

Appendix 3b: Audits Revisited

Purpose of these audits

To assess whether the actions agreed in the original audit have been implemented and are now effectively embedded into the day-to-day operation of the service.

Mental Health Direct Payments



Original Objective and Background

The focus of the work was to identify control weaknesses that led to allegations of fraud associated with direct payments awarded to clients with mental health difficulties. This focused on the arrangements between the Council, South Essex Partnership University NHS Foundation Trust (SEPT) and Vibrance¹ (June 2014).

A subsequent proven direct payment fraud identified in January 2015, resulted in the dismissal and prosecution of a Council employee. This fraud related to the misappropriation of surplus monies on client accounts held by Vibrance.

The follow up work undertaken to assess the progress made in implementing recommendations from the original allegations of fraud, was extended to include the actions required to strengthen controls relating to the recovery of surplus funds managed by Vibrance (June 2015).

This work covers the progress made in implementing recommendations from the original June 2014 report and the later June 2015 report.

At the time of the audit, officers had signed off all the agreed actions as being implemented.

In 2015/16, just over £3.5 million of spend was processed through this system.

Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Agreed action closed
2	0	1	12	1

¹ Vibrance; a registered charity that Southend-on-Sea Borough Council engaged to provide advice, support and payroll services to clients who express an interest in, and have been assessed as meeting the eligibility criteria for a Direct Payment.

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Summary

The Council's Finance Authorisation Meeting's² (the Panel) terms of reference now gives greater clarity over its role. Introducing a segregation of duties when setting up clients on the Agresso (financial management) system has improved the arrangements, which aim to ensure the validity of direct payments made.

As the audit progressed, some action was taken by council officers and SEPT to improve the working arrangements for independently checking and authorising proposed care packages before submission to the Council's Panel. This was a particular issue identified from the initial piece of work undertaken in June 2014 and followed up in June 2015.

The Council potentially remains at risk from losses of fraud and / or error from other areas as not all agreed actions have not yet been completed in relation to improving processes and controls that directly contributed to the:

- allegations of fraud associated with mental health clients (June 2014 report)
- subsequent proven misappropriation by a Council employee of surplus monies managed by Vibrance (June 2015 report).

Other areas that still need to be addressed to improve processes thereby reduce the likelihood of fraud or error, include:

- making clear to staff the checks required and by whom, before a care package is input and authorised on Care First (the social care IT case management system)

Random testing particularly identified that not all care packages input into Care First and recommended by SEPT, are supported by evidence that the Council's Finance Authorisation Panel approved the packages.

- improving arrangements for independently verifying that the same officers are not entering care packages on Care First as well as authorising them

This is required as it is not possible to segregate these duties electronically. Going forward, there are plans to ensure this segregation of duties is enforced through improved work flow arrangements in the new IT Case Management System, LiquidLogic.

- clarifying with Vibrance the Council's expectations of how the day to day service will operate. This should explicitly define the:
 - arrangements for the:
 - Council to approve new providers before Vibrance recommends them to clients
 - regular and consistent issue of financial statements to clients, and how challenges of those received back from clients will be reported.
 - frequency and content of reports that should be produced about the activity on client accounts to enable the Council to:
 - confirm monies are being properly and accurately accounted for
 - appropriately claws back surplus funds.

² The Panel (or Finance Authorisation Meeting) "receives and consider applications for social care funding for services for adults over the age of eighteen and / or carers who are the responsibility of Southend Borough Council".

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- making clear to staff how the accuracy and completeness of reports provided by Vibrance detailing the surplus monies held on the Council's behalf, are to be validated and issues arising from them, dealt with.

The service area has provided the Deputy Chief Executive (People) and the Director of Adult Services and Housing with a detailed paper identifying the progress in addressing the outstanding recommendations since the initial audit work started in August 2016.

Licensing



Original Objective

To assess whether licence applications are effectively and promptly processed and all due income is received.

Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Agreed action closed
1	0	2	1	0

Summary

Some progress has been made in addressing the issues raised in the original report but further work is still required.

All licenses are now checked by the Regulatory Services Manager, with additional spot checks being carried by the Group Manager every six months.

Historical, parked licensing debts are being proactively chased. As at November 2016, £20k had been collected from 77 premises licence holders and licenses are being suspended if payment is not forthcoming. A target needs to be set for completing the review of these older debts, then a decision made on whether any need to be written off because they are uncollectable or uneconomical to collect. More regular liaison with the Accounts Receivable team is helping to manage current debts more effectively.

The service is still not able to reconcile its records of debts due against corporate records of income received. As part of the audit, discussions were held with Financial Services to establish how to progress this. As a result, immediate action was taken by with Financial Services to:

- set up some standard reports to provide the information required about payments received, to help enable the reconciliation process
- provide appropriate access to the cash receipting system
- make staff available to support the Licensing Service in completing the reconciliations for 2016/17.

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Further work is being done with Financial Services to tailor these reports so as to make the reconciliation process as efficient as possible.

As part of exercise to set up the regular reconciliation process, it will also be necessary to:

- confirm that the database of licences issued is complete and accurate before fully reconciling income expected to licences issued for 2016/17
- document and retain the records of the reconciliation process.

For 2017/18, the reconciliation should be completed on a monthly / quarterly basis.

Not all Licensing policies include version control details, which will be introduced as they are updated.

The Forum Governance Arrangements



Original Objective

To assess whether appropriate arrangements, processes and agreements are in place or being developed to establish and then manage the new shared central library building known as the Forum.

Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Agreed action closed
1	1	2	3	0

Summary

The progress made in addressing the issues raised in the original report is disappointing. It is noted, that the Council is only a one-third owner of the Southend-on-Sea Forum Management Limited (SoSFML), which is a separate legal entity. However, given the basic nature of the governance issues raised, the Council needs to assess the organisational risk to it, should SoSFML not agree to put such arrangements in place.

So, to date, action has been taken to:

- clarify the position should it be decided to rotate the company treasurer's role. Although this is not planned, sufficient notice would be given to make the appropriate arrangements to take this over
- produce a broad range of information on the performance and operation of the Forum building which is regularly and formally reported upon to the:
 - Director of Culture, Tourism and Property
 - respective Departmental Management Team (DMT).

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It would still be useful to obtain some management information regarding compliance with Financial Regulations and progress made in delivering the original intended benefits from the new library.

Further work is still required, in order to:

- clarify the legal and accounting implications and steps necessary for any partner to withdraw from the partnership and which governance document this should be set out in
- prepare and present a report to the SoSFML Board on the basis of apportioning shared running costs and the method for calculating each basis of apportionment
- provide at least, an annual report to Council from Councillors serving as directors on the SoSFML Board, on the actions undertaken by them whilst representing the Council in this capacity (as required by the Local Authorities (Companies) Order 1995). This report should include a summary of SoSFML financial and non-financial activity over the previous 12 months. This may also be an issue for other such companies Councillors serve as directors on
- update the Financial Regulations to explicitly require segregation of duties in respect of ordering, receiving and paying for goods and services.

Third Party Hosting



Original Objective

To evaluate whether the opportunities to host services with third parties are robustly assessed and then the selection of, and agreements with, such third parties are effectively planned and managed.

Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Agreed action closed
4	0	1	1	0

Summary

Overall, good progress has been made to address the issues raised in the original report. As a result:

- a formal Third Party Hosting Policy has been established which complies with good practice guidance and clearly defines its required standards for suppliers that host the Council's data including the:
 - circumstances under which third party hosting may be considered
 - minimum IT Data Security and Information Governance requirements that must be met before new contracts can be let.

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- an exercise has been conducted to identify all existing third-party hosted contracts (both known and previously unknown). Where necessary, additional information was then requested from suppliers to satisfy the Information Governance Meeting, that these contracts were compliant with the new policy
- the Information Governance Meeting has been briefed on the updated standards and it now has a standard agenda item to consider new third party hosted contracts.

Action is being taken:

- to develop a procedure that requires all newly commenced procurement projects over £25k, to be reported to ICT, so there can be independent scrutiny over whether third parties are intending to host the Council's data
- jointly by ICT and the Corporate Procurement team, to establish a method of monitoring and demonstrating that approved suppliers continue to comply with the Council's Third Party Hosting Policy.