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# Annual Internal Audit report 2016-17 - Summary Report

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<b>Committee considering report:</b>	Governance and Ethics Committee on 21 August 2017
<b>Portfolio Member:</b>	Councillor Keith Chopping
<b>Date Portfolio Member agreed report:</b>	3 August 2017
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<b>Forward Plan Ref:</b>	GE3367

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## 1. Purpose of the Report

- 1.1 To update the Committee on the outcome of internal audit work carried out during the second half of 2016-17.
- 1.2 The Public Sector Internal Audit Standards, as adapted by CIPFA's "Local Government Application Note" requires the Chief Internal Auditor to make a formal report annually to the Council in order to present an opinion of the Council's internal control framework.
- 1.3 An interim report was made to the committee in January to address emerging issues This report builds on the interim report, without repeating any of the detail from that report, to provide the basis for the Chief Internal Auditors opinion.

## 2. Recommendation

- 2.1 To note the report.

## 3. Implications

- 3.1 **Financial:** None
- 3.2 **Policy:** None
- 3.3 **Personnel:** None
- 3.4 **Legal:** None
- 3.5 **Risk Management:** None
- 3.6 **Property:** None
- 3.7 **Other:** None

## 4. Other options considered

- 4.1 None

## Executive Summary

### 5. Introduction / Background

- 5.1 A summary of the internal audit work that is currently underway is at appendix A. Details of work completed during the second half of 2016-17 is at appendix B.
- 5.2 The following table summarises the results of the audit work where an opinion was given.

Type	Very weak	Weak	Satisfactory	Well Controlled	Very Well Controlled
Key Financial System			1	1	
Other systems		1			

- 5.3 The audit that was rated as weak was Section 17 Support in Children and Family Services.

- (1) Internal Audit comments - Under Section 17 of the Children Act 1989, local authorities have a duty to safeguard and promote the welfare of children within their area who are assessed as being in need; and to promote the upbringing of such children by their families, by providing a range and level of services appropriate to those children's needs. The support provided under Section 17 may cover accommodation costs and giving assistance in kind, vouchers or cash. Assistance may be unconditional or subject to conditions as to the repayment of the assistance or of its value (in whole or in part). Our review concentrated on the adequacy of the processes and procedures that the Service has established regarding the provision of financial assistance under Section 17 of the Children Act 1989. We also covered the provision of advice for such cases to ensure all possible sources of support, both financial and advisory, have been taken into account when assessing the need for Council support.

The main areas of weakness related to the fact that the Service has not clearly defined what it will provide as part of Section 17 support, although we found that there was a policy/procedure covering Section 17 support, it was dated 2009 and is no longer being followed in practice. Due to the lack of an up to date Policy and guidance we found inconsistencies regarding how the provisions were being made, recorded and reviewed. There were also inconsistencies with the budget codes used to record expenditure being incurred for S17, which makes it difficult to identify and monitor the level of Section 17 support being provided.

- (2) The Head of Children and Family Services comments - there have been significant structural and financial changes across Children and Family Services over the last two years to move the service from a significant over-spending position to managing an outturn of a small underspend in 2016/17. This process has included a range of training, recording and restructuring within the service to ensure strong financial disciplines across a range of budgets.

This work continues and a re-profiling of our S17 budgets took place at the beginning of the 2017/18 financial year. It is accepted however that our policy, practices and monitoring arrangements need to be reviewed and amended to reflect the practices that take place across other areas of spend within CFS and align with this re-profiling.

A challenge for the service has been that we were needing to assure ourselves as to the breadth of changes that have been introduced that we resisted making further changes to financial arrangements until confidence could be gained in ensuring a full year of well managed budgets and service spend was undertaken. This has now been confirmed through 2016/17 and therefore priority will be given address all the issues raised in this audit to bring further confidence in the financial management arrangements within Children and Family Services under the area of Section 17 spend.

- 5.4 The following summarises the results of follow up audits where internal audit provide an opinion on progress being made with the implementation of agreed recommendations.

Type	Unsatisfactory	Satisfactory
Key Financial Systems		
Other systems		5

- 5.5 The results of the audit work in this period are positive. The key point the committee should bear in mind is that services are responding positively to audit work and are implementing agreed recommendations.

## 6. Proposal

- 6.1 The results of the audit work should be noted.

## 7. Conclusion

- 7.1 No fundamental weaknesses were identified in Council’s internal control framework through the work carried out by Internal Audit. Overall the internal control framework remains robust.

## 8. Appendices

- 8.1 Appendix A – Current audit work  
 8.2 Appendix B – Completed audit work