

East Staffordshire Borough Council

Internal Audit Report 2019/20
20_ESC22 – Disabled Facilities Grants
FINAL

October 2019



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1. What we found in summary

The Council has established operational processes and controls regarding the administration and management of Disabled Facilities Grants (DFG) awards and payments. We did not identify any high risk concerns to highlight, but identified some matters which needed management attention. We also noted a significant under-spend in 2018/19, which was carried forward into 2019/20 to be spent in-year.

Assurance level

Significant Assurance

The key issues that management must address

- Formal documented procedures need to be produced covering the award, management and monitoring of DFGs and corresponding works.
- The relevant DFG webpages need to be updated.

Individual control objectives

Key controls	Level of assurance				
	Full	Significant	Moderate	Limited	No
1. Up to date procedures for the receipt and assessment of grant applications and the authorisation and payment of grants are in place.			✓		
2. All grant applications are processed and grants awarded in accordance with relevant Policy and Procedures and governing Regulations, and this is evidenced by clearly documented files.	✓				
3. All grant payments are made at the rates quoted by the appropriately selected contractor at the award of the contract, for work completed to the required standard, in a timely manner.	✓				
4. There are procedures for the monitoring of and reporting on the grants claim system, including robust and effective financial/budget management.		✓			

2. The context for our review

General background

An internal audit review of the Council's arrangements for the operation of the award and expenditure of DFGs allocation monies and the management of awards and payments by the council has recently been completed. This review was carried out as part of the 2019/20 internal audit plan agreed by the Audit Committee. We have provided assurance in previous years regarding the annual certification of DFG awards and expenditure; this audit was undertaken alongside testing to support a certification relating to 2018/19 expenditure, which has been provided to the Council separately.

The system

The Better Care Fund provides a mechanism for joint health and social care planning and commissioning, bringing together ring-fenced budgets from Clinical Commissioning Group (CCG) allocations, the Disabled Facilities Grant and funding paid directly to local government for adult social care services – the Improved Better Care Fund (IBCF).

The Council receives funding for Disabled Facilities Grants within the Borough from Staffordshire County Council, via funds passported from the Ministry of Housing, Communities and Local Government (MHCLG). This agreement details the grant conditions in line with national Better Care Fund guidance that need to be complied with and certified to ensure that the monies have been spent in line with the guidance.

The Council is operating amended processes in relation to the provision of Occupational Therapist (OT) services and obtaining grant-aided works. This audit aims to assure on these current processes as well as providing certification to grant funding bodies.

3. What we agreed to do

The overall objective in undertaking this review was to ensure, through a process of systems evaluation and compliance testing, that there is an appropriate control framework in place to manage the following key risks and to deliver key system controls:

The key risks

- There are no up to date policies / procedures in place to ensure that all DFG applications are appropriately processed.
- Grants awarded cannot be supported by audit trails evidencing compliance with relevant policies and procedures (national and local).
- Payments to inappropriate contractors at unofficial rates.
- Inappropriate monitoring of and reporting on DFG expenditure.

Key controls

- Up to date procedures for the receipt and assessment of grant applications and the authorisation and payment of grants are in place.
- All grant applications are processed and grants awarded in accordance with relevant Policy and Procedures and governing Regulations, and this is evidenced by clearly documented files.
- All grant payments are made at the rates quoted by the appropriately selected contractor at the award of the contract, for work completed to the required standard, in a timely manner.
- There are procedures for the monitoring of and reporting on the grants claim system, including robust and effective financial/budget management.

The results of this review have been discussed with the Environmental Health Team Manager. Action to resolve control weakness has been agreed as necessary. This report highlights findings on an exception basis and does not therefore refer to, or include detail of, controls that the audit found to be operating satisfactorily. Our opinion, detailed in section one of the report, provides an overall assessment regarding the level of assurance we can provide regarding the controls operating in the system. The review will feed into the Head of Internal Audit Opinion which in turn forms part of the assurance for the Annual Governance Statement. Implementation of recommendations will be monitored by the Audit Committee.

4. Our findings and how management has responded

Control Objective 1: Up to date procedures for the receipt and assessment of grant applications and the authorisation and payment of grants are in place.

Area	Audit Finding	Risk	Risk Ranking	Recommendation	Response	Who and when
1.1 DFG Procedures	<p>It was confirmed by the Environmental Health Team Leader that documented procedures for how DFG awards are processed and managed, since the cessation of the HIA Contract and contracting out of Adults OT assessments, have not yet been produced.</p> <p>These are currently in the process of being developed.</p> <p>There is however currently a DFG Policy which sets out general procedural requirements. We also note that a process map was produced to support the establishment of new 'in house' processes, albeit this is not in the form of a procedure document used daily by staff.</p>	Procedures for awarding, processing and managing DFG awards, completion of works and payments are not formally fully documented to provide clear guidance for staff, which may lead to awards being incorrectly processed or incorrectly managed.	3	Formal documented procedures for the award, management and monitoring of DFG awards, works and payments should be produced and made available to staff to provide clear guidance for processing and managing DFG awards. These would support the general guidance set out in the DFG Policy.	Formal documented procedures are in the process of being produced, but have been delayed due to recent changes to the DFG process.	Rachel Liddle January 2020
1.2 Website	We noted that the Council webpages relating to DFGs had not been updated to reflect the revised arrangements which came into force in 2018. As a result visitors to the website, including potential applicants, were being signposted to previous service providers and processes rather than to the current arrangements.	Potential applicants and other interested parties may misunderstand the Council's processes, impacting on applications and their speed of progress.	3	The relevant DFG webpages on the Council website should be updated as soon as possible.	The website was updated on 30/10/2019 with the updated DFG service	Rachel Liddle October 2019

Control Objective 2: All grant applications are processed and grants awarded in accordance with relevant Policy and Procedures and governing Regulations, and this is evidenced by clearly documented files.

There were no issues identified to report relating to this control objective. Our review of a sample of 10 grant awards, completed works and payments, confirmed that those reviewed had been processed correctly in accordance with formal guidance, notwithstanding the issue raised above.

Control Objective 3: All grant payments are made at the rates quoted by the appropriately selected contractor at the award of the contract, for work completed to the required standard, in a timely manner.

There were no issues identified to report relating to this control objective. Our review of a sample of 10 grant awards, completed works and payments, confirmed that those reviewed had been processed correctly in accordance with formal guidance, and that the contracted works had been paid for correctly following confirmation that works had been completed satisfactorily.

Control Objective 4: There are procedures for the monitoring of and reporting on the grants claim system, including robust and effective financial/budget management.

There are adequate procedures in place for monitoring and reporting grant awards and payments during the year, and there is an annual reconciliation between the Housing System and the General Ledger to confirm the amounts of grants paid relating to the relevant financial years. The issue with regard to the lack of formal documented procedures has been reported under Control Objective 1 above.

We noted that there had been a very significant underspend of the funds awarded for 2018/19 - the overall DFG Budget for 18/19 was £1,142k, with £889k unspent. Grant funding for the year was £947,755. This was reported to Cabinet and the unspent sum approved for carry forward. The Environmental Health Team Manager has advised that the unspent allocation was not due to lack of demand but mainly due to delays inherited from the Home Improvement Agency (previously used) and changes to the way in which the OT referral worked with the County Council. We do not consider this is a control weakness, rather a matter which requires ongoing operational management. We understand that the Council is working to ensure funds are suitably spent in 2019/20. We do not raise a recommendation on this matter as the position will continue to be closely monitored through the Council's budget management and financial reporting processes.

Appendix 1: Definition of our assurance levels and our risk rankings

Opinion	Assessment rationale
No	The audit highlighted weaknesses in the design or operation of controls that have not only had a significant impact on the delivery of key system objectives, they have also impacted on the delivery of the organisation's strategic objectives. As a result, no assurance can be given on the operation of the system's internal controls to prevent risks from impacting on achievement of both system and strategic objectives.
Limited	The audit highlighted some weaknesses in the design or operation of control that have had a serious impact on the delivery of key system objectives, and could also impact on the delivery of some or all of the organisation's strategic objectives. As a result, only limited assurance can be given on the operation of the system's internal controls to prevent risks from impacting on achievement of the system's objectives.
Moderate	The audit did not highlight any weaknesses that would in overall terms impact on the achievement of the system's key objectives. However, the audit did identify some control weaknesses that have impacted on the delivery of certain system objectives. As a result, only moderate assurance can be given on the design and operation of the system's internal controls to prevent risks from impacting on achievement of the system's objectives.
Significant	The audit did not highlight any weaknesses that would materially impact on the achievement of the system's key objectives. The audit did find some low impact control weaknesses detailed in section four of this report which, if addressed, would improve the overall performance of the system. However these weaknesses do not affect key controls and are unlikely to impair the achievement of the system's objectives. As a result, significant assurance can be given on the design and operation of the system's internal controls to prevent risks from impacting on achievement of the system's objectives.
Full	The audit did not highlight any weaknesses that would impact on the achievement of the system's key objectives. It has therefore been concluded that key controls have been adequately designed and are operating effectively to deliver the key objectives of the system. As a result, full assurance can be given on the operation of the system's internal controls to prevent risks from impacting on achievement of the system's objectives.

Risk ranking	Assessment rationale
1	The system has been subject to high levels of risk that have, prevented the system from meeting its objectives and also impacted on the delivery of the organisation's strategic objectives.
2	The system has been subject to high levels of risk that has, or could, prevent the system from meeting its objectives, and which may also impact on the delivery of some or all of the organisation's strategic objectives.
3	The system has been subject to medium levels of risk that have, or could, impair the system from meeting its objectives.
4	The system has been subject to low levels of risk that has, or could, reduce its operational effectiveness.

Appendix two: Responsibility Statements

Responsibility statement

We have prepared this document solely for your use and, therefore, we believe that it would not be appropriate for it to be made available to third parties. If such a third party were to obtain a copy, without our prior written consent, we would not accept any responsibility for any reliance that they might place upon it. In the event that, pursuant to a request which you have received under the Freedom of Information Act 2000 you are required to disclose any information contained in this report, then you will notify CW Audit Services promptly and consult with us prior to disclosing such report. You agree to pay due regard to any representations which we may make in connection with such disclosure and apply any relevant exemptions which may exist under the Act. If, following consultation with us, you disclose this report or any part thereof; it shall ensure that any disclaimer which we have included, or may subsequently wish to include in the information, is reproduced in full in any copies disclosed.

Compliance with applicable standards

Our review of compliance against the applicable audit standards has confirmed that this engagement has been conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. In conducting this assignment we can confirm that there have been no impairments to our independence or objectivity, either as an organisation or as individual auditors involved in delivering this service.