

## **AUDIT COMMITTEE – 8 May 2012**

### **REPORT OF THE AUDIT WORKING GROUP (AWG)**

The Audit Working Group met on 5 April 2012

The meeting was attended by:

Dr. Jones – Chairman; Cllr. Wilmshurst; Cllr. Armitage; Cllr. Mathew; Lorna Baxter; Ian Dyson; Claire Phillips.

Part meeting only: AWG4 Simon Kearey; AWG5 Mike King; AWG6 James Drew and Neil Shovell; AWG7 Glenn Watson; AWG9 / 10 John Dixon and Sarah Cox; AWG10 Jo Stone.

Observer: Cllr. Larry Sanders

#### **AWG WORK PROGRAMME ITEMS**

The main business items of the meeting were as follows:

AWG 4 Alert Service  
AWG 5 SAP Roles  
AWG6 Internal Audit Report  
AWG7 Whistle-blowing Incidents Annual Report  
AWG8 Annual Governance Statement Actions  
AWG9 Personal Budgets  
AWG10 Fairer Charging

#### **MATTERS FOR REPORT TO THE AUDIT COMMITTEE:**

##### **Private Session with the External Auditors**

Immediately following the Audit Committee on 29 February 2012, a special meeting of the AWG was held with no officers present. The meeting was held with the External Auditors only. The meeting gave full opportunity for a frank exchange of views and the OCC Members noted the comments and issues raised by the External Auditors. Members recognised that the issues raised represented mainly reputational risks to the Authority, but assurances would be sought from Officers where necessary.

A private session with the Chief Internal Auditor was deferred and has been rescheduled for immediately after the Audit Committee meeting on Tuesday 8 May 2012.

##### **Personal Budgets (AWG9)**

At the Audit Committee meeting 18 January 2012, the Audit Commission highlighted that nationally Personal Budgets are being identified as a fraud risk. The Committee asked the Audit Working Group to consider how this risk is being mitigated in Oxfordshire. The Deputy Director, Adult Social Care, outlined how the existing arrangements for personal budgets and the proposals currently being considered for

improving the client pathway for self-directed support, are used to manage the inherent risks of fraud within a Personal Budgets system, including the financial abuse of clients. The inherent fraud risks and the processes in place at Oxfordshire County Council to manage those risks are summarised as follows:

Risk of false or exaggerated need for care:

All clients are subject to a statutory assessment of their needs carried out by qualified social workers. Throughout their period of care all clients receive reviews to ensure that needs remain relevant and are being met. Assessments and reviews are subject to quality monitoring.

Risk of failure to declare income/capital

Client contributions for self-directed support are calculated under the Fairer Charging Scheme by the Financial Assessment Team. All clients have their financial circumstances reviewed annually.

Risk of fraud by the person managing the personal budget for the client

The key control is through the annual review of client care needs that considers whether care outcomes are being achieved, and through the monitoring of the use of the direct payments made to the client. There is also a scheme in operation called 'buy with confidence' through which details of accredited Personal Assistants are available to clients.

Risk of fraud by the organisation providing care for the client

The key control is also through the annual review of client care needs and through the monitoring of the use of Direct Payments.

The Deputy Director stated in his report that there are risks that self-directed support brings to being able to ensure the safeguarding of vulnerable adults, and so the service is taking action to strengthen the Safeguarding Service, including both general safeguarding and protection from financial abuse. This includes increasing the number of adult protection leads in the County to allow for one per community team.

The Chief Internal Auditor reported that the effectiveness of the management of the fraud risks will be considered during audits of the Personal Budgets and Direct Payments Systems during 2012/13.

Overall the Group considers that the mitigations provide assurance that widespread fraud and/or abuse of clients is unlikely; however, the system depends crucially on the review process. Last year, Internal Audit found that a large proportion of reviews were not conducted in a timely manner and that quality monitoring of the review process was deficient.

Although action has been taken to improve the situation, the risk arising from failure to review is much higher under the personal budget regime. The agreed management action was for 80% of reviews to have been completed by 31 March 2012. In addition, there may still be data issues arising from the SWIFT system that may mean that not all clients eligible for care are subject to timely review. The Group understands that performance information is now regularly reported to the Social & Community Services Directorate Leadership Team, and also that it is not

possible to guarantee that no fraud or abuse whatsoever will occur. The Group is satisfied with the assurances they have received.

But the adverse reputational impact of even one case of fraud leads the Group to conclude that until all client reviews are conducted appropriately and in a timely way, some residual risk must be accepted.

### **AWG10 Fairer Charging**

The Group was provided with an update on the foregone income status to the period ending 29 February 2012; the March figures were not available at the time. The report demonstrated that by applying the worst case scenario there was a sharp increase in the forgone income in the category of historical cases during January; and, an increase in the 'business as usual' foregone income category that now exceeds the annual average target previously agreed. The increase in "business as usual" was attributed to unexpected sickness absences and exceptional levels of staff turnover. Officers reported that the performance against the "business as usual" target is routinely monitored by the Directorate Leadership Team within Oxfordshire Customer Services, and as a result of not achieving the target this was escalated and reported to the County Council Management Team. With regards to the historic cases, it has previously been reported that as these are being reviewed there remains the potential for further cases of foregone income to be identified; however the Group has asked for certainty over the number of legacy cases still to be reviewed and when they will be resolved.

The Group is still very concerned at the level of foregone income, as it remains the case that the total level of income foregone in 2011/12 is close to that of previous years, notwithstanding the efforts that have been made to reduce it.

The Group acknowledged that the foregone income resulting purely from the "business as usual cases" was not a material risk going forward; however the Group remain very concerned at the total forgone income for the year, and in particular whether, when and how this will be reported to Cabinet Members.

In order to be satisfied that the overall level of loss will eventually fall the Group require reasonable assurances that there are no more high value legacy cases, and that the performance reporting processes are embedded such that Managers and Members are informed promptly when levels of foregone income exceed targets set.

The following additional information has been requested:

- The total number of legacy cases to be identified and a target date set for their resolution;
- Documentation of the reporting process to demonstrate that up to date and accurate information is regularly available;
- Details of how the large value cases of forgone income and overall financial performance of Fairer Charging are reported to Members, in particular the Cabinet Member for Adult Services and the Cabinet Member for Finance and Property.

The Deputy Director Adult Social Care agreed to circulate the information requested to Members of the Audit Committee.

The Group **recommends** to the Audit Committee that the relevant Cabinet Members be invited to attend the Committee at an appropriate time to discuss the current performance of the Fairer Charging system.

### **AWG6 Internal Audit Emerging Issues**

There were three main issues arising from the Internal Audit Report:

#### ***School Transport Service***

Further to the adverse Internal Audit report presented at the last AWG, the Audit Manager updated the Group on the issues arising from the subsequent audit that focussed on the "mid-term tender process". Following the findings of both audits, a meeting has been convened in April between County Procurement, Integrated Transport Unit and Internal Audit to agree new procedures. The Integrated Transport Unit Manager attended the AWG meeting and assured that Group that the actions agreed in the original audit report have been progressed and are being implemented according to the timescales set out in the audit report. The Group noted the assurance and requested an update from the Chief Internal Auditor at the next meeting. The Chief Internal Auditor confirmed that a full audit to test the implementation and effectiveness of the management actions will be undertaken during quarter 2 of 2012/13.

#### ***Knights Court***

The Audit of Knights Court resulted in an overall conclusion of "Unacceptable", as a result of poor financial management practices. The agreed management action plan involves officers from all three Directorates. The Group was concerned at the outcome of the audit and whether it is isolated to this office or could be a wider cultural issue. The Corporate Facilities Manager will be invited to the next AWG to give assurance that actions have all been completed and are working effectively, and to discuss how lessons from this audit have been passed on to the other local offices.

#### ***Outstanding Management Actions in E&E***

The Chairman of the Audit Committee agreed to write to the Deputy Director Growth and Infrastructure as three management actions remain outstanding from 2009/10, with no recent updates provided.

#### ***AWG4 Alert Service***

At the last meeting of the AWG (16 February 2012), the Group was concerned that one of the service providers had not signed a contract due to unresolved issues with the terms and conditions. The Manger updated the Group stating that agreement had been reached with the service provider and that the copies of the contract were being drawn up for signing.

## **AWG5 SAP Roles**

The Group was informed that procurement will be undertaken in May 2012 to bring in specialist resource to test for complex conflicts with the operational SAP roles so that the extent of risk within the system can be evaluated. The results should be available for reporting back to the AWG in June 2012.

## **AWG7 Whistleblowing Incidents Annual Report**

The Group received the report and noted there were no consistent issues to indicate systemic problems; however the relatively small number of instances was noted and the Group has asked for further work to be undertaken to ensure that there is good awareness of the procedure amongst staff and members. The Chief Internal Auditor confirmed that fraud awareness, including the whistle-blowing process will form part of the Counter-Fraud plan for 2012/13.

## **AWG8 Annual Governance Statement Actions**

The Group noted the position regarding the actions from 2011/12, and were invited to comment on items to include in the 2012/13 AGS Action Plan.

## **Work Programme**

The updated work programme is attached as annex 1 to this report.

**The Committee is RECOMMENDED to invite the Cabinet Members for Adult Services and for Finance and Property to the Audit Committee to comment on the AWG concerns regarding Fairer Charging.**

SUE SCANE

Assistant Chief Executive & Chief Finance Officer  
Corporate Core

Contact: Officer: Ian Dyson, Assistant Head of Finance (Audit) Tel 01865 323875  
[ian.dyson@oxfordshire.gov.uk](mailto:ian.dyson@oxfordshire.gov.uk)

April 2012

## **ANNEX 1**

### **AUDIT WORKING GROUP WORK PROGRAMME 2012/13**

**2012**

#### **Tuesday 8 May**

##### **SPECIAL MEETING IMMEDIATELY FOLLOWING THE AUDIT COMMITTEE**

- Private Session with the Chief Internal Auditor

#### **Thursday 21 June**

- Draft Annual Scrutiny Report - Alexandra Bailey / Cllr. Nick Carter
- Internal Audit Report (including ITU Update)– Ian Dyson
- SAP roles update - Mike King/Ian Dyson
- Draft Internal Audit Annual Report – Ian Dyson
- Risk Management Report – Claire Phillips
- Draft Annual Governance Statement

#### **Monday 10 September**

- Internal Audit Report – Ian Dyson
- Risk Management Report – Claire Phillips

#### **Thursday 8 November**

- Internal Audit Issues – Ian Dyson
- Risk Management Progress Report – Belinda Dimmock-Smith
- Quarterly Update AGS Action Plan – Kathy Wilcox
- Annual Governance Statement Process – annual review of the assurance framework - Peter Clark

**2013**

#### **Thursday 14 February**

- Internal Audit Report – Ian Dyson
- Risk Management Report – Claire Phillips
- Quarterly Update AGS Action Plan – TBC
- Draft work programme 2012/13 – Ian Dyson
- Review of AWG Terms of Reference – Ian Dyson

#### **Wednesday 27 February**

##### **SPECIAL MEETING IMMEDIATELY FOLLOWING THE AUDIT COMMITTEE**

- Private Session with External Auditors - TBC
- Private Session with the Assistant Head of Finance (Audit)

Last updated: 23 April 2012

Ian Dyson, Chief Internal Auditor 01865 323875