

APPENDIX 1 – Red and Amber Assurance Audit Review Outcomes

Audit: Department of Community & Children’s Services – Community Care – Red Assurance (2 red, 7 Amber, 6 Green priority recommendations)		
<p><u>Audit Scope:</u></p> <p>The Department of Community & Children’s Services (DCCS) provides a wide range of social care services to ensure service users live independently for the maximum time possible. A review was recently completed on the management of client accounts (excluding Appointeeships and Court of Protection/Deputyships) and access to telephones (provided under the Chronically Sick and Disabled Persons Act 1970) and the telecare service.</p>	<p><u>Audit Findings:</u></p> <p>Client Accounts</p> <p>Limited assurance was provided concerning the management of client funds; owing in part to poor communication between DCCS and the Chamberlains Financial Services Division (FSD). It is noted that although regular budgetary control and debt monitoring meetings take place between the two areas these did not include a discussion of client accounts. Overall the level of financial control in respect of client accounts is poor. A review of the accounts maintained for clients highlighted failures to recover funds / debts from individuals and to provide reimbursement. Furthermore it was established that of 96 client accounts held, 16 of these were attributed to individuals now deceased, further highlighting a lack of communication and poor management of client monies.</p> <p>Amounts held for clients were not subject to regular reconciliation and an inadequate separation of duties was in operation and, in some cases, an incomplete audit trail of the movement of client funds. With the exception of one transaction, none of the expenses reviewed were supported by documentation evidencing that the client in each case had authorised the withdrawal of cash on their behalf, or received goods purchased on their behalf. However, the way in which client funds are accounted for on the City’s financial system was deemed adequate enabling transparency over the movement and withdrawal of funds.</p>	<p><u>Management Response:</u></p> <p>All recommendations were agreed with the Chief Officer; with 14 of the recommendations due to be implemented by June 2013; the remaining green recommendation is due by April 2014. A follow-up is due to be completed in early July 2013 to ensure the risks identified have been suitably mitigated.</p> <p>Following agreement of the recommendations Internal Audit have been requested to review the arrangements in place for the management of Appointeeship and Court of Protection cases.</p>

Telecare Service

The service is provided by the London Borough of Camden (LBC) and Wealden and Eastbourne Lifeline (W&E). Fieldwork established that LBC had not invoiced for services provided since the beginning of April 2012, potentially impacting the Departments budgetary position; an amber priority recommendation was made in relation in this regard. Following fieldwork an invoice covering services provided during 2012/13 by LBC has been received and paid and it is expected that a contract with W&E will be in place by June 2013. At the time of fieldwork it was established that a contract with W&E had not yet been signed; as such an amber priority recommendation was made to finalise the contract and is due to be implemented by June 2013.

Procedures developed for the assessment of service users for access operate effectively with no scope identified for improvement. In addition, Fair Access to Care Services criteria is used consistently in order to establish the client's level of need and whether the service user is required to contribute for the service provision.

Billing arrangements in place for individuals who pay for the service operate effectively with no significant aged debt held by clients. A high-level benchmarking exercise was undertaken with other local authorities providing similar services to those offered by the City, this indicated that the City does not pass the full cost of the services to individuals who are not eligible to receive the service without charge. A recommendation was made to review this in further detail which was agreed by the Department; this is expected to be completed by 01/04/14 (subject to Committee approval) as part of the proposal to include the telecare costs to individual budget packages for those that are eligible, those not meeting funding criteria will be required to meet the full cost of the service.

	<p>Telephone Rental Service</p> <p>Individuals receiving access to a telephone line funded by the City of London under the Chronically Sick and Disabled Persons Act had not been assessed for a substantial amount of time; although the number of service users receiving this type of support was minimal. However, the Department was already in the process of reassessing all individuals in accordance with the Fair Access to Care Services criteria and, where appropriate, will be allocated an equivalent value in the form of a personal budget. No recommendations were made in relation to this element of the Community Care provision.</p>	
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Audit: Department of Community & Children's Services – Housing – Responsive Repairs (New Contractual Arrangements) – Amber Assurance (5 Amber, 5 Green priority recommendations)

<p><u>Audit Scope:</u></p> <p>The City of London provides housing services for 2,700 homes spread across six London boroughs. Repairs to these properties are undertaken by an external contractor. The most recent tendering exercise for this service was conducted in 2010, following which Linbrooks were appointed on a three year term with an option to extend up to a further ten years in increments. The contract commenced in January 2011 at a projected cost of £867k per year.</p>	<p><u>Audit Findings:</u></p> <p>Whilst the systems in place for repairs processing, financial monitoring and invoicing were generally found to be adequate and operating satisfactorily, significant weaknesses were identified in the following key areas:-</p> <p>Although the contractor commenced work in January 2011, a signed contract was not put in place until August 2012, some weeks after the conclusion of audit fieldwork. The reason given for the delay was that it was an oversight by Housing management. For this period, the City would have been exposed to a number of risks, chiefly, that the contractor could have walked away from the arrangement and, that any issues relating to adverse performance could have been problematic to manage. This significant risk was addressed prior to the issuing of the draft internal audit report and therefore it was not necessary to raise a red priority recommendation.</p> <p>Whilst the contractual relationship was considered to be working well, and day to day issues dealt with, an amber priority recommendation was agreed to maintain formal monthly monitoring meetings.</p> <p>In respect of post-completion inspections, two concerns emerged. Firstly, the lack of segregation of duties and absence of a random selection process could result in Technical Officers 'cherry-picking' jobs, resulting in a non-representative sample and thereby reducing the effectiveness of the inspection regime. Secondly, there is no system in place for monitoring inspections undertaken; consequently there is a risk that the 10% target may not be achieved and the contractor's work is therefore not subject to the requisite scrutiny. Two amber priority recommendations have been agreed to generate the sample of jobs for post completion inspections independently and improve the overall systems of post completion inspections.</p>	<p><u>Management Response:</u></p> <p>Management have agreed with all the five amber and five green priority recommendations, with are all due for implementation by April 2013.</p>
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Audit: Corporate Review – Governance and VFM in the application of project priorities. Amber Assurance (3 Amber, 3 Green priority recommendations)

<u>Audit Scope:</u>	<u>Audit Findings:</u>	<u>Management Response:</u>
<p>This review was undertaken on behalf of the Officer Corporate Projects Board at the request of the Financial Services Director. This review tested the accuracy of the categories being attributed to projects and whether these were compliant with the criteria previously agreed with Members. As the priority of these categories is relied upon by Members when deciding which projects are to be progressed and which are not, this process goes to the very heart of the City's Governance and Value for Money arrangements.</p>	<p>This review sampled fifteen projects chosen from those listed on Project Vision in respect of six different departments, with individual project values between £30k and £27m, and a total sample value of between £77.4m and £81.9m.</p> <p>In the opinion of Internal Audit at least seven (47%) of the projects sampled have been incorrectly allocated to categories of a higher priority than they should have been. On a further project, initial assessments indicate that this may also have been allocated to a higher priority than it should have been.</p> <p>This review has also noted anomalies between the categories detailed in Project Vision and those reported to Members. Some 20% of the projects sampled were listed as a higher priority in Project Vision than had been reported to Members. A further 27% of the projects sampled had been placed within the top three categories on Project Vision without the category used having been clearly reported to Members. A further inconsistency was noted on one project where the financial data stored on Project Vision was different to that which had been reported to Members.</p> <p>Three amber recommendations were made to further refine the use of software in respect of data entry and verification controls, and to improve the quality of financial assessments. Three green recommendations were made to more clearly define the criteria to which project categories are applied, to train staff in their application, and to improve the use of existing reporting templates so as to ensure the provision of information necessary for effective governance. The implementation of these recommendations will better facilitate governance and value for money by mitigating the risk of decisions based upon inaccurate or incomplete information.</p>	<p>Management have agreed that the amber priority recommendations are due for full implementation by June 2013, with all recommendations to be implemented by September 2013.</p>

Audit: Culture Heritage & Libraries – Procurement of Reprographic Equipment. Amber Assurance (2 Amber, 3 Green priority recommendations)

<u>Audit Scope:</u>	<u>Audit Findings:</u>	<u>Management Response:</u>
<p>The Internal Audit Section was requested to investigate the circumstances resulting in the procurement of an expensive photocopier and printing machine. The department had received a demand for lease payments in respect of the machine, the total value of all payments over a five year lease period being in the region of £44,000. Management investigations undertaken prior to the request for Internal Audit's review had established that the procurement had not been authorised or been given budget holder approval.</p>	<p>The review concluded that greater control is required by the department in the procurement of equipment and subsequent lease monitoring. Contracts have been entered into without appropriate authorisation or budget holder approval. One lease examined was for an agreement for equipment situated in a property managed by the City Surveyor. Whilst it has been established that this lease is the City's responsibility and the cost included within the property service charges, it should not have been signed by an employee of the Culture, Heritage and Libraries Department. The Director of Culture, Heritage and Libraries agreed to instruct all his staff by e-mail to ensure that they operate within financial delegation limits and to consult with the departments Policy & Performance Team before committing the department to high value expenditure.</p> <p>In respect of the procurement of the equipment which initiated the investigation, interviews have been held with the sales representative from Photocopier Leasing firm and Guildhall Library staff who were alleged to have requested the photocopier. There has also been correspondence with the former Finance & Administration Officer. The advice of City of London Police and the City Solicitor and Comptrollers Department has been sought. Police have indicated that it would not be possible to pursue criminal action in this matter.</p> <p>Contract management for existing copiers has also been poor since an analysis of invoices compared to leases revealed that there are two machines for which the leases have run into the "secondary period" (i.e. the City has an option to keep the equipment at a reduced rate), but the original lease costs were still being paid. An overpayment of £546 had been made which has subsequently been recovered from the leasing firm. Recommendations were made to address the lack of control over monitoring lease payments and ensuring that future equipment procurement is undertaken in consultation</p>	<p>Two amber priority and three green priority recommendations were agreed to improve control in this area and were implemented by 31st March 2013</p>

	with the City of London Procurement Service (CLPS).	
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