

# ARGYLL & BUTE COUNCIL

## Internal Audit Section

### INTERNAL AUDIT REPORT

CUSTOMER DEPARTMENT	CHIEF EXECUTIVES SERVICES
AUDIT DESCRIPTION	RISK BASED AUDIT
AUDIT TITLE	DIRECT PAYMENTS
AUDIT DATE	NOVEMBER 2014

2014/2015



## **1. BACKGROUND**

This report has been prepared as a result of the Internal Audit review of Direct Payments within Chief Executives as part of the 2014/2015 Internal Audit programme.

A direct payment is made where clients have been assessed as requiring community care or children's services. Local authorities must offer a direct payment as an alternative to arranging services. Clients must use direct payments to arrange services that meet their assessed needs. Monies should be expended as per formal agreements and monitoring processes should be in place to ensure compliance with agreements.

## **2. AUDIT SCOPE AND OBJECTIVES**

The audit was limited to reviewing the following controls:

- Procedural and communication protocols are in place between Community Services -Adult Services and Strategic Finance - Income Maximisation sections which allow:
  - 1) Preparation of individual contracts: There is a formal agreement in place between the Council and individual setting out the terms and conditions of Direct payments.
  - 2) Payments to be made: Including arrangements in place for any emergency payments and arrangements for reclaiming money from individuals including actions and follow up taken when individuals mis-manage their money.
  - 3) Monitoring and Reporting: Including Budgeting, Reporting and Contract monitoring.
- Roles and responsibilities are clearly defined in respect of Service staff and Income Maximisation staff.

## **3. RISKS IDENTIFIED**

- Failure to comply with Statutory and Legislative requirements.
- Failure to have robust Internal controls
- Inefficient use of scarce resource

#### 4. AUDIT OPINION

The level of assurance given for this report is substantial.

Level of Assurance	Reason for the level of Assurance given
<b>High</b>	Internal Control, Governance and the Management of Risk are at a high standard with only marginal elements of residual risk, which are either being accepted or dealt with.
<b>Substantial</b>	Internal Control, Governance and the Management of Risk have displayed a mixture of little residual risk, but other elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
<b>Limited</b>	Internal Control, Governance and the Management of Risk are displaying a general trend of unacceptable residual risk and weaknesses must be addressed within a reasonable timescale, with management allocating appropriate resource to the issues.
<b>Very Limited</b>	Internal Control, Governance and the Management of Risk are displaying key weaknesses and extensive residual risk above an acceptable level which must be addressed urgently, with management allocating appropriate resource to the issues.

This framework for internal audit ratings has been developed and agreed with Council management for prioritising internal audit findings according to their relative significance depending on their impact to the process. The individual internal audit findings contained in this report have been discussed and rated with management.

A system of grading audit findings, which have resulted in an action, has been adopted in order that the significance of the findings can be ascertained. Each finding is classified as High, Medium or Low. The definitions of each classification are set out below:-

**High** - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;

**Medium** - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;

**Low** - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

## 5. FINDINGS

The following findings were generated by the audit:

### Preparation of individual contracts

- 5.1 There is a formal agreement in place between the Council and the individual in receipt of the Direct Payment which is signed by the Head of Service and by the client. The terms and conditions of the Direct Payment are set out in a separate document which is issued to the client. Clients do not sign to confirm that they have read and agree to adhere to the terms and conditions of the Direct Payment.

### Payments to be made

- 5.2 There are written procedures in place for Strategic Finance staff to follow in terms of making Direct Payments. It was evidenced that satisfactory internal control processes exist.
- 5.3 Where emergency payments are required appropriate controls and procedures are in place.
- 5.4 Arrangements for reclaiming monies are considered robust in terms of the responsibilities held by Finance (Income Maximisation). A review of client files showed that where a surplus of Direct Payment was identified appropriate procedures are in place to recover monies. It was evidenced that these procedures have been followed and monies repaid.

### Monitoring

- 5.5 The 2009 CIPFA guidance on Self Directed Support stipulates that financial evidence (bank statements, supporting invoices and receipts as a minimum) should be provided for monitoring purposes to provide assurance that the outcomes detailed in the care plan are being achieved and that there is no mis-management of monies. It was evidenced that Strategic Finance provide Social work (Adult Care) staff with details of cases where financial evidence has not been submitted or is incomplete.
- 5.6 It was evidenced that adequate monitoring arrangements are in place within Strategic Finance however it was not evidenced that Social Work (Adult Care) are actively following up Strategic Finance requests to ensure that clients complete and return Financial Statements of Expenditure.

## Roles and Responsibilities

- 5.7 Roles and responsibilities are clearly identified in respect of Strategic Finance requirements. It was not evidenced that roles and responsibilities are clearly defined in terms of Social Work (Adult Care) requirements.

## Budget and Reporting

- 5.8 Budget arrangements are appropriate to the nature of the service and it was evidenced that robust monitoring and reporting is in place.

## **6. CONCLUSION**

This audit has provided a substantial level of assurance. There are 3 recommendations for improvement identified as part of the audit set out in Appendix 1. These are all medium recommendations which will be reported to the Audit Committee. Appendix 1 sets out the action management have agreed to take as a result of the recommendations, the persons responsible for the action and the target date for completion of the action. Progress with implementation of actions will be monitored by Internal Audit and reported to management and the Audit Committee.

**APPENDIX 1 ACTION PLAN**

Findings	Risk Impact	Rating	Agreed Action	Responsible person agreed implementation date
<b>1. Terms and Conditions</b>		<b>High/ Medium or Low</b>		
The terms and conditions of the Direct Payment are not signed by the client.	Failure to have robust information and monitoring protocols.	Medium	Contract currently being revised and will include the requirement for the client to sign that they have read and will comply with the terms and conditions of the Direct Payment.	Head of Adult Care  April 2015
<b>2. Follow-Up</b>		<b>High/ Medium or Low</b>		
It was not evidenced that Social Work (Adult Care) staff are actively following up Financial evidence requests.	Failure to have robust information and monitoring protocols.	Medium	Assessment and Care Planning Procedures document to be updated to include roles and responsibilities for Self Directed Support of which Direct Payment is an element.	Head of Adult Care  April 2015

3. Roles and Responsibilities		High/ Medium or Low		
<p>It was not evidenced that roles and responsibilities were clearly defined in terms of Social Work (Adult Care) requirements in relation to follow up/monitoring of Direct Payments.</p>	<p>Failure to clearly define roles and responsibilities and ensure appropriate management / monitoring of resources.</p>	<p>Medium</p>	<p>Assessment and Care Planning Procedures document to be updated to include roles and responsibilities for Self Directed Support of which Direct Payment is an element.</p>	<p>Head of Adult Care April 2015</p>

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