



Audit Committee Report

REPORT OF	Director of Resources	DATE 8/1/2015
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SUBJECT	Wider Corporate Systems Implications Arising from the Adult Social Care (ASC) Management Review
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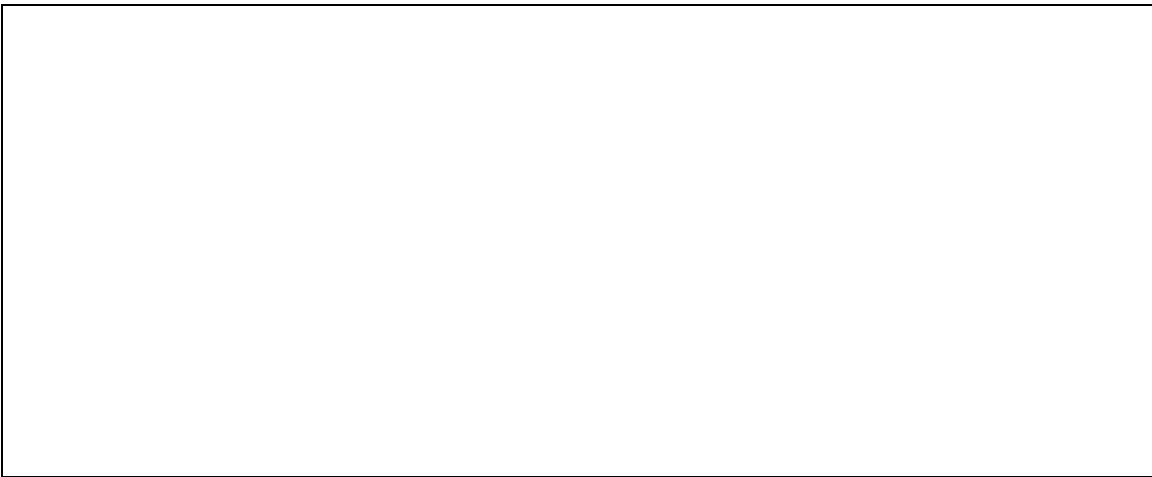
SUMMARY	This report summarises work undertaken by both internal and external audit, and Business Strategy to consider the wider implications of the ASC management review on the corporate systems on the Council.
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RECOMMENDATIONS

FINANCIAL IMPLICATIONS CLEARED BY	No Laura Pattman	PARAGRAPHS
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BACKGROUND PAPERS

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**CATEGORY OF
REPORT**

Open

Statutory and Council Policy Checklist

Financial implications
YES /NO Cleared by: L Pattman
Legal implications
YES /NO
Equality of Opportunity implications
YES /NO
Tackling Health Inequalities implications
YES /NO
Human rights implications
YES /NO
Environmental and Sustainability implications
YES /NO
Economic impact
YES /NO
Community safety implications
YES /NO
Human resources implications
YES /NO
Property implications
YES /NO
Area(s) affected
Relevant Scrutiny Committee if decision called in
Not applicable
Is the item a matter which is reserved for approval by the City Council? YES/NO
Press release
YES /NO

REPORT TO SHEFFIELD CITY COUNCIL AUDIT COMMITTEE

8th January 2015

Director of Resources Report –Wider Corporate Systems Implications Arising from the Adult Social Care Management Review

PURPOSE OF THE REPORT

1. This report summarises the evaluation of the wider corporate system implications arising from the adult social care management review.
2. The report draws on work undertaken by Internal Audit, External Audit (KPMG) and Business Strategy, Communities to assess whether corporate system weaknesses exist which could result in a similar overspend situation in other areas of the council.

BACKGROUND

3. The Communities over-spend Management Review was commissioned by the Chief Executive and the Section 151 Officer in July 2013. A report was presented to the Audit Committee in July 2014, outlining the reasons why the overspend manifested and the action that was being taken within the portfolio to address the budget situation.
4. At that July meeting, members requested that consideration be given to the main corporate systems of the council and whether there are any wider implications and lessons that could be learnt from the ASC management review, in particular whether corporate system weaknesses exist which could result in a similar overspend situation in other areas of the council.
5. As part of the Internal Audit review cycle, a programme of reviews that cover the main financial systems of the Council are undertaken. The work in these areas has been examined by the Council's External Auditors and reliance is placed upon this work for the Council's annual accounts.

Main Financial Systems 2013/14

6. The key relevant systems covered in 2013/14 are noted below, along with a brief description of the scope and outcome :-

Debtors

This audit covered the controls within the Council's OEO system and reconciliation processes in place. As per our rolling programme, Internal Audit followed up the previously agreed recommendations and a sample of debtor accounts was included. A number of recommendations were made and agreed and an overall opinion of

Medium-Low was given.

Payroll

This audit covered the controls within the Payroll system to ensure payments and deductions are made accurately and are supported with appropriate documentation. The overall opinion given was Medium-High. The 14/15 audit will consider progress against the previously agreed recommendations as well as areas from the annual rolling programme.

CYPF Financial Reporting

As part of the rolling programme of portfolio focussed audits, a budgetary reporting and controls audit was undertaken for the CYPF portfolio. Three recommendations were agreed mainly around the allocation and reviewing of budgets. The audit concluded with a Medium-Low opinion, therefore the controls are largely in place with scope to improve their operation.

Main Financial Systems 2014/15

7. As part of the 2014/15 cycle of main financial system reviews, the Debtors, Payroll and National Non-Domestic Rates (NNDR) audits are currently underway and will be summarised in the Internal Audit annual report.

Resources Financial Reporting

8. A budgetary reporting and control audit was undertaken for the Resources portfolio. Three recommendations were agreed mainly around the allocation and reviewing of budgets. The audit concluded with a Medium-Low opinion, therefore the controls were largely in place with scope to improve their operation.

Annual Governance Statement 2013/14

9. The Council's Annual Governance Statement (AGS) previously circulated to the Audit Committee (July 2014) included 3 items that were highlighted by management as areas of significant control weakness. These included Adult Social Care and Supporting Services but did not include concerns about any of the main corporate systems.

CareFirst Financials

10. This internal audit review was of the computer application, CareFirst, which is used by the Communities Portfolio to monitor payments and provide management information. This was not a service review, but covered some issues which formed part of the wider management review. It was recommended that senior management within the service address the issues relating to budget holders approving commitments on the Carefirst system whilst the budget is overspent. This included taking action as a matter of priority to review service strategies and budgets to ensure that these align.
11. A follow-up piece of work was completed by Internal Audit in September 2014 and all operational recommendations made at the time had been implemented. It was stated by management “that recovery action was continuing with appropriate Head of Service/Director budget approval. Improved workflow tracking is being rolled out to give better management information. This is used to support improved performance, both for individuals and teams overall”.

KMPG Review of Financial Support Processes in Adult Social Care

12. KPMG were commissioned by the Council to undertake a review into the financial management support, following on from the management review into Adult Social care. The report identified key issues in the following four areas:
 - Data
 - Processes
 - Systems and Management Information
 - Integration.
13. Work is underway to address the issues identified in this review. This on-going work is detailed in the report ‘Implementing the Recommendations of the Management Review January Update’. This paper intends to inform the Audit Committee of those issues identified by KPMG which have the potential to have an impact wider than the Communities Portfolio.
14. The issues found in respect of data are in the main, not ones which impact across the rest of the Council as they relate purely to the inter-face between Care-first and the Council’s financial system OEO. However as the Children’s, Young People and Families Portfolio (CYPF) use Care First there will be similar issues arising there relating to:
 - Care First and OEO reconciliation issues
 - Care First data ownership and subsequent data quality
 - Duplication of supplier data
 - Timeliness of data
15. The issues around processes relate primarily to the Communities Portfolio, but there are some issues that impact across the rest of the council. These include:
 - Care Plan Financial Control and Sign-off – Impacts on CYPF
 - High value care plans – Impacts on CYPF

- Recording data – Health care information on Care First – Impacts on CYPF
 - Allocation of Responsibility and Accountability between departments – Potential impact council wide – although this is untested
 - Incremental Budgeting – Potential for Council wide impact
 - Lack of focus on outcomes – Potential for Council wide impact.
16. The issues around Systems and Management Information are specific to the Communities Portfolio in the most part, however there were some issues identified which have the potential to impact across the rest of the Council, these include:
- Limited forecasting capability in relation to specific care budgets due to a lack of analysis of Care First data – this issue could impact on CYPF
 - Activity and Financial Management Information are reported separately – Potential for Council wide impact
 - Care First – Lack of Management Reporting Capability – this issue could impact upon CYPF
 - Lack of effective outcome reporting – Potential for Council wide impact
 - Ineffective health care reporting – this issue could impact on CYPF
 - Overall quality of financial management information relating to the content, style and quality of financial management reports – Potential for Council wide impact
 - Lack of clarity in relation to reporting suite – Potential for Council wide impact.
17. The issues around Integration are specific to the Communities Portfolio in the main. However there were some issues identified which have the potential to impact across the rest of the council, these include:
- Interaction with Healthcare providers – Verification of Data – this issue has the potential to impact on CYPF
 - Finance function integration into decision making processes – Potential for Council wide impact.
18. The findings of this review will be considered and acted upon in a variety of ways, including, but not limited to:
- Informing 15-16 Audit Planning
 - Linked back to the Annual Governance Statement
 - Addressed as part of a change process in the Finance Service to be implemented in 15-16
 - Shared with relevant Officers in the Council to determine potential impacts and implement mitigation actions where required.

CONCLUSIONS

19. A considerable amount of work has been undertaken reviewing main corporate systems to ensure controls are adequate. Adherence to the processes and controls contained within these main systems is essential to help mitigate against a repeat of the communities overspend.

FINANCIAL IMPLICATIONS

20. There are no direct financial implications arising from the report.

EQUAL OPPORTUNITIES IMPLICATIONS

21. There are no equal opportunities implications arising from the report.

RECOMMENDATIONS

22. That members note the information in the report.

23. That members receive further progress updates regarding actions undertaken to address issues raised in the KPMG report.

Laura Pattman
Assistant Director of Finance

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