



Savings Plans (Housing and Adult Social Care) - 2017/18

City of York Council

Internal Audit Report

Business Unit: Health, Housing and Adult Social Care
Responsible Officer: Director of Health, Housing and Adult Social Care
Service Manager: Various
Date Issued: 12th June 2018
Status: Final
Reference: 10120/010

	P1	P2	P3
Actions	0	1	1
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

Wider economic conditions have put the council under pressure to make significant savings across all directorates. For the year 2017-18, there is a commitment to deliver savings totalling £6m across the council, which is equivalent to 5.0% of the net budget. The HHASC directorate specifically has 24 savings plans, aiming to save a total of approximately £1.8m in 2017-18, and £1.7m in 2018-19.

In consultation with the Director of Health, Housing and Adult Social Care, five savings plans were identified as a priority to be tested. These were:

- HHASC2 - Housing Staffing - (Total savings of £68k)
- HHASC7 - Substance Misuse - Drugs and Alcohol - (Total savings of £175k)
- HHASC18 - Transforming Care - Learning Disability customers - (Total savings of £903k)
- HHASC19 – Carers - (Total savings of £250k)
- HHASC22 - Commissioned Contracted Services - (Total savings of £100k)

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system ensure that the proposed savings plans are deliverable. This entailed confirming that the following elements have been sufficiently addressed for each individual plan:

- Savings plans exist and are reasonable, substantive, and directive.
- Monitoring arrangements in place will ensure accurate performance information, necessary corrective action, and oversight.
- All savings plans have given due consideration to risk, are risk responsive, and include procedures to identify and assess potential additional savings.

Key Findings

It can be confirmed that there were plans in place to deliver each saving. Whilst the level of detail varied between individual plans, they were all adequate and reasonable, and as far as could be determined in the course of the audit, they were in enough detail to deliver the identified saving. Monitoring arrangements should ensure that accurate performance information is provided to the appropriate people in a timely fashion, with reporting being frequent enough that corrective action should be possible in order to deliver the saving as projected.

The most significant issue identified is that in general, the area could be more formal, with a standardised approach to devising and delivering a saving, and could also be documented more consistently. Improvement in these areas should help to ensure more robust plans, with sufficient

consideration given to all pertinent issues, and should enable more effective oversight in the area. One further issue related to the treatment of risk in the course of devising, and delivering a saving. Generally, there was a lack of documentation relating to risk management. This resulted in a lack of formalised contingency plans, as well as savings plans that may not be sufficiently adaptable to a changing environment and any developing risks, and also a lack of mechanisms for the identification of any potential additional savings. However, despite these issues, it should be understood that there was consideration given to risk, in a more informal and ad-hoc manner, and the plans are generally on track to be delivered.

Further information on the individual savings plans can be found in the separate annex to this report.

Overall Conclusions

The arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

1 Lack of formal process

Issue/Control Weakness

There are no formal requirements for a savings plan.

Risk

Plans may not be adequate to ensure the delivery of the saving.

Findings

There is no standardised process in how plans are devised, and there is no approved process for the overall exercise of developing a plan for, and then delivering, a saving. There is an ad-hoc approach to savings plans, which does help tailor them to the context of that particular service area.

However, without an approved process in place, and standardised requirements for a plan, there is a lack of assurance that each plan has considered all elements necessary to ensure that it is robust, substantive and effective; with the best chance of delivering the saving. With some elements of savings plans being ad-hoc and undocumented, there could be an overreliance on the expertise and approach of the service manager. This could cause issues if someone else took responsibility for the saving during the savings process.

Additionally, the inconsistent approach to documentation across plans means that oversight of the savings could be compromised, as it is difficult to establish if due consideration has been given.

Agreed Action 1.1

Housing and Adult Social Care will develop a standard approach to Savings Plan across the Directorate for adoption and implementation as part of the 2019/20 budget process.

Priority

2

Responsible Officer

Head of Commissioning and Head of Finance – Housing and Adult Social Care

Timescale

31st October 2018

2 Documentation of risks

Issue/Control Weakness

There is not an expected requirement in place to ensure adequate consideration is given to the mitigation of risk.

Risk

Plans may not be adequate to ensure the delivery of the saving.

Findings

A common theme across the savings plans was a lack of documented risk awareness. Three of the five plans tested did not demonstrate that a sufficient risk analysis exercise had been conducted. This meant that threats to the savings plans may have not been identified, and therefore mitigated. Whilst there is a risk management section in the executive report passed by members for each saving, this section tended to be brief, without assessing the risks in detail, and mitigating controls were not explained in any detail.

One consequence of the lack of a formal approach to risk management was that there were no formal and documented contingency plans drawn up, to enact in the event the original savings plan was not going to be adequate.

Additionally, plans could not be shown to be risk responsive, and may not be amended should new risks arise in a change of circumstances. This would be reliant on the experience and expertise of the manager responsible for delivering the plan. There was also no evidence that consideration had been given to identifying potential additional savings that may be possible due to a change of circumstances.

However, despite the lack of formal work and documentation, risk had been considered in a more ad-hoc fashion. Each person responsible for a savings plan had a good working knowledge of the area, and in discussion showed a good awareness of risks to the plan, and how these could be, or have been, mitigated. This is supported by the general performance of the savings plans, in three out of five cases tested, the saving has been delivered. There are no significant concerns over one of the five, as year one savings are on target. The final plan tested, HHASC19 – Carers, cannot really be assessed in these terms, as it is tracking savings using a different method to the others, through a notional return on an initial investment, however the saving has yet to manifest.

Agreed Action 2.1

Savings Plans to include a section for risk assessment as part of the 2019/20 budget process.

Priority

3

Responsible Officer

Head of Commissioning and Head of Finance – Housing and Adult Social Care

Timescale

31st October 2018

Audit Opinions and Priorities for Actions

Audit Opinions	
<p>Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.</p> <p>Our overall audit opinion is based on 5 grades of opinion, as set out below.</p>	
Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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