

**Internal Audit  
Quarter 3 Internal Audit Report  
2015/16  
London Borough of Haringey**

Mazars Public Sector Internal Audit Ltd.  
December 2015

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## **Executive Summary**

### **Introduction**

This is our third quarter report to the Corporate Committee for the 2015/16 financial year including details of all reports which are now at final stage. The report provides information on those areas which have achieved full or substantial assurance and gives an indication of the direction of travel for key systems work which will provide Members with information on how risks are being managed over time. The format of this report is also designed to highlight the key risks facing individual departments and the Council which have been identified during the course of our internal audits. A more detailed summary of the limited assurance audit findings is included for information. The report draws together the summary information which is provided on a monthly basis to Members of the Corporate Committee. Members of the Committee will also be provided with full copies of our audit reports upon request.

All recommendations are agreed with Council officers, and any disputes are discussed prior to the final report being issued. All recommendations to address any control weaknesses highlighted within this report have been agreed. Officers' actions to address the recommendations, including the responsible officer and the deadline for completion, are fully detailed in the individual final audit reports.

The attached tables reflect the status of the systems at the time of the audit, and recommendations may already have been implemented by Council officers by the time the final report is issued and reported to the Corporate Committee.

As a reminder, our recommendations are prioritised according to the following categories:

- Priority 1* - major issues for the attention of senior management
- Priority 2* - other recommendations for local management action
- Priority 3* - minor matters and/or best practice recommendations

### **Key Highlights/Summary of Quarter 3 2015/16:**

#### **2015/16 Internal Audits finalised in the quarter:**

- Impulse Application Review
- Mosaic Application Review
- Major Construction Framework Advisory Report
- Court of Protection
- SAP Managed Services Contract
- S106 Community Infrastructure Levy
- Belmont Infants School

**2015/16 Internal Audits drafts issued in the quarter:**

- St Mary's Priory RC Infant & Junior School

**2014/15 Internal Audit Final Reports issued**

- DBS Checks
- Direct Payments
- Housing Transformation (Advisory)

**2014/15 Internal Audit Draft Reports issued**

- Sustainable Investment Fund

**Audit Progress and Detailed Summaries**

The following table sets out the audits finalised in Quarter 3 of 2015/16 financial year and the status of the systems at the time of the audit. It must be noted that the recommendations may already have been implemented by Council officers by the time the final report is issued and reported to the Corporate Committee.

Detailed summaries of all audits which do not receive ‘Full’ or ‘Substantial’ assurance ratings are also provided for Members’ information.

Audit Title	Date of Audit	Date of Final Report	Assurance Level	Direction of Travel	Number of Recommendations (Priority)		
					1	2	3
<b>2015/16</b>							
Impulse Application Review	Aug 15	15/10/15	Substantial	N/A	2	5	0
Mosaic Application Review	Sept 15	29/10/15	Substantial	N/A	0	3	2
Major Construction Framework (Advisory)	July 15	26/10/15	N/A	N/A	4	6	0
Court of Protection	Sept 15	23/11/15	Substantial	↔	0	2	1
S106/Community Infrastructure Levy	Sept 15	18/12/15	Substantial	N/A	1	2	0
SAP Managed Services	Sept 15	8/12/15	Substantial	N/A	0	1	2
<b>2014/15</b>							
Direct Payments	April 15	18/12/15	Limited	↔	2	3	1
Housing Transformation (Advisory)	Nov 15	18/12/15	N/A	N/A	0	1	0
DBS checks	July 15	18/12/15	Substantial	N/A	0	4	0

As part of the 2015/16 Internal Audit Plan we have visited the following schools, completed a probity audit and during Quarter 3 issued a final report.

School	Date of Audit	Date of Final Report	Assurance Level	Number of Recommendations (Priority)		
				1	2	3
Belmont Infant School	July 15	25/11/15	Substantial	0	4	2

Audit area	Scope	Status/key findings	Assurance
<b>ADULT SOCIAL SERVICES</b>			
<b>Direct Payments</b>	<p>Audit work was undertaken to cover the following areas:</p> <p>Policies, procedures and guidance;            Payments to clients and service providers;            Budget management and control; and            Monitoring and reporting.</p>	<p>Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.</p> <p>The key findings are as follows:</p> <ul style="list-style-type: none"> <li>• There is Personal Budget Support Service (PBSS) Practice and Guidance dated July 2013, which was developed to agree standards by which the Personal Budget Support Team will carry out their daily functions, in supporting service users achieve the goals set in their Support Plans, via their Personal Budgets.</li> <li>• Policies and procedures covering Personal Budgets have been developed and made available to relevant officers. There are also Terms of Reference for the Personal Budget Support Team.</li> <li>• Service users are required to sign a standard Direct Payment Agreement (developed in April 2012), which includes confirmation that they have received and understood the current policy set out in "Help With Managing Your Personal Budget April 2012" (provided to the Direct Payment clients in a summary form, the full policy being available on request).</li> <li>• The agreement recommends that the service user asks for appropriate checks to be made through the Disclosure and Barring Service (DBS) on all their prospective employees. However, where a service user chooses not to have a DBS check, or wishes to start their employee before a DBS check is approved, there is no duty under current government guidance to insist on DBS checks being undertaken. As part of the assessment process, Social Workers, Care Managers and Personal Budget Support Team Officers can take a view, and have input into the recommendation, for a resident's appropriateness to manage a Direct Payment.</li> <li>• Although sections 5.3 and 5.4 of the "Help with Managing Your Personal Budget – Personal Budget Audit Policy, April 2012" stipulates that any surplus funds above a specified sum can be recovered by the Council, there is no defined statutory provisions and methods which should be followed by the Personal Budget</li> </ul>	<b>Limited</b>

Audit area	Scope	Status/key findings	Assurance
		<p>Support Team for recovering such excess balances.</p> <ul style="list-style-type: none"> <li>• Whilst it was found that policies and procedures have not been reviewed recently, we have been informed by management that these are expected to be reviewed by 31 March 2016, as part of the Council’s aim to ensure these are consistent with the requirements of the Care Act 2014. We have been advised that there will be a new suite of internal procedures (including staff manual) to guide the implementation of the Care Act to ensure compliance with Part 1 of the Act when it becomes effective on 1 April 2015. Management have also informed us that Adult Services have secured the appointment of a Policy Officer, in light of the required amendments to all policies and procedures that will arise from the implementation of the new legislation.</li> <li>• Personal Budget procedures require at least an annual review to be completed for all service users. The annual review dates are set within Mosaic (Framework-i). When the review date becomes due, a notification is sent into the Personal Budget Support Team’s Incoming Work folder.</li> <li>• The annual reviews had been done by Social Workers until July 2011, after which the responsibility was taken over by the Personal Budget Support Service. An external company were contracted by Adult Social Services in 2012 to complete reconciliations across Direct Payment service users (Adults only). We obtained evidence of the monthly reconciliations completed for between July and October 2012. From 2013, the reviews have been completed by the Personal Budget Support Officers (PBSOs).</li> <li>• Although a report is produced which identifies variances between the SSAQ/Indicative Budgets and the Purchase Orders, there is no documentary evidence that monitoring takes place and that the discrepancies are supported by valid reasons. Under the Care Act, the RAS requirements have been removed. Instead, we are informed that all funding decisions will now be made by the Adult Social Care Funding Panels. Further, the new Practice Manager, Assessment &amp; Personalisation will carry out random case file audits, including DP clients. As such no formal recommendation</li> </ul>	



Audit area	Scope	Status/key findings	Assurance
		<p>has been raised.</p> <ul style="list-style-type: none"> <li>• The remit for the PBSOs completing the annual reviews include checking the service users’ bank statements and ensuring that payments are appropriate and are consistent with the Support Plan. Where concerns are identified, the PBSOs report these to their line managers. However, the results of the reviews are not formally documented and as a result, there is a lack of transparency regarding successful completion of the checks and the outcome.</li> <li>• We sampled 10 service users and found that an annual review was not always completed when due.</li> <li>• Financial and Material Abuse training (Safeguarding) is mandatory for all staff including PBSO’s.</li> <li>• For one of the service users sampled, unspent funds of £15,075 were identified in July 2012 by Care in Finance as part of their reconciliation of service users’ Direct Payments. Our audit testing confirmed that a letter dated 30 July 2012 was sent by the Council to the service user informing them of the outcome of the review and the recovery by the Council of the unspent funds from their monthly Direct Payments. We were advised by management that the recovery of these funds was completed by adding a service element, ‘SDS Direct Payments-Recovery of unspent balances’ into Mosaic which effectively suspended payment via Mosaic and SAP until the balance in the Resident’s account was down to an agreed level of eight weeks funding. The letter sent to the Resident was an explanation of how Haringey proposed to recover the unspent funds as the task was completed automatically. Where unspent balances are identified, payments to that client are temporarily suspended until the balance is recovered within a threshold of 8 weeks.</li> <li>• The Direct Payments budget is monitored monthly as part of the overall Care Purchasing Projections. Monitoring focuses on monthly variations.</li> </ul> <p>As a result of our audit work we have raised two Priority 1, three Priority 2 recommendations, and one Priority 3 recommendation</p>	

Audit area	Scope	Status/key findings	Assurance
		<p>which should assist in improving the control environment.</p> <p>The Priority 1 recommendations are as follows:</p> <p>An effective monitoring process, to be developed by management, should be implemented to ensure that an annual review is completed in a timely manner for all service users (or earlier, where there are specific concerns). This process can involve regular checks on Mosaic by a manager who is independent of the service.</p> <p>Furthermore, a formal reminder should be communicated to the Personal Budget Support Team and all relevant officers reinforcing the requirement for completion of an annual review.</p> <p><b>Management Response:</b></p> <p>Agreed. Improvements have been instigated around adherence to reviews. This has included the rationalisation of the Mosaic workflow to limit the review folder to a single area. The contracting of an independent reviewing team to meet the current volume of reviews being generated has improved the percentage of reviews completed within timescales. This has provided a clearer picture of requirements and an increased strategic thinking around review completion.</p> <p><b>Deadline: 31 March 2016</b></p> <p>Management should develop a detailed brief for the benefit of the officers undertaking annual reviews of service users, explaining their responsibilities with regard to confirming the delivery of the service outcome and in particular, completion of the financial checks. The process should involve requesting bank statements and all supporting documentation and should be included within the Service's procedures.</p> <p>It is also recommended that a checklist is developed for completion by officers undertaking the review to confirm that all checks have been completed and to confirm the bank balance, which will assist with the identification of any unused funds that need to be recovered.</p> <p><b>Management Response:</b></p>	

Audit area	Scope	Status/key findings	Assurance
		<p>Agreed. However, this element would require significant increase in resources. The description portrays the review as a process in monitoring and accountability, whereas the purpose, as set out in the Personalisation Agenda and the Care Act, is for light touch reviewing to ensure that funds are sufficient to meet outcome requirements. Should we wish to review and essentially reconcile all 700 DP clients on an annual basis, in addition to pushing for the further increase in DP uptake, then dedicated practitioners/officers would need to be brought into the service to undertake this function. It would also need to be accepted that the review function would be slowed down and that Performance Indicators would then suffer without an increase in resources to manage this.</p> <p>Deadline: 31 March 2016</p>	

**Statement of Responsibility**

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by us should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Our procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our work and to ensure the authenticity of such material. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

**Mazars Public Sector Internal Audit Limited****London****December 2015**

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