, but is available to staff on the Intranet.
- There is currently no up to date central Project Register.

AFW – REASONABLE

Area	Opinion
Authority and Governance	Reasonable
Financial Management	Limited*
Performance Management	Substantial
Legislation	Substantial
Information Governance	Reasonable
Project Management	Substantial

The overall conclusion for Adults and Family Wellbeing is **Reasonable**. This is based on the adequacy of risk management techniques, the existing control framework and compliance with the existing framework. The issues identified during the audit are:

- The AFW Scheme of Delegation was last updated in April 2013 and currently, compared to the authorising limits in SAP, does not list all

SAP approvers, lists previous SAP approvers and shows differing levels set to financial approval.

- The Caldicott Officer confirmed that she was unaware of what governance arrangements exists within partner organisations and contracted out agency Services (Pertemps) for them to meet the data protection requirements.
- Caldicott guidelines are no longer available on the Intranet. These have been moved to the N: Drive, AFW Dashboard Driver, with restricted access rights.
- A list at 31 December 2014 was obtained of completions of the mandatory data protection E-Learning training. Not all staff within AFW had completed the training.

CYP – REASONABLE

Area	Opinion
Authority and Governance	Reasonable
Financial Management	Reasonable
Performance Management	Substantial
Legislation	Substantial
Information Governance	Substantial
Project Management	Substantial

The overall conclusion for Children and Young People is **Reasonable**. This is based on the adequacy of risk management techniques, the existing control framework and compliance with the existing framework. The issues identified during the audit are:

- The CYP Scheme of Delegation was last updated in April 2013 and currently, compared to the authorising limits in SAP, does not list all SAP approvers, lists previous SAP approvers and shows differing levels set to financial approval.
- A sample of budgets were examined within the monitoring reporting to confirm that budgets are reviewed on a timely basis and the details are accurately updated and reflected on SAP. Testing confirmed certain records had not been updated.
- There were also some budget difficulties noted which make it harder for the budgets to be completely accurate. For example for placement budgets, because the coding in ICS does not match SAP, it makes it difficult to make accurate accruals. It is also acknowledged that presently, the data within SAP and ICS does not currently reconcile.
- A list at 31 December 2014 was obtained of completions of the

mandatory data protection E-Learning training. Not all staff within CYP had completed the training.

CBE – REASONABLE

Area	Opinion
Authority and Governance	Reasonable
Financial Management	Reasonable
Performance Management	Reasonable
Legislation	Substantial
Information Governance	Reasonable
Project Management	Substantial

The overall conclusion for Communities and Built Environment is **Reasonable**. This is based on the adequacy of risk management techniques, the existing control framework and compliance with the existing framework. The issues identified during the audit are:

- The CBE Scheme of Delegation was last updated in April 2013 and currently, compared to the authorising limits in SAP, does not list all SAP approvers, lists previous SAP approvers and shows differing levels set to financial approval.
- A sample of budgets was not being reviewed on a timely basis and the details not being accurately updated and reflected on SAP.
- The Environment and The Planning & Transport Portfolio Plans were not updated with Key Projects Activities to achieve Objectives, Performance Indicators and Risks.
- A list at 31 December 2014 was obtained of completions of the mandatory data protection E-Learning training. Not all staff within CBE had completed the training.

PPC – REASONABLE

Area	Opinion
Authority and Governance	Reasonable
Financial Management	Substantial
Performance Management	Reasonable
Legislation	Substantial
Information Governance	Reasonable

Area	Opinion
Project Management	Reviewed within the R&BT Service Area.

The overall conclusion for Policy, Performance & Communications is **Reasonable**. This is based on the adequacy of risk management techniques, the existing control framework and compliance with the existing framework. The issues identified during the audit are:

- The PPC Scheme of Delegation was last updated in April 2013 and currently, compared to the authorising limits in SAP, does not list all SAP approvers, lists previous SAP approvers and shows differing levels set to financial approval.
- Consideration will be given to centrally recording gifts, hospitality and interests, as well as an approach to reminding staff of their responsibility in reporting gifts, hospitality and interests.
- Review of the Service Area registers noted that the deadline to review certain policy documents had expired and with some comments either noted as 'blank' or referenced as 'up-to-date' or 'out of date' making it unclear as to the policy documents actual status.
- The Data Protection Officer highlighted that some guidelines were out of date and no longer applicable, and that commissioned out service contracts will need to have data protection included in their Terms & Conditions. There was also insufficient guidance to links to connecting sites, for example the Information Commissioner's site.
- A list at 31 December 2014 was obtained of completions of the mandatory data protection E-Learning training. Not all staff within PPC had completed the training.