

FINAL INTERNAL AUDIT REPORT

EDUCATION, CARE AND HEALTH SERVICES DEPARTMENT

REVIEW OF THE CHILDREN'S SOCIAL CARE BUDGET MANAGEMENT 2018-19

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REVIEW OF CHILDREN'S SOCIAL CARE BUDGET 2018-19

INTRODUCTION

1. This report sets out the results of our systems based audit of The Children's Social Care (CSC) Budget Management 2018-19. The audit was carried out in Quarter 3 and 4 of 2018-19 as part of the programmed work specified in the 2018-19 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The scope of the audit was outlined in the Terms of Reference issued in July 2018.
4. The Employee Budget Monitoring (EBM) system is the system used to record staffing costs for Children's Services. The source data for EBM is pulled through from a combination of Oracle General Ledger, Resource Link (Payroll system) and information from the Council's agency staff contractor. This process is managed by the Financial Systems Team.

AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

AUDIT OPINION

6. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

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MANAGEMENT SUMMARY

7. Controls noted to be in place and working well, based on the testing conducted, included:
- Cost drivers were identified and were evidenced as being monitored on at least a quarterly basis.
 - Quarterly monitoring reports had detailed explanations of any over or underspend. The December (Q3) budget monitoring reporting showed that explanations / meeting notes were included, helping to clearly explain any variances.
 - Budgetary shortfalls had been identified via the above mentioned regular monitoring. For example, agency costs were expected to have an overspend of £1m in 2018/19. However, in order help mitigate this issue, actions had been proactively taken by the Director of Childrens Services to look at options such as hiring newly qualified staff (at a lower cost) and offering incentive options for more experienced social workers to join the Bromley's payroll instead of working via an agency (which results in a higher cost to the Council). In the 2019/20 budget, funding had been set aside to increase pay and incentives and this was expected to be rolled out from April 2019.
 - CSC service provision was demand led and dependent on the number of child cases the Council had in the Borough. The Council therefore had to predict these numbers as a base. The Head of Finance, Education, Care and Health Services verified that this was achieved by the service using information taken from data analysis (held within the Strategy Team) together with management knowledge and experience. This will always only be an estimate and the Council had seen spikes in the past, for example, very expensive placements emerging due to families moving into the area, and/or through lack of supply.
 - It was confirmed that Budget Managers had access to EBM. This tracked expenditure on staffing and a monthly sign-off process was in place which enabled such managers to own the budget monitoring process by acknowledging their awareness of what was going through their cost centres.
 - As part of a Council wide plan a Transformation Programme had been set up with six work streams including Children's Services and Education which will examine Council delivered services and what they may look like in future. This is part of the overall position of trying to recover £31m (which was the predicted deficit in four to five years' time).
 - Budgetary scrutiny was achieved at departmental level first, before being considered by the Policy Development and Scrutiny (PDS) Committee, and ultimately onto the Executive. This happened in quarterly cycles. The Director of Finance also provided regular updates to Chief Officers on the overall strategic position.

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However, we would like to bring to management attention the following issue:

- It is unclear as to whether all of the identified mitigation predications are achievable and based on realistic / justifiable assumptions.

SIGNIFICANT FINDINGS (PRIORITY 1)

8. There were no priority one recommendations raised as part of this audit.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

9. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

ACKNOWLEDGEMENT

10. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

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DETAILED FINDINGS

APPENDIX A

No.	Findings	Risk	Recommendation
1.	<p><u>Growth and Mitigation</u></p> <p>Growth within a budget identifies areas where it is predicted that there will be greater activity of a particular element in the future. Mitigation identifies areas where savings can potentially be made. The Children’s Social Care Growth and Mitigation spreadsheet was obtained and detailed the following:</p> <ul style="list-style-type: none"> - Growth (specifically for placements) would be £4,049k, which would net, after mitigation, to £3,149k. There were two areas of ‘mitigation’ identified. However, in one of these cases it could not be evidenced as to how realistic the assumptions were and on what basis the figure had been calculated. The figure was advised to be highly dependent on creating a fostering provision which would generate £400k. Management agreed that this was a more challenging estimation which had been less evidenced than other expected mitigations. 	<p>Where identified mitigation predictions do not appear realistic or are not based on justifiable and evidenced assumptions, there is an increased risk that growth may occur but cannot be offset to the level required in order that the Council is able to fulfil its statutory duties to the standard expected.</p>	<p>All mitigation streams should be clearly documented and supported by evidence / workings to help confirm and substantiate on what basis they have been calculated. Such figures can then more easily be subject to management scrutiny and challenge to help ensure that they are achievable in reality.</p> <p>(Priority 2)</p>

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	All mitigation streams should be clearly documented and supported by evidence / workings to help confirm and substantiate on what basis they have been calculated. Such figures can then more easily be subject to management scrutiny and challenge to help ensure that they are achievable in reality.	2	Agreed, in future all mitigation will be fully evidenced.	Head of Finance	From the next time this is reported.

OPINION DEFINITIONS

APPENDIX C

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level

Definition

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.