

The Highland Council

Audit and Scrutiny Committee – 18th June 2015

Agenda Item	3
Report No	AS/7/15

Internal Audit Reviews and Progress Report – 16/03/2015 to 09/06/2015

Report by the Head of Audit & Risk Management

Summary

This report provides details of the final reports issued since the previous meeting of this Committee; work in progress and other information relevant to the operation of the Internal Audit Section.

1. Final Reports

1.1 There have been six final reports issued in this period as referred to in the table below:

SERVICE	SUBJECT	OPINION
Care & Learning	Mental Health Officer Service	Limited
Care & Learning	Community Payback Orders – Administration of Unpaid Work Orders	Reasonable
Corporate Development	Workforce Planning Arrangements	Substantial
Finance	Scottish Welfare Fund Payments	Reasonable
Finance/ Community Services	Housing Revenue Account – Reconciliation Investigation	No Assurance
Finance/ Corporate Development	Corporate Arrears Recovery System - Project Governance (Members only report)	Limited

Each report contains an audit opinion based upon the work performed in respect of the subject under review. The five audit opinions are set out as follows:

- (i) **Full Assurance:** There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
- (ii) **Substantial Assurance:** While there is a generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
- (iii) **Reasonable Assurance:** Whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
- (iv) **Limited Assurance:** Weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the

system objectives at risk.

- (v) **No Assurance:** Control is generally weak, leaving the system open to significant error or abuse, and/ or significant non-compliance with basic controls leaves the system open to error or abuse.

2. Other Work

2.1 In addition to the reports referred to in the table at section 1.1 above, the Section has been involved in a variety of other work which is summarised below:

(i) Irregularity/ Fraud Investigations

The Section has been involved in the following irregularity/ fraud investigations:

- Income due to the Council but not banked.
- School Fund/ Devolved School Management anomalies
- School Fund anomalies.

Some of the above investigations are ongoing. Where appropriate, once any disciplinary action has been considered and addressed, any control weaknesses identified from the audit investigation will be reported to the next available Audit & Scrutiny Committee meeting.

(ii) Work for other organisations, Boards or Committees

Work has been undertaken on behalf of the Valuation Joint Board, HiTrans and the Pensions Committee in accordance with the Audit Plan.

(iii) Advice, Assurance and Other Work

Work has been undertaken in respect of the following:

- Action tracking of outstanding audit actions.
- Attending the Project Board for the new Financial Management Information System as a member of the Board.
- Attending the Information Management Governance Board as the representative from the Finance Service.

(iv) Scrutiny Working Group

Since the previous meeting in March, the Scrutiny Working Group met on 5th May 2015 to take forward a review of the Council's performance in managing sickness absence. The final meeting of the Group which will discuss and agree the key findings arising from the review has been arranged for 18th June 2015. It is anticipated that the final report will be presented to the Audit & Scrutiny Committee on 30th September 2015.

3. Staffing Resources, Vacancies and Training

3.1 The team is fully resourced and is operating with a complement of ten staff.

4. Progress Against the 2015/16 Plan

- 4.1 Audit work since the previous meeting has largely focussed on completing the audit reviews brought forward from 2014/15 and undertaking work on the Council's main financial systems to support the Statement on Internal Control which is provided as a separate agenda item. In respect of the latter, and as reported in their Annual Audit Plan for 2014/15, Audit Scotland intends to place formal reliance on the work of Internal Audit to support their audit opinion on the financial statements.

The audit reviews that are in progress and which will be the subject of a future report to this Committee are shown in the table at appendix 1.

5. Compliance with the Public Sector Internal Audit Standards (PSIAS)

- 5.1 Agenda item 5 provides a detailed assessment of the progress in implementing the Public Sector Internal Audit Standards. The Section is now 97% compliant.

6. Performance

- 6.1 As part of the development of the Quality Assurance & Improvement Programme which was approved by this Committee on 20th November 2014, a set of performance indicators was established in order to measure the performance of Internal Audit and also the performance of Services in responding to the work of Internal Audit. Annual performance information is reported through the annual report which is provided each June to this Committee (see agenda item 4). In addition, quarterly performance information is reported to each meeting of this Committee. In this respect, performance information in respect of quarter 4 is provided below:

Quarter 4 performance – reports issued January to March 2015

Category	Performance Indicator	Target	Actual Q3	Actual Q4
Quality				
Client Feedback	1. % satisfaction from individual audit engagements expressed through Client Audit Questionnaires	90	91	91
	2. % of Client Audit Questionnaires returned	70	92	57
Business Processes				
Timeliness of Final Report	3. % of draft reports responded to by client within 20 days of issue	85	44	67
	4. % of final reports issued within 10 days of receipt of management response	90	100	83

Six audit reports were issued in the above period and commentary on the above is provided as follows:

1. The level of satisfaction as to the quality of work performed continues to be high and in accordance with the target.
2. The number of questionnaires returned was disappointing in comparison with the previous quarter. However, it has been recognised that the questionnaire is dated and it will therefore be amended which should provide for a higher

- and more consistent level of return.
3. The timeliness of response from Services has improved since the previous quarter but the performance is still considerably below the target time. A reminder will be issued to all Directors with a view to improving performance.
 4. One final report was not issued within the 10 day target.

7. Implications

- 7.1 Resource implications are referred to within this report.
- 7.2 There are no Legal; Equalities; Climate Change/Carbon Clever; Risk, Gaelic and Rural implications as a direct result of this report.

Recommendation

Members are invited to consider the Final Reports referred to in Section 1.1 above and note the current work of the Internal Audit Section.

Designation: Head of Audit & Risk Management

Date: 10th June 2015

Author: Nigel Rose, Head of Audit & Risk Management

Internal Audit – Planned Work in Progress

SERVICE	SUBJECT	PROGRESS
Care & Learning	School lets arrangements	Draft report issued
	Integrating care for the Highlands	Draft report in progress
	Financial procedures in schools	Draft report in progress
	Self-Directed Support	Fieldwork in progress
	Managing school rolls	Fieldwork completed
	Information security in schools	Fieldwork completed
	SEEMIS system	Fieldwork completed
	Records management	Draft report issued
Chief Executive's	Inverness City Arts Group – governance arrangements	Draft report in progress
Community Services	Harbours – fuel income procedures	Draft report in progress
	Management of Housing voids	Draft report in progress
	Administration of fuel	Draft report in progress
Corporate Development	Corporate control of overtime	Draft report in progress
	Verification of performance indicators (2013/14)	Draft report in progress
	Community Challenge Fund – governance arrangements	Fieldwork in progress
Development & Infrastructure	Asset management	Draft report in progress
	Corporate Property Asset Management System (CPAM)	Fieldwork in progress
	Capital contracts – Ben Wyvis Primary School	Draft report in progress
Finance	Payroll administration	Fieldwork in progress
	Income systems	Fieldwork in progress
	Council tax – billing and collection	Fieldwork completed
	Non domestic rates – billing and collection	Draft report in progress
	Housing benefit payments 2014/15	Fieldwork completed
	Procurement – review of taxi and private hire inspections contract	Draft report issued
	Online payments	Fieldwork in progress
	Matters arising from the Statement on Internal Control 2014/15	Fieldwork in progress

CONFIDENTIAL

**INTERNAL AUDIT
FINAL REPORT**

CARE AND LEARNING SERVICE

MENTAL HEALTH OFFICER SERVICE

AUTHOR

Yvonne Holmes
Internal Audit
Finance Service

DISTRIBUTION

Director of Care and Learning
Head of Adult Services, Care and Learning Service
Principal Mental Health Officer, Care and Learning Service
Audit Scotland

REF: HAC05/001

DRAFT DATE: 23/04/15
REDRAFT DATE: 22/05/15
FINAL DATE: 10/05/15

Contents

1.	INTRODUCTION	1
2.	REVIEW OBJECTIVES	1
3.	SCOPE, METHOD AND COVERAGE	2
4.	MAIN FINDINGS	2
5.	CONCLUSION	4
6.	AUDIT OPINION	5
7.	ACTION PLAN.....	6

1. INTRODUCTION

Highland Council's Mental Health Officer (MHO) Service came into effect in April 2012 following the Highland Council (HC) and NHS Highland's (NHS) integration of Health and Social Care Services on 1st April 2012. Whilst all other elements of adult community care transferred over to NHS Highland as part of this agreement, MHOs are required to be employed by the local authority in order to ensure a clear separation of employment from the health service. Consequently the MHO Service was developed within HC as a standalone service (previously a role conducted by a number of generic Social Workers with the MHO qualification along with their other duties).

The newly structured MHO Service was designed to deliver a significantly improved service to the public and to other agencies and professionals. Allowance was made for the pattern of demand between August 2010 and July 2011, including waiting lists under Adults with Incapacity (Scotland) Act 2000, with an added estimate for growth.

Registered social workers with a minimum of 2 years post-qualifying experience are eligible to undertake MHO training, and are formally appointed by the Chief Social Worker (the Director of Care and Learning) as MHOs, once they have successfully completed a specialist year-long master's level course.

Section 32(1) of the Mental Health (Care & Treatment) (Scotland) Act 2003 requires a local authority to appoint a sufficient number of persons to discharge the functions of MHOs under the Act, the Criminal Procedure (Scotland) Act 1995 and the Adults with Incapacity (Scotland) Act 2000.

The MHO role includes consenting to detentions in hospital and making applications for Compulsory Treatment Orders (CTO) under the Mental Health (Care and Treatment) (Scotland) Act 2003; and completing reports for Guardianship applications under the Adults with Incapacity (Scotland) Act 2000. MHOs also perform duties under the Criminal Procedure (Scotland) Act 1995, which includes reporting to the Sheriff Court on mentally disordered offenders who are subject to criminal justice processes, supervising them and providing support (forensic MHO work).

The MHO Service is led by the Principal MHO and is split into 3 main areas; North & West (Team Manager and 7 MHOs), Mid & South (Team Manager and 8 MHOs) and the Forensic MHO Team (Senior Practitioner and 2 MHOs). The North & West and Mid & South Teams will be referred to as the generic MHO Service. There are also a further 2 Senior Practitioners (Older Adults and Learning Disability) and an Administrative Assistant (level 2) within the Service. The Service has an annual budget of £1.016m for 2014/15.

The audit was undertaken as part of the 2014/15 annual audit plan.

2. REVIEW OBJECTIVES

The objectives of the review were to ensure that:

- (i) There is an adequate control framework in place to ensure that MHOs fulfil their statutory duties.
- (ii) National Standards for MHO Services are complied with or, where areas of non-compliance have been identified, there is an action plan in place to address these areas.
- (iii) There are appropriate processes and procedures in place, along with adequate IT support systems, to allow for the effective administration of the MHO Service.

- (iv) There are appropriate arrangements in place for the monitoring and control of the MHO Service budget.

3. SCOPE, METHOD AND COVERAGE

The audit examined the control framework in place to ensure that MHO's fulfil their statutory duties in accordance with the Mental Health (Care and Treatment) (Scotland) Act 2003, the Adults with Incapacity (Scotland) Act 2000 and the Criminal Procedure (Scotland) Act 1995. The audit also assessed compliance with the 'National Standards for Mental Health Officer Services'¹ and looked at arrangements for administering the MHO Service and monitoring of the budget.

4. MAIN FINDINGS

The main findings of the review, referenced to the above review objectives, are as follows:

- (i) This objective was partially achieved. There is an MHO duty rota in place to ensure that an MHO is available to respond to all urgent consultation requests. In the cases reviewed, all referrals were assigned to an MHO and a 'Network relationship' had been created on the CareFirst management system which is used to record all case information.

There was evidence that cases had been regularly monitored by line managers at the time of case allocation, weekly team meetings and monthly supervision meetings. Section 16 of the CareFirst for Community Care user guide states that "*Team, District and Area Managers should use CareFirst to record each time they review a case as part of the supervision process*". However, monthly supervision case reviews had not been recorded on CareFirst for any of the cases sampled.

For the cases sampled, all statutory reports had been submitted within legally prescribed time limits apart from in 2 cases where a Social Circumstance Report (SCR) had not been prepared. Out of the 14 relevant cases sampled, an SCR was produced in 12 cases, a return rate of 86%, which is significantly higher than the Scottish average of 38%, reported by the Mental Welfare Commission in October 2014².

Due to the increase in demand on the service there is currently a waiting list for MHO allocation in respect of Sec.57 (4) Adults with Incapacity (Scotland) Act 2000. The legislation states that "*Where an applicant claims an interest in the personal welfare of the adult and is not the local authority, he shall give notice to the chief social work officer of his intention to make an application under this section and that the required report shall be prepared by the chief social worker of, as the case may be, the mental health officer, within 21 days of the date of the notice*". At the time of the audit there were 32 cases on the waiting list (all within the Mid & South area) with the oldest dating back to 2012.

- (ii) This objective was not achieved. An assessment against the standards shows that the MHO Service's compliance is as follows:
- fully comply with 71/76 (93%) of the applicable criteria;
 - partially comply with 2 (3%);
 - do not comply with 3 (4%) of the criteria.

¹ [National Standards for Mental Health Officer Services](#) published by the Scottish Government in April 2004

² [Mental Health Act monitoring 2013/14](#) published by the Mental Welfare Commission in October 2014

Some of the areas of non-compliance are being addressed but there is no clear action plan in place to ensure full compliance with the National Standards.

- (iii) This objective was partially achieved. Although there is a general CareFirst user guide (*CareFirst for Community Care*), there are no documented procedures for the recording of MHO referrals or the monitoring of caseloads and adherence to statutory deadlines. There are also no procedures in place for the tasks carried out by the Administrative Assistant.

Case information had not been recorded on CareFirst in a consistent manner by MHOs for the 24 cases reviewed:

- An activity had been set up for the initial assessment by the Forensic MHO Team only.
- The Legal Status had not been updated accurately in 3 of the cases sampled and in 1 instance the reassignment of the case from one MHO to another had not been recorded.
- Regular observations were recorded for each case but contained varying levels of detail.
- One MHO made very little use of CareFirst and therefore the case information was out of date and could not be selected as part of the sample.
- According to Section 5 of the CareFirst for Community Care user guide, *"all new enquiries and contacts should be recorded and set up as an 'Initial Contact' on CareFirst"*. This had only been done in 12 out of the 24 cases sampled.

The 'Activity' functionality on CareFirst could be used to assist the MHO Service with monitoring adherence to statutory deadlines. An activity can be set up in CareFirst whereby a 'required by date' can be entered which would then flag up a reminder on the MHOs CareFirst desktop when an action is due. At the moment not all of the necessary fields are available in CareFirst to allow this to be used for all MHO cases but the required changes have been documented and agreement is currently being sought from NHS Highland. However, there was a lack of awareness within the MHO service as to how information could be extracted from CareFirst to allow for the monitoring of these deadlines.

Due to the issues identified with the use of CareFirst, current processes for the recording of referrals and the monitoring of adherence to statutory deadlines are manual. The Administrative Assistant currently maintains a spreadsheet which lists all of the referrals to the generic MHO Service for the current financial year. This information is used by Team Managers to allocate referrals to MHOs, provide statistical information on volume of referrals by category and to monitor adherence to statutory deadlines. Separate spreadsheets are also maintained relating to the management of private and local authority Guardianship Orders. The maintenance of these spreadsheets can be time consuming for the Administrative Assistant and efficiencies could be achieved through better use of CareFirst.

There is currently one administrative post (level 2) within the MHO Service. The Administrative Assistant is the only member of staff who knows how to carry out many of the manual processes mentioned above and, with no documented procedures, this means that the MHO Service would be vulnerable if she were to be absent for any length of time. Also, the

referrals spreadsheet is saved on the Administrative Assistant's own drive which could lead to access issues in her absence.

There is an inconsistent level of administrative support provided across the 3 main areas of the Service which means that some MHOs are reliant upon the support provided by NHS Highland staff.

- (iv) This objective was partially achieved. Budget reports and payroll reports are sent to budget holders on a monthly basis by the Service Finance Team. The budget reports contain information on expenditure by cost centre and subjective and on variances between actual and budgeted expenditure, along with a detailed list of transactions for each cost centre. The reports are checked by budget holders and potential overspends are highlighted to the Head of Adult Services and the Service Finance Team would be informed of any miscoded items.

However, expenditure relating to the use of a locum MHO had not been properly budgeted for. The MHO Service budget was overspent by £97,169 in 2013/14, £66,587 of which related to subjective AD1001 (Temporary Agency Workers). This expenditure was for the use of a locum MHO in the North area to cover long term sickness. Although this arrangement is ongoing, no allowance has been made for this subjective in the 2014/15 budget.

Since the creation of the Care and Learning Directorate in May 2014, the Health and Social Care and the Education, Culture and Sport budgets have been combined and presented to Committee as the collective Care and Learning budget. The MHO Service budget is no longer listed as a separate heading within this budget but is included under the heading 'Services for Vulnerable Adults'. Therefore, although revenue monitoring reports are presented to the relevant Committee, the MHO budget is not clearly visible to members for scrutiny.

5. CONCLUSION

The MHO Service fulfils its statutory obligations under the Mental Health (Care & Treatment) (Scotland) Act 2003 by ensuring that there is an MHO available to respond to all consultation requests and subsequently assigning each referral to a designated MHO. All statutory reports are returned within prescribed time limits and the rate of return for SCR's in the Highland area is significantly higher than the Scottish average.

However, the MHO Service does not currently fulfil its statutory obligations under Sec.57 (4) Adults with Incapacity (Scotland) Act 2000.

The systems for the recording and monitoring of the work carried out by the MHO Service are manual and do not fully utilise the CareFirst system. This could be further improved by making changes to CareFirst so it can be fully utilised by the MHOs. A lack of documented procedures has also led to inconsistencies in the use of the system. The current arrangements are reliant upon manual systems operated by the Administrative Assistant and there are no formal arrangements in place to provide cover in her absence.

Further demands will be placed on the MHO Service in the future. Forthcoming changes to Mental Health legislation, an ageing workforce and a lack of staff undertaking the MHO training are likely to significantly increase demands on MHO time and capacity. It is therefore more important than ever that the MHO Service has adequate resources and robust systems and procedures in place in order to face the challenges ahead.

There are a total of 5 recommendations in this report; 2 are classified high, 1 as medium and 2 as low priority grades. The recommendations have been accepted by management, with resultant agreed actions due to be implemented by the end of December 2015.

6. AUDIT OPINION

The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Limited Assurance** can be given in that weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the system objectives at risk. The levels of assurance and their definitions can be found at Appendix 1.

7. ACTION PLAN

The Action Plan contains 5 recommendations as follows:

Description	Priority	Number
Major issues that managers need to address as a matter of urgency.	High	2
Important issues that managers should address and will benefit the Organisation if implemented.	Medium	1
Minor issues that are not critical but managers should address.	Low	2
Total recommendations		5

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
7.1	Low	Although there was evidence that regular monitoring had taken place for the cases sampled, monthly supervision was not recorded on CareFirst.	All monthly supervision reviews should be recorded on CareFirst as per Section 16 of the CareFirst for Community Care procedural document.	Supervision reviews to be recorded on Carefirst as per Section 16. Training issues to be addressed to ensure compliance. Traditional recording of supervision cannot be jettisoned but can be duplicated on Carefirst; and this will require additional time in session.	Principal MHO, Team managers and Senior Practitioners (if applicable)	Immediate
7.2	High	There is currently a waiting list of 32 referrals (with the oldest dating back to 2012) for MHO allocation in respect of Sec.57 (4) Adults with Incapacity (Scotland) Act 2000. Therefore the MHO Service is unable to meet the statutory deadlines as stipulated in the legislation where it states that the required report must be prepared by an MHO within 21 days of the referral.	A report should be prepared and presented to Senior Management on this matter and should include: <ul style="list-style-type: none"> An assessment of the implications of non-compliance with this statutory requirement and the associated risks to the Council An action plan detailing what would be required in order to clear the current waiting list and prevent a similar situation occurring in the future. 	A report will be prepared and presented as recommended. An action plan will also be prepared detailing the actions taken to address the waiting list, from which cases are currently allocated on a priority basis; and any proposals to address the outstanding concerns; both presently and in the future and any related factors affecting such proposals.	Principal MHO, Team managers and Senior Practitioners	30/09/15

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
7.3	Medium	The audit assessed compliance with the National Standards which showed 93% full compliance. For the remaining standards, 2 are partially met (1.9 & 7.2) and 3 are not met (4.6, 6.1 & 7.10). There is no clear plan to identify how the areas of non-compliance will be addressed.	A formal action plan should be drawn up to address the areas of partial or non-compliance with the Standards. Timescales for proposed actions should be specified.	A formal action plan has been drawn up which addresses all areas of partial and non-compliance with the Standards. Progress will be monitored and reviewed at regular MHO management meetings.	Principal MHO	Completed
7.4	High	<p>The CareFirst user guidance does not cover all procedures in relation to the MHO Service. As a result, there are inconsistencies in how information is recorded on the system.</p> <p>In addition, there are a number of manual systems in place which are operated by the Administrative Assistant rather than making effective use of the CareFirst system to monitor adherence to statutory guidelines and using the reporting tools. There is scope to further enhance this by implementing a number of system changes to assist the MHO service.</p> <p>Furthermore, the processes undertaken by the Administrative Assistant are not documented and the information produced is not held on a shared drive which could affect the continuity of operations if this officer is absent.</p> <p>The administrative support across the service is inconsistent.</p>	<p>(1) A procedure document should be prepared covering all aspects of MHO referral and case recording and monitoring. See North Ayrshire Council Practice Guide for Mental Health Officer Services for an example of good practice. This procedure should be stored in a central location and made available to all staff with training provided if necessary.</p> <p>(2) The required changes to CareFirst should be made as a matter of urgency to ensure that the system meets the needs of the MHO service. These changes should be reflected in any procedures produced.</p>	<p>Highland Procedure Document to be developed based on the existing North Ayrshire Council Practice Guide for Mental Health Officer Services.</p> <p>Changes to Carefirst will require to be made and the development of new procedure will facilitate this.</p>	Principal MHO	31/12/15

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
7.4 (cont'd)			<p>(3) The procedures at (1) above should also include documenting the processes undertaken by the Administrative Assistant and ensuring that all information is held on a shared drive where it can be accessed by the necessary officers.</p> <p>(4) A review of the current level of administrative support should be carried out in order to assess whether this is satisfactory and whether there are suitable arrangements to provide cover in the absence of the Administrative Assistant.</p>	<p>As above.</p> <p>Previous review jointly undertaken by Business Support and MHO Service. Revisit findings from this and provide updated report to the Head of Adult Services.</p>		
7.5	Low	<p>The 2013/14 MHO service budget was overspent, mainly due to the employment of a locum MHO to cover sickness absence. This arrangement has continued into 2014/15 but no budget allowance has been made. The current overspend for this year is £72k.</p> <p>This overspend cannot be clearly identified in the reporting to Committee as the MHO service budget is now included under the grouped budget heading 'Services for Vulnerable Adults'.</p>	<p>(1) This area of expenditure should be properly budgeted for if the use of agency staff is to continue on a long term basis.</p> <p>(2) The 'Services for Vulnerable Adults' budget heading within the Care and Learning revenue budget should be broken down to reflect the individual budget headings contained within it, including the MHO Service budget.</p>	<p>Action as per recommendation</p> <p>This has been discussed with the Service Finance Manager. The MHO budget appears within the Adult Services Monitoring Statement which is considered appropriate for internal monitoring purposes.</p>	<p>Head of Adult Services and Service Finance Manager (Care and Learning)</p> <p>N/A</p>	<p>30/12/15</p> <p>N/A</p>

Internal Audit Opinion

Level	Definition
Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
Substantial Assurance	While there is generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Reasonable Assurance	Whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
Limited Assurance	Weaknesses in the system of controls are such as to put the system objectives at risk, and/ or the level of non-compliance puts the system objectives at risk.
No Assurance	Control is generally weak, leaving the system open to significant error or abuse, and/ or significant non-compliance with basic controls leaves the system open to error or abuse.

AUDIT REPORT SUMMARY

Report Title

Care & Learning Service: Community Payback Orders – Administration of Unpaid Work Orders

Report No.	Type of Audit	Issue Date	
HAC04/001	Systems	Draft Report	27/03/15
		Final Report	10/06/15

1. Introduction

- 1.1 This audit was undertaken as part of the 2014/15 Audit Plan and reviewed the administration of unpaid work orders.
- 1.2 The Scottish Government introduced Community Payback Orders (CPO) to replace community service orders, probation orders and supervised attendance orders, for offences committed on or after 1 February 2011. The CPO enables courts to impose one or more of a range of requirements on the offender. There are nine main requirements, of which unpaid work or other activities are the most commonly used requirement.
- 1.3 The Community Payback Orders are managed and delivered by the Criminal Justice service, part of the Care and Learning Service. Within Highland Council there are six offices where unpaid work or other activities are organised and take place; Inverness, Golspie, Alness, Wick, Portree and Fort William.
- 1.4 The Community Payback Orders are administered using the National Outcome and Standards for Social Work Services in the Criminal Justice System, Community Payback Orders Practice Guidance 2010 and National Outcome and Standards for Social Work Services in the Criminal Justice System Guidance.

2. Review Objectives

The objectives of the review were to ensure that:

- 2.1 There is an adequate framework for the administration of unpaid work orders.
- 2.2 Appropriate controls are in place to ensure that the hours worked by Offenders are accurately recorded and monitored.
- 2.3 There are appropriate controls over the ordering, payment and use of materials and equipment for rechargeable works. These can be clearly identified in order that the associated costs can be correctly and promptly invoiced to the relevant customer.
- 2.4 Staff are aware of the rules surrounding the appropriate use of the Council's equipment and resources. There are appropriate arrangements for the control and monitoring of usage of equipment and resources.
- 2.5 There are appropriate Health and Safety procedures in place for staff and Offenders who undertake unpaid work orders.

3. Main Findings

The main findings of the review, referenced to the above review objectives, are as follows:

- 3.1 The objective was fully achieved with all of the Teams visited following the procedures set out in the National Outcomes and Standards for Social Work Services in Criminal Justice System, Community Payback Orders Practice Guidance 2010.
- 3.2 This objective was partially achieved with the Carefirst information and Offender's case files up to date for two of the Teams visited. However, the other one had a significant backlog of Offenders' attendance hours and absences to be recorded both in Carefirst and in their case file. In addition, a court disposal received several days earlier had not been

recorded. Where a disposal is not recorded, the placement can't be created and so any attendances or absences cannot be recorded.

Variations in the recording of offenders who were sentenced in another Local Authority area and then moved into the Highland Council area were identified. One Team did not record this on Carefirst and the only record held is within the offender's case file which contains all unpaid work record sheets. As this information had not been recorded at the time in Carefirst and only entered retrospectively, monitoring and performance statistics of the Team would have been affected.

Communications with Teams who were based in the same buildings or had regular interaction with Social Workers were much better than those Teams where there was limited interaction. This was illustrated when offenders were recorded as breaching their Order by a Social Worker but this was not notified to the Community Payback Officers who continued to allow them to undertake their unpaid work orders.

Staff absences and long term sickness across the Teams is having a knock on effect on the administration of the Community Payback Orders. One member of staff has been covering for an absent colleague since October 2012, which involves a 5 hour round trip to cover the post for one day a week. In addition, the arrangements put in place to allow this cover which required a member of staff to undertake additional duties, have not worked as this individual has not performed this work as already detailed at section 3.2 above. As a result, this has created additional work for the officer who is already covering the sickness absence.

- 3.3 This objective was partially achieved as the requirements of Financial Regulations have not been complied with regard to ordering and use of the imprest. Due to staffing issues, Pecos was not being used to purchase goods and the imprest was being used instead. In addition, the imprest had been used to reimburse:

- Fuel payments which were marked as awaiting fuel card. However, the Team concerned already has three fuel cards allocated.
- Travel costs which should have been processed by a Travel and Subsistence claim or prior booking through the Travel Desk.

In addition the official imprest holder had retired in July 2013.

The testing was satisfactory for rechargeable costs which were being invoiced to the customer. However, the invoice income was being coded to materials rather than the Team's income code. In addition, another office was using income received to make further purchases rather than banking this intact as required by Financial Regulations.

All Teams visited produce wooden benches which are either donated to a charity or sold with the proceeds donated to a charity. There is no standard pricing in place for the benches or any prescribed approach as to which charity is selected.

- 3.4 This objective was fully achieved as staff were aware of the rules surrounding the appropriate use of Council equipment and resources. One Team is due to update their inventory when additional staff hours are in place.

- 3.5 The objective was partially achieved; Community Payback Officers had just received training and were implementing the Risk Assessment training they had received.

An internal Health & Safety checklist had been completed for each Team by a Health & Safety Technician and all of the Teams were following up on problems identified in the checklist.

However, one Team had no welfare facilities for Offenders which meant that offenders were using the local public toilets located a 7-8 minute walk away. There were also no facilities for cleaning equipment.

4. Conclusion

- 4.1 The National Outcomes and Standards for Social Work Services in Criminal Justice System, Community Payback Orders Practice Guidance is being used appropriately to manage the unpaid work requirement. However, a number of issues identified during the audit to one particular Team can be attributed to staffing issues which is affecting the accurate and timely recording of Offender's information and compliance with Financial

Regulations on the appropriate use of the Council's financial systems

- 4.2 There are a total of 8 recommendations in this report; 2 are classified high, 3 as medium and 3 as low priority grades. There are a number of sub-actions against the audit recommendations, some of which have already been completed and others are due later this month. The remaining actions are due to be completed by 30/09/15.

5. **Audit Opinion**

- 5.1 The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Reasonable Assurance** can be given in that whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care & Learning Service: Community Payback Orders – Administration of Unpaid Work Orders

HAC04/001

The Action Plan contains **8** recommendations as follows:

Description

Major issues that managers need to address as a matter of urgency.

Priority

Number

High

2

Important issues that managers should address and will benefit the Organisation if implemented.

Medium

3

Minor issues that are not critical but managers should address.

Low

3

Total recommendations

8

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.1	High	<p>The hours worked by Offenders has to be accurately recorded and monitored. One Team had a backlog of unrecorded unpaid work records and court disposals.</p> <p>There was evidence that a member of the Business Support staff and other staff were not completing their responsibilities timeously leading to a delay in inputting information into Carefirst.</p>	<p>The identified performance issues of this member of staff should continue to be addressed with Business Support management to ensure that they take the appropriate action and that all staff must complete their responsibilities appropriately. It is important that each Team has assurance as to the accurate and timely recording of Offenders' hours.</p>	<p>Meeting Principal Officer (PO) and Business Support Team Leader (West) (BSTL), line manager of the member of staff in question.</p>	Principal Officer	Comp. on 29/05/15
				<p>Issue written instruction to CJS staff regarding the timely completion of recording.</p>	Principal Officer	16/06/15
				<p>Monitor CareFirst recording June – August 2015 & provide information to BSTL.</p>	Principal Officer and BTSL	31/08/15
3.2.2	Medium	<p>Variations in the recording of Offenders who were sentenced out with Highland and then moved into the area were identified.</p>	<p>A standard approach should be adopted for the management of Offenders from out with the Highland Council area and then communicated to ensure all Teams are administering and recording Community Payback Orders appropriately.</p>	<p>Discussion with Community Payback Officers (CPOs).</p>	Principal Officer	21/05/15
				<p>Draft procedure & circulate to CPOs for comments.</p>	Principal Officer	30/06/15
				<p>Finalise/ implement procedure</p>	Principal Officer	31/07/15

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care & Learning Service: Community Payback Orders – Administration of Unpaid Work Orders

HAC04/001

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2.3	Low	Communication issues have meant that Community Payback staff were not informed when Offenders had breached their orders and continued to allow them to undertake their unpaid works orders.	Management should work with Teams and Social Workers to ensure a better working relationship between both parties. In particular, it is crucial that any breaches of Community Payback Orders are timeously notified to the Teams in order that they are aware of any offenders who have been referred back to Court.	<p>Discussion with respective teams in Inverness:</p> <ul style="list-style-type: none"> CPOs in Culduthel Social Workers at the Castle <p>Write agreement & agree monitoring arrangements</p>	<p>Principal Officer & Culduthel Team Manager</p> <p>Culduthel Team Manager</p> <p>Culduthel Team Manager</p>	<p>04/06/15</p> <p>03/06/15</p> <p>30/06/15</p>
3.2.4	High	Across the Teams there have been a number of long term sickness absences which is having a knock on effect on the administration of Community Payback Orders and the day to day organisation of Teams.	Management should continue to ensure the long term issues with staff absences and long term sickness are addressed within the Teams and explore more efficient alternative arrangements to provide cover.	To extend the alternative arrangements to ensure the long-term absence of the CPO in Fort William is covered more efficiently i.e. Supervisor in Fort William increasing his CPO acting-up from 7 hours, thus negating the need for the CPO in Skye to travel.	Principal Officer	Comp. on 29/05/15

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care & Learning Service: Community Payback Orders – Administration of Unpaid Work Orders

HAC04/001

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.3.1	Medium	<p>The imprest has been used to purchase goods over the maximum value of £25 rather than the correct process which would be to place a Pecos order. The imprest had also been used inappropriately to reimburse travel and fuel costs.</p> <p>The imprest holder had retired in July 2013 but this information had not been updated.</p>	<p>(1) Appropriate action should be taken to ensure that the administration of the imprest is in accordance with the requirement of Financial Regulations and the associate Guidance Note. Interim arrangements should also be put in place with another office to ensure that items can be ordered and paid for using the official systems.</p> <p>(2) Details of the relevant imprest holder should be notified to the Creditors Section in order that the central record can be updated.</p>	Issue written instruction to CPOs re correct use of imprest and compliance with Financial Regulations.	Principal Officer	05/06/15
				Notify Creditors Section re current Imprest Holder.	Principal Officer	Comp. April 2015
3.3.2	Low	Income received was not banked but had been used for subsequent expenditure. In addition, income from debtor invoices had been coded against materials rather than the relevant income code.	All income, including that from debtor invoices should be correctly coded against the income for the appropriate Team.	Issue written instruction to CPOs to ensure offices are aware of the procedure	Principal Officer	30/06/15

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Care & Learning Service: Community Payback Orders – Administration of Unpaid Work Orders

HAC04/001

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.3.3	Low	Each Team produced wooden benches which are then donated or the sale proceeds donated to a chosen charity. There was a significant variation in the pricing of goods and the arrangements in place for purchasing goods. It was unclear if any criteria had been used when selecting a charity to receive donations from each of the Teams.	Management should consider introducing standard bench designs across the Teams and standard pricing policy where appropriate. Consideration should also be given to adopting a standard approach of donating goods to particular charities across the Service.	Initial discussion with CPOs.	Principal Officer	Comp. 21/05/15
				Prepare short paper setting out issues.	Principal Officer	31/08/15
				Further discussion with CPOs.	Principal Officer	10/09/15
				Confirm service policy in writing.	Principal Officer	30/09/15
3.5.1	Medium	The workshops used by Offenders in Skye have no welfare facilities. In particular, there are no toilets or washing facilities (for hands and cleaning of equipment) and nowhere to eat lunch. Offenders currently they have to leave the workshop and use the public toilets. There is also no area for staff to wash equipment after use.	Managers should continue to look to identify appropriate welfare facilities for the use of staff and Offenders, including alternative more fit-for-purpose accommodation.	Advise Project Manager, Care and Learning of the audit recommendation.	Principal Officer	Comp. 28/05/15
				Continue to liaise with Project Manager re alternative office premises (in the context of THC asset rationalisation).	Principal Officer	Ongoing

AUDIT REPORT SUMMARY

Report Title

Corporate Development Service – Workforce Planning Arrangements

Report No.	Type of Audit	Issue Date	
HBB01/002	Systems	Draft Report	19/03/15
		Final Report	27/03/15

1. Introduction

- 1.1 Due to ongoing financial pressures, it is important that public bodies manage their workforces strategically in order to deliver service priorities effectively whilst making cost savings. Therefore many public bodies are currently reducing the size of their workforce to help make these cost savings, and changing how they deliver services. It is important when making these changes that bodies retain staff with the skills needed to deliver their strategic priorities and that the approaches they use provide value for money. Workforce planning is the process used by organisations to do this.
- 1.2 In November 2013, Audit Scotland published a report called “Scotland’s public sector workforce” following an audit which looked at whether or not public bodies were effectively managing changes to their workforce. The report made a number of recommendations that organisations should address.
- 1.3 This report was considered by the Finance, Housing & Housing Committee on 26/02/14 and, in response, a number of actions were agreed. These included a consistent approach to workforce planning to be implemented across all Services and plans at Council, Service and Section level to be integrated and presented in a consistent format. The risks surrounding workforce planning have also been recognised and this appears as an “above the line” risk in the corporate risk register. In addition, the budget savings agreed by Council on 18/12/14 totalled £42.8m (312.6 FTE) for the 4 year period 2015/16-2018/19.
- 1.4 This audit was carried out as part of the 2014/15 annual audit plan.

2. Review Objectives

The objectives of the review were to ensure that:

- 2.1 To establish to what extent the Highland Council’s workforce planning arrangements address the recommendations set out in Audit Scotland’s November 2013 report “Scotland’s public sector workforce¹”.
- 2.2 To review progress made towards achievement of key stages within the chosen workforce planning model.

3. Main Findings

The main findings of the review, referenced to the above review objectives, are as follows:

- 3.1 This objective was fully achieved. The workforce planning arrangements and associated supporting actions implemented by the Council address the recommendations set out in the Audit Scotland report.
- 3.2 This objective was partially achieved. All of the supporting actions agreed by the Finance, Housing and Resources Committee on 26/02/14, in order to support effective workforce planning, have either been implemented or are in the process of being implemented. However, some of the key actions from the Council’s chosen workforce planning model have still to be implemented. 6 key actions were agreed by the Executive Leadership

¹ Audit Scotland Report “[Scotland’s public sector workforce](#)” published on 28/11/13

Team (ELT) on 02/06/14 and 2 of these were not completed by the specified date of 01/10/14. Until these are completed, then the final key action of publishing Workforce Plans and Service Learning Plans, which was due to be implemented by 01/04/15, cannot be achieved.

4. Conclusion

- 4.1 Workforce planning is nothing new to the Council as evidenced by the Integrated Care in the Highlands arrangements and the establishment of High Life Highland. However, the arrangements adopted by the Council in February 2014 will ensure that there is a structured and consistent approach taken to workforce planning across all Services and will mitigate the identified risks. Workforce plans will be prepared by Services as part of the long term budget planning process, to help support budget decisions and service planning, and therefore assist the Council address workforce challenges faced in the future.
- 4.2 The Council's arrangements satisfactorily address the Audit Scotland recommendations. However, progress made in rolling out the chosen workforce planning model and production of Service workforce action plans should be monitored to ensure that they remain on target so that the planned outcomes are achieved.
- 4.3 As a result of the audit, 1 medium grade recommendation has been made. The recommendation has been accepted by management, with the resultant agreed action due to be implemented by the end of April 2015.

5. Audit Opinion

- 5.1 The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Substantial Assurance** can be given in that while there is generally a sound system, there are minor areas of weakness which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Corporate Development Service – Workforce Planning Arrangements

HBB01/002

The Action Plan contains **1** recommendation as follows:

Description

Major issues that managers need to address as a matter of urgency.

Important issues that managers should address and will benefit the Organisation if implemented.

Minor issues that are not critical but managers should address.

Priority	Number
High	0
Medium	1
Low	0
Total recommendations	0

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT AGREED ACTION	IMPLEMENTATION	
					RESPONSIBLE OFFICER	TARGET DATE
3.2	Medium	<p>2 of the 6 agreed key actions, both of which were due to be completed by 01/10/14, had not been completed for all Services at the time of the audit:</p> <ul style="list-style-type: none"> Action 4 – to brief Senior Management Teams Action 5 - Initiate Service Work Streams. <p>As a result of this, it is questioned whether the final action requiring all workforce action plans to be completed by 01/04/15 and then submitted to the relevant strategic Committee will be achieved. This will then impact upon the Council's ability to timeously implement the changes required in order to achieve the anticipated savings in staff costs, and ensure Services have the appropriate number of suitably trained and skilled staff.</p>	<p>Service Directors should be requested to provide an update to the Chief Executive on the status of workforce action plans, including the date on which their action plan will be presented to the relevant strategic Committee. Where an action plan will not be completed by the target date then a revised date should be agreed and progress monitored to ensure that this remains on schedule.</p>	<p>Head of People & Performance requests update from Service Directors with subsequent report to the Chief Executive for discussion at ELT where any revised dates will be agreed.</p>	<p>Head of People & Performance</p>	<p>30/04/15</p>

AUDIT REPORT SUMMARY

Report Title

Finance Service – Scottish Welfare Fund Payments

Report No.	Type of Audit	Issue Date	
HDB04/001	Systems	Draft Report	10/03/15
		Final Report	16/04/15

1. Introduction

- 1.1 From April 2013, changes to the Department of Work & Pensions (DWP) Social Fund scheme resulted in Crisis Loans and Community Care Grants being stopped. These have been replaced by the Scottish Welfare Fund (SWF) which is delivered by local authorities.
- 1.2 The Scottish Fund is intended to offer grants or in kind support for two purposes:
 - Crisis Grants to provide a safety net in a disaster or emergency, when there is an immediate threat to health or safety; and
 - Community Care Grants to enable independent living or continued independent living, preventing the need for institutional care.
- 1.3 The grants should be available to people who do not have alternative means of paying for what they need. They do not need to be paid back. Grants are intended to meet one-off needs rather than on-going expenses.
- 1.4 For the first nine months of the 2014/15 financial year the Highland Council has made approximately 3,900 SWF payments totalling £807,710. This compares to £651,425 paid during 2013/14.

2. Review Objectives

The objectives of the review were to ensure that:

- 2.1 There is an adequate control framework in place for the operation of the Scottish Welfare Fund;
- 2.2 SWF payments are awarded to valid applicants only, claims are accurately assessed and grants are calculated and prioritised in accordance with the SWF Guidance;
- 2.3 There are adequate controls in place over access to and operation of the SWF payments system;
- 2.4 Grant payments are reviewed and/or authorised as necessary, and are properly recorded in the financial ledger; and
- 2.5 There are appropriate arrangements in place for the control and monitoring of the budget. Information from the payments system is properly and regularly reconciled to the ledger.

3. Main Findings

The main findings of the review, referenced to the above review objectives, are as follows:

- 3.1 This objective was fully achieved as there is an adequate control framework over the operation of the Scottish Welfare Fund with a comprehensive framework of policies, procedures and guidance notes maintained which are regularly reviewed. A number of local initiatives have been developed to make the process more effective and efficient. These include standardised clothing packs for men, women and children and a homeless housing pack which consists of a range of household items to furnish a new property where the tenancy has been awarded.

3.2 This objective was partially achieved in that the processing and award of the SWF payments reviewed were in accordance with the criteria set out in the Scottish Government's SWF Guidance; all payments were supported by an application form; and claims had been processed within the target times.

However, the following issues were identified:

- The Council is in breach of the Data Protection Act 1988 in that information is being retained for longer than is absolutely necessary within the public webpages and personal data is not held securely before being transferred to the SWF payments system. This issue was raised on 22/10/14 during the audit, following which the Service contacted the system supplier to determine what action could be taken to resolve the Data Protection concerns. On 12/12/14 the supplier confirmed that this facility could be switched off. However, this was not actioned and on 19/01/15 the supplier was reminded of the urgency of the action. Following this, action was taken to restrict access to completed claim forms on 04/03/15 and to partially completed forms from 10/03/15.
- Where a Crisis Grant payment includes living expenses, the Scottish Government's SWF Guidance has set a maximum amount. A "spreadsheet calculator" was created to ensure consistency when processing claims and this uses the benefit amounts notified by the DWP. However, one parameter for "dependent children" had not been updated and the 2013/14 value was being wrongly used for 2014/15. The difference was only £0.71 and no underpayments have arisen. This error was rectified with immediate effect once Internal Audit had notified the relevant officer.

3.3 This objective was substantially achieved in that whilst the SWF system is unable to produce an access control report the Finance Systems Administration Team maintain an excel spreadsheet detailing all users and their access rights as a compensating control. Sample testing found the information recorded was complete and accurate.

3.4 This objective was fully achieved in that all grant payments had been reviewed and/ or authorised as necessary, and were properly recorded in the financial ledger

3.5 This objective was partially achieved as there are appropriate arrangements in place for the control and monitoring of the budget. However, no reconciliation has been undertaken between the SWF payments system and the financial ledger since the system was introduced. Business Support staff have attempted to carry out both monthly and cumulative reconciliations but to date have been unsuccessful. A number of discrepancies within the system on certain claimant's records have been detected between the payment analysis and payment history, which the SWF payments system has identified as occurring when data is exported from their system to Excel. However, in order to ensure the integrity of the payments made, cheque and Paypoint payments runs are agreed to the details recorded in the SWF payments system prior to any payments being made. This check, undertaken by the Exchequer Support Team, is required as the items claimed are usually more than what is awarded. When this occurs, details are updated in the SWF payments system so that these match the actual payment.

4. Conclusion

4.1 Overall, the Scottish Welfare Fund is operating satisfactorily with appropriate controls in place for the processing of claims and any subsequent payments. The serious concerns relate to the system, in particular the weaknesses with the access and retention of personal data and the present inability to reconcile the system data to the financial ledger.

4.2 There are four recommendations in this report; 2 are classified high priority and 2 as medium priority. 1 of the high grade and 1 of the medium grade recommendations have been completed and the rest are due to be implemented by 31/07/15.

5. Audit Opinion

5.1 The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **Reasonable Assurance** can be given in that whilst the system is broadly reliable, areas of weakness have been identified which put some of the system objectives at risk, and/ or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.

AUDIT REPORT ACTION PLAN

Report Title

Report No.

FINANCE SERVICE - SCOTTISH WELFARE FUND PAYMENTS

HDB04/001

The Action Plan contains **4** recommendations as follows:

Description

Major issues that managers need to address as a matter of urgency.

Important issues that managers should address and will benefit the Organisation if implemented.

Minor issues that are not critical but managers should address.

Priority	Number
High	2
Medium	2
Low	0
Total recommendations	4

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT ACTION	AGREED	IMPLEMENTATION	
						RESPONSIBLE OFFICER	TARGET DATE
3.2.2	High	A number of SWF application forms which contain personal and sensitive data are not held securely on the system, contrary to the requirements of the Data Protection Act.	An immediate solution should be identified and implemented so that all applicant details are removed from the public web pages.	Access to completed and partially completed forms has been removed.		Policy and Development Manager	Complete
3.2.3	Medium	One of the parameters used in calculating the maximum payable for living expenses had not been uprated for 2014/15. However, the sum involved was minimal and no underpayments to claimants occurred. In addition, this error has now been rectified.	In order to ensure that the correct benefit rates are used for calculating the award of any living expenses, the annual uprating of parameters in the spreadsheet should be checked by an independent officer to the relevant DWP Circular. These checks should be evidenced and retained.	The annual uprating of parameters in the living expenses spreadsheet will be checked by an independent officer to the relevant DWP Circular. These checks will commence ahead of the 2015/16 uprating and will be evidenced and retained.		Exchequer Manager (Operations)	Complete
3.3.1	Medium	The system does not have the facility to produce a report of users and their associated access rights.	Discussions should be held with the software supplier to determine whether an access control report function can be introduced.	The Finance Systems Administration Team currently maintains a spreadsheet of users and access for this IT system. Discussions will be held with the software supplier to determine whether this facility can be made available.		Policy and Development Manager	30/04/15

AUDIT REPORT ACTION PLAN

Report Title

Report No.

FINANCE SERVICE - SCOTTISH WELFARE FUND PAYMENTS

HDB04/001

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT ACTION	AGREED	IMPLEMENTATION	
						RESPONSIBLE OFFICER	TARGET DATE
3.5.2	High	Reconciliations between the SWF payment system and the financial ledger have not occurred as a technical issue means the payment analysis and payment history does not agree for some claimant records.	<p>(1) The Council should pursue the software supplier to determine the cause of discrepancies within the SWF payment system and apply a fix.</p> <p>(2) Once the discrepancies have been rectified then the SWF payment system data and financial ledger should be reconciled on a monthly basis. This reconciliation should be reviewed by a senior officer for accuracy and completeness. Both the complier and reviewer should sign and date the reconciliation, which could be in electronic form by email.</p>	<p>(1) This issue was identified by the Policy and Development Team prior to the internal audit and the issue had been raised with the software supplier at that time. Following investigation, the software supplier has confirmed an accuracy rate of 99.97% within their reporting. The Policy & Development Team will continue working with the software supplier to better understand the minor remaining discrepancies.</p> <p>(2) Monthly reconciliations will be implemented in accordance with the audit recommendation and fully completed when the remaining minor discrepancies at 3.5.2(1) above are also completed.</p>		Policy and Development Manager	31/07/15
						Exchequer Support Officer	31/07/15

AUDIT REPORT SUMMARY

Report Title

**Finance Service / Community Services –
Housing Revenue Account – Reconciliation Investigation**

Report No.	Type of Audit	Issue Date	
HDA14/001	Systems	Draft Report	20/02/15
		Final Report	09/06/15

1. Introduction

- 1.1 This investigation was undertaken at the request of the Director of Finance following a concern raised by Audit Scotland in respect of a debtor figure of £1.372 million within the Council's Housing Revenue Account (HRA). This was formally reported in their 2014-15 ISA 260 report (to those charged with governance) submitted to the Audit & Scrutiny Committee in September 2014.
- 1.2 Audit Scotland reported in the unaudited accounts that the figure of £1.372 million was a 'rent debtor to carry forward the balance on the rent control account.' However, Audit Scotland's 'Report to those charged with governance on the 2013/14 audit' stated that this figure resulted from the erroneous inclusion of income as follows:
- £0.400m relating to an accounting error of income for homeless accommodation.
 - £0.972m is still under investigation but is believed to relate to the inclusion of income lost on void properties.
- 1.3 In order to correct the error, the general fund balance was reduced by £0.400m and the amount of capital financed from current revenue charged to the HRA was reduced by £0.972m. This reduced the amount of funding available from revenue for capital expenditure, which would require an increase in borrowing to maintain the level of capital expenditure. Audit Scotland agreed with these changes and has stated that the financial statements, which contain the HRA, "give a true and fair view."
- 1.4 The Council is required to maintain a separate Housing Revenue Account (HRA) covering income and expenditure in respect of specified houses, buildings and land. A rent reconciliation is carried out to ensure that all rents received are due and properly recorded within the finance and housing systems and to ensure that all outstanding arrears are genuine and correctly owed to the Council.
- 1.5 The amount to be carried forward to the next financial year, which should consist of rent prepayments and arrears, is the difference between the Housing Information System (HIS) and the financial ledger. The table below shows that there were some significant increases in the carried forward amounts in some years; nearly doubling between 2008-09 and 2009-10, and between 2009-10 and 2010-11. It then almost tripled between 2010-11 and 2011-12.

Financial Year	C/F Amount
2006-07	82,547.44
2007-08	129,221.89
2008-09	145,775.08
2009-10	243,725.92
2010-11	433,140.91
2011-12	1,320,896.28
2012-13	1,343,162.52
2013-14	1,371,739.97

- 1.6 In addition to the matter reported in the 2014-15 ISA 260 report, Audit Scotland raised concerns about the reconciliation process on two previous occasions:
- In 2010 Audit Scotland raised concerns about a particular process of reconciling a report produced by the HIS, which lists every transaction that has taken place in the HIS, with an interface file, which transferred data from the HIS to the Oracle financial ledger. This action was completed.
 - In a report presented to the Audit and Scrutiny Committee on 20/09/12 (entitled 'Report to those charged with governance on the 2011-12 audit') Audit Scotland stated that: *"HRA Income and HRA Expenditure are overstated by £0.992 million due to the incorrect treatment of rent/ losses on void properties."* The Council agreed to revise this and amended the HRA Income and Expenditure figures accordingly.

2. Review Objectives

The objectives of the review were to ensure that:

- 2.1 The process for the reconciliation of the rental income in the Housing Revenue Account (HRA) and considered whether this was performed correctly.
- 2.2 The roles and responsibilities of officers within Community Services and the Finance Service. This considered whether they were aware of the required processes and procedures for the overall reconciliation of the HRA rental income and what action was taken to investigate/ address the increasing balancing figure recorded each year.
- 2.3 What action was previously taken by management to address concerns about the HRA reconciliation process reported by Audit Scotland in August 2010.
- 2.4 Whether the present process involving both Community Services and Finance Service staff is working efficiently.

3. Main Findings

The main findings of the review, referenced to the above review objectives, are as follows:

- 3.1 The process for the reconciliation of the rental income was not performed correctly, as it did not reconcile the full system information properly and this can be evidenced by the current issue. In particular, Finance Service staff failed to identify the rapid increases in the annual carried forward figure (see the table above) and to question how this occurred and what system information was held to support the figure. The carried forward amount was the difference between the Housing Information System's periodic balance report and the financial ledger, consisting of rent arrears and prepayments.

The above position, in part, is due to a lack of understanding between the Finance Service and Community Services in the definition of, and responsibility for, the rental income reconciliation process.

The current investigation to obtain a full explanation for the £1.372 million carried forward figure has yet to be completed despite this issue being reported by Audit Scotland to the Audit and Scrutiny Committee in September 2014. The Head of Corporate Finance interpreted that the terms of reference for this investigation included helping to resolve or at least assist in identifying the problems with the reconciliation process when this was not the case. He wanted to avoid a duplication of effort but has now established additional staffing resources to resolve the issues. However, some progress has already been made by Finance Service and Community Services staff in that:

- As referred to in the introduction, £400,000 relates to an error in processing purchases of homeless accommodation. This error illustrates the failure by the member of staff involved to understand the implications of the accounting method applied and the impact this had upon the HIS.
- Small differences of hundreds of pounds have been discovered between the two main reports in the Housing Information System and the software supplier is investigating the causes of these.

- 3.2 There is a lack of clarity between staff in the Finance Service and Community Services regarding their respective roles and responsibilities for the reconciliation of the rental

income. Financial Regulations (section 9.8) states that the reconciliation of any costing systems not linked to the financial ledger system will be carried out by Services on a regular basis. However, Community Services officers were not aware of this requirement and were assuming that the Finance Service was carrying out more detailed reconciliation work than was happening. This has contributed significantly to the current problem.

Whilst the Finance staff involved in the reconciliation process lacked procedures and training, it would be expected that they understood what is involved in producing system reconciliations. In particular, the Finance Service was not aware that the processes carried out by Community Services were insufficient for their requirements in producing the rental income figure for the HRA Accounts. It is clear neither Service checked to ensure the work carried out by the other was sufficient for them to place reliance upon.

3.3 This objective has been achieved. The agreed action between Community Services and Audit Scotland in 2010 was specific and related to the reconciliation between the main transaction report in the Housing Information System and the Housing Information System computer file which interfaces with the financial ledger (Oracle). This was actioned.

3.4 The findings from this investigation clearly demonstrate that the present process is not working efficiently due to the lack of clarity between the Finance Service and Community Services as to responsibility for the rental income reconciliation. However, some progress has been made as the following changes to the reconciliation process were agreed at a meeting between Internal Audit and the relevant Finance Service and Community Services staff:

- Payment references will be provided with all manual adjustments in the Housing Information System to assist the reconciliation when matching the Housing Information System's report entries to the financial ledger's report entries (Oracle). Currently the process of matching values is a convoluted and cumbersome process of searching through the reports by financial amount and then manually confirming the entries agree by matching specific information on each report.
- The reconciliation reports from the Oracle and the Housing Information System will be run with the same date range. Currently a standard report from Oracle is used where the date range is fixed and this then requires additional adjustments, which increases the risk of error in the reconciliation process.
- The reconciliation will be performed weekly rather than monthly, at least initially, to ensure problems are identified earlier and to make the process more manageable.
- Manual adjustments, processed by Community Services staff, will be processed using one code, rather than the several area codes being used currently. This will make the production of the reconciliation reports easier.

4. Conclusion

4.1 Only one of the review objectives has been achieved. The Community Services and the Finance Service have not yet established how the incorrect reconciliation of information within rental income had arisen or put in place a correct reconciliation process.

4.2 However, both Services are now working on resolving the issue and improvements are being made. Services have also been open and co-operative during the audit, which has been appreciated.

4.3 The outstanding issues need to be resolved and the overall communication between Services needs to improve to ensure processes are carried out efficiently and effectively and there is confidence in the HRA information.

4.4 There are 4 recommendations in this report, 3 are classified high and the other medium grade. 3 recommendations will be fully completed by 30/06/15 and 1 recommendation will be fully completed by 31/03/16.

5. Audit Opinion

5.1 The opinion is based upon, and limited to, the work performed in respect of the subject under review. Internal Audit cannot provide total assurance that control weaknesses or irregularities do not exist. It is the opinion that **No Assurance** can be given in that control is generally weak, leaving the system open to significant error or abuse, and/ or significant non-compliance with basic controls leaves the system open to error or abuse.

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Finance Service / Community Services – Housing Revenue Account – Reconciliation Investigation

HDA14/001

The Action Plan contains **4** recommendations as follows:

Description

Major issues that managers need to address as a matter of urgency.

Important issues that managers should address and will benefit the Organisation if implemented.

Minor issues that are not critical but managers should address.

Priority	Number
High	3
Medium	1
Low	0
Total recommendations	4

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT ACTION	AGREED	IMPLEMENTATION	
						RESPONSIBLE OFFICER	TARGET DATE
3.1	High	The reconciliation process was not complete.	(1) The reconciliation process should be amended to ensure it is carried out accurately. Better reports and more standard coding of manual adjustments should be used to limit the need for complex spreadsheets.	(1) A joint workshop will take place between the Finance Service and Community Services to agree and document the reconciliation processes and roles and responsibilities.		Head of Corporate Finance & Head of Housing	12/06/15
						Head of Housing	12/06/15
						Head of Housing	30/06/15
						Performance and Building Maintenance Manager	30/06/15
		(2) Further discussions with the software supplier (Northgate) should take place to determine if they can assist with better reporting from the HIS making the process more efficient.	(2) Community Services will liaise with Northgate to investigate better reporting from the HIS.				

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Finance Service / Community Services – Housing Revenue Account – Reconciliation Investigation

HDA14/001

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT ACTION	AGREED	IMPLEMENTATION	
						RESPONSIBLE OFFICER	TARGET DATE
3.2.1	High	Financial Regulations (section 9.8) states that "Reconciliation of any costing systems not linked to the financial ledger system will be carried out by Services on a regular basis."	(1) It should be ensured that Community Services staff understand their roles and responsibilities in terms of the requirements of Financial Regulations.	(1) A joint workshop will take place between the Finance Service and Community Services to agree and document the reconciliation processes and roles and responsibilities.		Head of Corporate Finance & Head of Housing	12/06/15
		However, Community Services were not aware of this requirement and were assuming that the Finance Service was carrying out more detailed reconciliation work than they were. Also, Financial Regulations does not clearly state that Community Services should work with the Finance Service to determine the correct reconciliation processes that should take place.	(2) Financial Regulations section 9.8 should be amended to require that the relevant Service obtains any necessary guidance from the Finance Service regarding reconciliation processes and the financial ledger and also agrees the process with the Finance Service.	(2) Financial Regulations will be amended, and approval will take place at the next appropriate committee meeting.		Head of Corporate Finance	18/06/15

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Finance Service / Community Services – Housing Revenue Account – Reconciliation Investigation

HDA14/001

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT ACTION	AGREED	IMPLEMENTATION	
						RESPONSIBLE OFFICER	TARGET DATE
3.2.3	Medium	There have been 4 different Accountants involved in the reconciliation of data from the Housing Information System since it was introduced in 2001. The current Accountant did not have access to any procedures or training when they started the role.	(1) Finance Service staff should be encouraged to report areas of difficulty or where there is a lack of understanding to their Line Managers.	(1) The Finance Service managers will encourage staff to report areas of difficulty or where there is a lack of understanding.		Finance Manager (Community Services)	30/06/15
			(2) Managers should assess Finance Service staff's understanding of the processes and systems they are responsible for in order to determine any relevant training needs required for the preparation of financial accounts. This should be addressed as part of the Employee Review & Development (ERD) process.	(2) The ERD process will be tailored to identify specific process and system training needs.		Finance Manager (Community Services)	31/03/16
			(3) Managers should ensure that procedures are in place for key processes, such as the reconciliation of the HRA.	(3) Managers will ensure that procedures are in place for key processes.		Finance Manager (Community Services)	30/06/15

AUDIT REPORT ACTION PLAN

Report Title

Report No.

Finance Service / Community Services – Housing Revenue Account – Reconciliation Investigation

HDA14/001

REPORT REF.	GRADE	FINDING	RECOMMENDATION	MANAGEMENT ACTION	AGREED	IMPLEMENTATION	
						RESPONSIBLE OFFICER	TARGET DATE
3.4	High	The present process involving both Community Services and Finance Service staff is not working efficiently. This is demonstrated by the lack of clarity regarding Service responsibility of the rental income reconciliation.	<p>(1) The current communication between the Finance Service and Community Services should be reviewed to ensure each section understands the other section's systems and processes as required.</p> <p>(2) Staff should be requested to add the full payment reference when processing manual adjustments.</p> <p>(3) The two main reports used in the reconciliation process (the Oracle ledger and the Housing Information System report) should be run for the same period to make the reconciliation process more efficient by eliminating any need for adjustments to these reports.</p> <p>(4) The HRA reconciliation process should be carried out weekly, at least for the financial year 2014-15 to quickly identify errors.</p> <p>(5) Housing Section staff should only use one standard Oracle code for manual transactions. This practice should be continued with the next financial ledger computer system (Capita Integra).</p> <p>(6) Finance Service should conduct a review of their communication and interaction with other Services, including the Housing Section.</p>	<p>(1) A joint workshop between the Finance Service and Community Services will take place to agree and document the reconciliation processes and roles and responsibilities.</p> <p>(2) Staff will be required to add the full payment reference when processing manual adjustments.</p> <p>(3) The reconciliation reports used should be run for the same period of time.</p> <p>(4) A weekly HRA reconciliation process cannot be carried out for 2014/15; however an annual reconciliation will be carried out.</p> <p>(5) Housing Section staff will only use one standard Oracle code for manual transactions.</p> <p>(6) A joint workshop between the Finance Service and Community Services will take place to agree and document the reconciliation processes and roles and responsibilities.</p>	<p>Head of Corporate Finance & Performance and Building Maintenance Manager</p>	<p>12/06/15</p> <p>30/06/15</p> <p>30/06/15</p> <p>30/06/15</p> <p>30/06/15</p> <p>12/06/15</p>	