

Appendix 2b: 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.

Financial Monitoring of Direct Payments



Original Objective

To assess whether there are robust financial monitoring arrangements in place to ensure payments made directly to clients are used to meet eligible needs and outcomes identified in Care Support Plans.

Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented
1	0	5	1

Summary

Policy and Processes

The 'Self Directed Support Best Practice Guidance' has been replaced by a new Direct Payments Policy (the Policy), which is comprehensive and outlines the:

- Council's obligations under the Care Act 2014 and the Care and Support (Direct Payment) Regulations 2014
- the processes that the Council should follow when reviewing how a client has spent their direct payment i.e. in line with their care plan and the terms and conditions of their agreement
- checks to be completed within the process by Finance Officers, Social Workers and senior officers or management, as set out in detailed appendices.

The Policy and its appendices were developed collaboratively across teams within the directorate, and signed off by Adults Departmental Management Team (DMT) in December 2017.

Action is now being taken to implement the processes of:

- undertaking financial monitoring of direct payments
- independently reviewing work completed by Finance Officers.

Further work is needed to review and update the process for monitoring children's direct payments, with a view to aligning it with the arrangements adopted by Adult Services.

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Direct Payment Agreement

The Terms and Conditions within the Direct Payment Agreement have been extended and now:

- outline specifically what direct payment monies can't be used for e.g. food or travel costs unless specified in the care plan
- require sign-off from the service user to say that they:
 - have contacted Vibrance for advice and support
 - understand their legal responsibilities associated with becoming an employer.

The updated Direct Payment Agreement was approved by Adults DMT in December 2017 and is now being implemented.

Guidance outlining the responsibilities of Finance Officers when processing one-off direct payments is required, to ensure signed agreements have been received prior to payments being made.

Declaration of Interest

As a result of audit field work undertaken in October 2017:

- Finance, Social Care and Court of Protection staff refreshed their declarations of interest statements
- staff's access to records on Civica in all cases where interests had been declared had been limited.

Going forward, staff will be asked to sign a positive declaration that says they have declared all relevant interests, as part of the appraisal process. This should remind staff to update their statements, if their circumstances have changed. Management should then periodically check to confirm that staff's system access is appropriate based on the interests declared.

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.

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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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 2016/17, spend of £496,628 was processed through this system.

Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented
9	2	1	2

Summary

Good progress has been made to address the actions contained in the follow up report issued in February 2017 and therefore, strengthen the arrangements for dealing with Mental Health Direct Payments effectively.

As a result:

- the Panel's Terms of Reference has now been appropriately updated and includes sample signatures and job titles of those staff authorised to independently validate care assessments. Responsibility for maintaining this list has been allocated to the Consultant Social Worker
- Finance Officers are checking the correct authorisation is being evidenced by confirming Decision Panel Sheet contains two signatures from both Essex Partnership University Trust and the Panel
- the Decision Panel Sheet provides clarity as to what bespoke parts of the packages has been authorised and / or rejected by the Panel
- the arrangements for processing care packages within the Finance team on CareFirst have been formalised through procedure notes
- a senior independent officer is now spot checking a sample of new and amended care packages on Care First each month, to confirm the accuracy of input into the system
- all open and continuing care packages approved since April 2015 have been reviewed, and where they did not contain appropriate Panel authorisation, they have been investigated to confirm their validity
- contract variations have been agreed with Vibrance covering the arrangements for:
 - the consistent and timely issue of six monthly financial statements to all clients, and follow up of issues arising from this
 - reporting on and clawing back surplus funds on client direct payments accounts

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- vetting and approving new service providers before they are added to the list given to clients receiving a direct payment.
- performance monitoring of Vibrance has been consistent, with meetings being held every six months to discuss KPIs and the company's responsibilities under the new contract variations.

Processes are being implemented by the Finance team to ensure Vibrance reports on clients' financial position are reviewed on a timely manner. Procedure notes supporting this process have been produced but not implemented.

Reports are being produced to highlight where an officer has both entered and authorised a care package on CareFirst. Going forward, these needs to be produced and checked by an officer who is not routinely doing either of these tasks.

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
2	0	0	1

Summary

Good progress has been made in addressing most of the outstanding issues raised in both the original and subsequent follow up reports. As a result:

- appropriate procedures are in place to ensure all Licensing policies are reviewed in a timely manner and include clear version history controls
- there is now a proactive approach to recovering parked debt, which is fully embedded in to day-to-day operations of the Licensing team.

There is however, significant work still required to reconcile the licenses issued on the Licensing IT system (Uniform) to the monies received on the Council's general ledger IT system (Agresso). Financial Services has been providing daily cash reports since March 2017. However, these are not fit for purpose and do not enable the Licensing team to carry out the reconciliations. The Licensing team has not raised this as an issue and Financial Services has not checked to see whether the reconciliations have been completed.

The two services have agreed to work together going forward to identify / create reports, which will enable this reconciliation to take place on a regular basis.

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Social Care IT Case Management System Contract Procurement



Original Objective

To assess whether the:

- letting of the Social Care IT Case Management System contract was administered fairly, without favouritism or bias, in accordance with Southend-on-Sea Borough Council's (the Council) Contract Procedure Rules
- exercise produced a contract that will ensure stakeholders' expectations / requirements are met in accordance with respective budgets.

Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented
3	1	0	1

Summary

Good progress has been made in updating the Procurement Toolkit to address opportunities to strengthen the process identified when reviewing this contract. As a result:

- the evaluation criteria questions section of the Options Appraisal Authorisation Form regarding a) Supplier Questionnaire and b) ITT Criteria, has been updated
- the Contract Management Framework has been amended to require:
 - contract management arrangements to be specified and agreed in the contractual documentation as well as with the supplier and stakeholders, prior to the contract being executed
 - details of significant differences with the agreed specification / options appraisal and / or significant risks, to be explicitly stated and highlighted to stakeholders prior to authority being given to award the contract.
- the Procurement Toolkit workflow has been updated to require:
 - variations to be recorded with evidence of approval from stakeholders
 - moderation panel scores and evidence of their agreement to be retained.
- further staff training has been provided on contract management principles and the setting of SMART targets.

Further amendment to the Procurement Toolkit is required to provide guidance on:

- contracts where the Council is lead authority but the services will be utilised by other local authorities
- the need to save all documentation in respect of procurement contracts on the eProcurement system.

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The P2P Reporting and Compliance Manager now checks to confirm that all relevant documents are present before the contracts are added to the Corporate Contract Register.

Contractual terms

The contract document itself allowed price increases to option modules beyond Retail Price Index (RPI) indexation to any value after 24 months. This was not in accordance with the future proofing requirements stated in the Options Appraisal Authorisation Form.

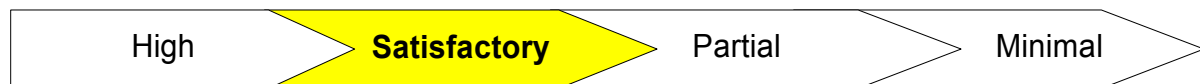
The service credit contract performance monitoring mechanism categorises the severity of an incident based on whether it has affected a 'small' or 'large' number of users, but does not specify a percentage or numerical number of users. This contract performance mechanism is too vague, as is how the severity of ICT incidents would be measured.

At the time the contract was signed (3 March 2016):

- the milestone / implementation plan and associated liquidated and ascertained damages / penalties had not been defined
- the service provider still had to provide details of how the Service Level Agreement monitoring process would operate.

As a result of all of the above, it was recommended that the service seeks to re-negotiate the contract in order to address these issues. This recommendation had not been actioned as at November 2017.

Airport Business Park Project Assurance



Original Objective

To assess whether effective project processes have been established for delivering the Airport Business Park Project to ensure it achieves the expected benefits, within the intended timeframes.

Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented
4	1	0	1

Summary

Good progress had been made in addressing the actions agreed in the original report. This process was proactively managed as well as delivered in a timely way, and there is evidence that the revised arrangements are embedded into current working practices.

As a result:

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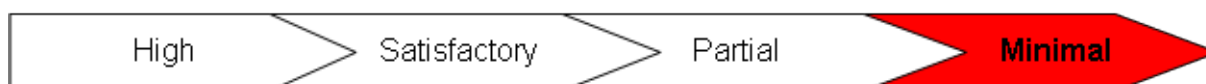
- highlight reporting has been introduced to both the Project Steering Group and Partnership Board, which provides a status update on key project areas such as time, cost, quality, scope changes, risks and issues
- a fully complete dependency log is now in place which contains all the required information and is regularly reviewed to effectively manage project dependencies
- a benefits management strategy has been introduced which provides the mechanism for the project to identify, monitor and manage the planned benefits of the project.

Further work is required to:

- agree which project benefits can now be measured
- develop detailed benefit profiles or plans to enable the realisation of intended benefits to be demonstrated.

This work is planned to take place in January 2018 and forms part of Internal Audit's 'critical friend' support to the project.

Housing Allocations



Original Objective

To assess whether Southend-on-Sea Borough Council (the Council's) Allocations Policy reflects good practice and is properly and consistently applied.

Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented
0	0	1	6

Summary

Minimal progress has been made with implementing the agreed actions in the original report, issued in December 2016. There is also evidence that the Council's performance management process for monitoring that agreed actions are being progressed, has not operated properly.

In certain circumstances the Council may allocate properties directly to applicants. South Essex Homes processes these under its 'Management Move' process. The Housing Solutions team processes all other direct lets in the manner required by the Council's Allocations Policy (the Policy) and they require authorisation by the Senior Housing Solutions Officer prior to commencement.

During this audit, it was identified that three direct lets were processed that did not comply with either of these arrangements. This previously unseen scenario has highlighted the need for better oversight of the direct let process. In order to prevent a recurrence of this scenario, there is a need to:

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- review and restrict system permissions on Abitras to ensure a single member of staff cannot set both applicants and properties to direct let status
- regularly review all direct lets to ensure they are appropriate, and suitable authorisation has been retained.

Following a conversion with Internal Audit in July 2017, a Senior Housing Officer now undertakes a weekly reconciliation of properties let against those advertised. Where properties had been identified as not being advertised at the time of the letting, there was a need to:

- retrospectively advertise as a direct let, in line with the Policy
- if not appropriate to advertise, clearly record the reason for this in the Abitras system to demonstrate it complies with the exceptions outlined in the Policy.

In response to concerns of senior management over various aspects of Housing Services activities, an independent review of the service has been commissioned to provide support for the changes that need to take place.

Revised timescales have been agreed with the interim Group Manager for Housing and the Director of Adult Services and Housing, for completing the outstanding management actions, which include:

- develop a set of procedure notes to support the delivery of the Policy
- undertake a project to establish whether the Abitras system has the functionality required to support the manner in which the service should operate
- establish how to use the Abitras system to monitor delivery of key elements of the Policy, within the expected timescales
- establish a quality assurance process for independently reviewing a sample of applications
- create a process to ensure that direct lets are undertaken in line with the Council's Allocations Policy
- formalise the expectations of the work South Essex Homes do in respect of the allocations process, using clause 67 of the Management Agreement.

Right to Buy



Original Objective

To assess whether Legal Services operating arrangements enable Right to Buy transactions to be processed in a timely manner.

Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented
1	3	0	0

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Summary

Good progress has been made to address the actions contained in the original report and therefore, strengthen the arrangements for dealing effectively with Right to Buy cases. Legal Services is to be commended for really engaging with this audit and using its results to continue to challenge and improve working practices.

As a result:

- the checklist (used as a procedure note) has been developed, so it is now well designed and adequately outlines the actions to be taken during each case, by the Legal Assistant, to properly process a Right to Buy application
- there are now clear directions regarding referring cash purchases to the Counter Fraud and Investigations Directorate (CFID) for the financial checks to be completed in line with those undertaken by financial services, including lenders
- the standard letter has been updated which requires the buyer's legal representative to provide:
 - full details of the bank account that will be used to send the funds to the Council on completion
 - information on how the purchase will be funded i.e. cash or mortgage

The Director of Legal and Democratic Services has decided to check all files until there is evidence that the process is being applied properly and consistently, at which time the service will return to spot checking files.

S75 Partnership Agreement Integrated Equipment Service



Original Objective

To assess whether the Section 75 Partnership Agreement clearly sets out the service requirements and how the service will be managed on an on-going basis, to ensure that expected benefits are realised.

Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented
1	2	6	0

Summary

Overall, good progress is being made in revising the draft Section 75 Partnership Agreement (the Draft Agreement) between Southend-on-Sea Borough Council (the Council) and Southend Clinical Commissioning Group (the CCG); despite some delays in obtain key information, due to conflicting priorities in some teams in both organisations.

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The Draft Agreement has been updated and now includes sufficient information about:

- the partners involved with the Equipment Service, including the correct working practices, name and job roles of the partners
- the governance arrangements underpinning it, including the establishment of the new Joint Operational Equipment Service Partnership Board (Partnership Board)
- Key Performance Indicators (KPIs) against which the performance of the service is to be judged
- the arrangements for future reviews of the Draft Agreement by partners.

Work is still underway to:

- produce a specification that outlines the service provision in detail and the respective responsibilities of both the Council and the CCG
- develop a risk management framework that also clarifies the roles and responsibilities for the on-going review of potential service-disrupting risks
- assign responsibility for:
 - defining what methods will be used to obtain user client feedback regarding the service and the KPIs that will produce
 - developing the processes to obtain and report on the feedback to the Partnership Board.

Once this information is incorporated in the Draft Agreement it will be ready for each partner to review and then approve.

Although most of the requirements for a Partnership Board Terms of Reference are included in the Draft Agreement, a formal Terms of Reference needs to be drafted and agreed.

A Section 75 Partnership Agreement Taskforce has been established which includes representatives from all interested parties, to work on the Draft Agreement and the way forward for the partnership. However, the Partnership Board has yet to be created, and so the implementation of a number of operational service management tasks has also been deferred. While the approval and ratification of the Draft Agreement should be conducted as soon as reasonably possible, this should not be a barrier to convening the Partnership Board and enabling it to discharge its duties. One of which is the scrutiny of quarterly service performance reports.

It is noted that since completion of the audit fieldwork, a Terms of Reference for the Partnership Board has been agreed and a Risk Management Framework and Service Specifications have been drafted.

Funding Arrangements

The Draft Agreement outlines that the Partnership Board should agree an equitable and proportionate funding arrangement based upon activity, demand and financial information. However, no historic activity information, by commissioning party, was available when the 2017/18 budgets were set. So it was agreed that the budget ratio would continue on the same basis as used for 2016/17.

Historic activity figures are now available for 2015/16. These should be used for setting the budget ratios for 2018/19 unless more up to date (2016/17) data is available. These figure are to be produced annually going forward.

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Works Contract Letting, St Helen's Roman Catholic School



Original Objective

To assess whether the:

- letting of the AW Hardy works contract in relation to work at St Helen's Roman Catholic School (the school) was administered fairly, without favouritism or bias, in accordance with Southend-on-Sea Borough Council (the Council's) Contract Procedure Rules
- exercise produced a contract that will ensure stakeholders' expectations / requirements are met in accordance with respective budgets.

Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented
3	3	0	1

Summary

The original audit of Work Contract Letting, St Helen's Roman Catholic School, raised a number of concerns over the Council's contract tendering process for works contracts. However, good progress had been made to improve this process since this review was completed.

The Procurement Toolkit workflows now set out that all such procurements over £25k are to be referred to the P2P Compliance and Reporting Manager or the Procurement Officer. As a back-up, the gate-keeping function on the Agresso system means that any payments that total >£25k are automatically flagged up to the Corporate Procurement Team for approval before the payment can be made.

The P2P Reporting and Compliance Manager checks to confirm that all documents are present before the contract is added to the Corporate Contract Register. In addition, training in the e-tendering process on the eProcurement system has taken place.

Further work is now required to:

- instruct staff to follow the relevant procurement workflow diagrams
- provide guidance on the retention of approval of project plans
- add AW Hardy to the Corporate Contract Register
- amend the Options Appraisal Authorisation Form to explain:
 - the normalisation process (when a tenderer can correct an already submitted tender)
 - how and when this can be applied and the evidence required to support it.

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Welfare Reform

Original Objective

To assess whether:

- the action plan from the in-depth Policy and Resources Scrutiny Committee Welfare Reform project is being implemented in line with agreed timescales
- there is evidence the required outcomes are being achieved.

Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Actions closed
0	0	0	0	2

Summary

The 'Action Plan for dealing with the impact of Welfare Reform' (the action plan) was developed in 2014 at the request of a Councillor Gilbert in response to an in depth scrutiny project to examine the impact of the Welfare Reform Act in Southend.

The action plan consists of eight pledges, with previous audit work confirming that pledges one to five had been completed. The last follow up audit in September 2016 identified that the last three pledges (numbers six to eight) were still yet to be implemented.

Discussions with the Benefits Manager, who was assigned overall responsibility for the Action Plan, confirmed that:

- these pledges relate to Public Health
- she had notified the Health Improvement Specialist Practitioner of this.

However, further discussions identified:

- a lack of ownership of the project
- limited communication between Benefits and Public Health with regard to monitoring the progress of the pledges.

As a result:

- pledges had not been assigned to individuals within Public Health
- clear timescales for completion had not been agreed
- pledges were not being measured and / or evaluated to understand whether they were successful in managing the impact of welfare reform
- management has not received updates on the progress of the action plan for over a year.

The Director of Public Health believes the pledges within the action plan require review now that the new welfare reforms have been implemented to determine their impact. It is recommended therefore that:

- the current welfare reform pledges are closed

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- a joint strategic needs assessment chapter is undertaken to establish needs going forward, and how best to support these.

Payroll

Original Objective

To assess whether the key controls in the Payroll system effectively prevent or detect material financial errors, on a timely basis, so that this information can be relied upon when producing the Council Statement of Accounts.

Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented
2	2	4	0

Summary

Current issues

Unfortunately, the Payroll team has encountered difficulties in implementing some of the previously agreed actions. This is due to system constraints with the current version of Agresso (the Payroll IT module). As a result, manual instead of automated checks have needed to be introduced in some areas which are time consuming but currently necessary.

In order to further progress the requirement to reconcile the establishment list and payroll records to ensure they are complete, accurate and timely:

- some joint work is required with the Accountancy team to establish what is needed to enable both functions to use a core data set contained within the payroll module
- additional functionality is required within the IT software.

Agresso is due to be upgraded by February 2018. It is thought this may well present new opportunities to revisit and potentially automate some more checks and balances within the process. In the meantime, new workaround actions have been agreed for R2 and R4.

A separate mini project is being set up with the respective services to explore how best to work towards maintaining and working with one, core establishment list. Going forward, Internal Audit will work with the service in an advice and support capacity, until these issues are resolved.

Themes

The self-service module for expenses and overtime is now operational and enforces an electronic segregation of duties, sending claims to the system designated line manager (or the one-up manager in cases of absence) for approval. However, there is no limit to the authority of the approver, so:

- overtime may be approved outside of the Council's Allowances Policy

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- expenses may be approved outside of the Council's Expenses Policy.

Testing of the adherence of claims to the policies was not covered as it will be part of the Payroll Self Service audit.

The managerial quality checks on the new starter and leavers forms are supported by system-produced reports, which enable the checks and findings to be well documented. It has not been possible to obtain a workable report in respect of the payroll amendment forms so a manual workaround has been introduced. As the testing records have no explanation for the volume selected or details of what has been checked, improvement in the recording of the check is required.

Adequate segregation of duties exists for processing of new starter, leaver and payroll amendment forms. Independent checks of the data input are also being undertaken.

The formula used to calculate the salary variance reports is now correct and identifies all cases where an employee's current month's pay differs by 30% or more from the previous month's pay. All such cases should be subject to review and amendment if appropriate, during the payroll cut-off period.

The salary variance report is rerun at the end of the payroll cut-off period to confirm:

- any amendments have been correctly applied
- no new cases of a 30% or more variance have occurred.

However, inconsistencies have been identified in the formula used to calculate the variance and there is no check to establish if new variances cases had occurred.

There was evidence of good communication between Finance, HR and the Agresso Support teams in respect of establishment position changes during the TUPE transfer of staff to Southend Care Ltd. However, a more formalised approach needs to be established to ensure that this communication continues in future (refer to current issues section above).

Declarations of Interest were completed by HR and Payroll staff in January 2017 and were electronically entered onto the Agresso system. These are followed up as part of employee's appraisals.

The 2017/18 annual uplift of the payroll data on Agresso was well documented and had evidence of checking before going live in March 2017.