

Final Internal Audit Report

Voluntary Sector Commissioning - Adult Social Care

June 2019

Distribution: Executive Director of Resources and Monitoring officer (Final only)
 Director of Commissioning & Improvement
 Head of Commissioning & Improvement (Adult Health & Integration)

Assurance Level	Issues Identified	
No Assurance	Priority 1	3
	Priority 2	3
	Priority 3	2

Confidentiality and Disclosure Clause

This report ("Report") was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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Executive Summary

1. Introduction

- 1.1 MIND in Croydon is a mental health charity founded in 1967, which since then has developed into a significant provider of mental health services in Croydon. Working in partnership with Croydon Clinical Commissioning Group (CCG), the South London and Maudsley NHS Trust, Croydon Social Services and with other voluntary organisations, it looks to promote good mental health and seeks to empower people to lead a full life as part of their local community. To achieve these aims MIND:
- Educates and provides services;
 - Campaigns and raises funds;
 - Works in partnership with other relevant organisations;
 - Values diversity and focuses on quality; and
 - Involves service users and other volunteers in its work.
- 1.2 Croydon Council and NHS Croydon have in partnership commissioned a number of services from MIND, including employment services, welfare benefits, advocacy, social networks and information services. The CCG was until recently the lead commissioner in these arrangements and earlier in 2019 handed over to the Council. Some shortcomings had been identified before the audit and actions have already begun to address these.
- 1.3 This audit was undertaken as part of the agreed Internal Audit Plan for 2018/19 and the objectives, methodology and scope are contained in the Audit Terms of Reference at Appendix 1.

2. Key Issues

Priority 1 Issues

Copies of agreements or contracts were not available for the partnership/joint funding with the CCG / NHS Croydon or for most of the services directly paid for by the Council from MIND, (**Issue 1**).

Examination of the purchase orders raised during 2018/19 identified an instance of duplication, of orders being raised late in the year and of an order being split, (**Issue 2**).

There was no evidence available of any inspections by the Council of the services provided by Croydon MIND or of the general contract terms being complied with by MIND, (**Issue 6**).

Priority 2 Issues

The invoices from MIND for Welfare Benefits and Employment Support Services in 2018/19 exceed the amounts in the schedule prepared of charges due, (**Issue 3**).

There was no evidence provided of an overarching body responsible for the oversight of all services provided by Croydon MIND, (**Issue 4**).

There was no evidence provided of any contract meetings between the Council and Croydon MIND for the various services provided. It was explained that historically the responsibility for managing these joint funded contracts sat with the CCG, acting on behalf of the Council, (**Issue 5**).

The Priority 3 issues are detailed under item 4 below.

3. Actions and Key Findings/Rationale

Control Area 1: Organisational, Management and Legislative Requirements																	
Priority	Action Proposed by Management																
1	<p>Contract management of joint CCG and LBC funding for mental health initiatives was a function undertaken by the former Integrated Commissioning Unit. When the ICU was disbanded in 2016 this continued to be the responsibility of the CCG-employed Joint Mental Health Commissioning Manager. It was only in early 2019 that this responsibility was removed from the CCG Mental Health Commissioner's role.</p> <p>In 2017 the CCG unilaterally announced its intention to review its contribution and served notice on all its payments into the contracts. The Council secured the CCG agreement to be engaged with these reviews at director level, and with senior management engagement directly in review meetings to identify opportunities to mitigate any withdrawn NHS money. During these reviews it became clear that CCG had not maintained copies of all the service specifications, service level agreements, funding agreements and contracts or recorded variations to agreements.</p>																
	<p>Detailed Finding/Rationale – Issue 1</p> <p>The Council's tenders and Contract Regulations paragraph 22 'Standard Contract Clauses' details that, 'All Contracts and Agreements valued in excess of £100,000 must be in writing and signed by an Authorised Signatory on behalf the Council, or sealed with the Council's Seal in the presence of an Authorised Signatory.'</p> <p>Examination of the 'MH Vol Sec 3 year invoicing scheme' spreadsheet provided identified that payments to MIND were either 'in scope & recharged by CCG' or 'in scope LBC Pay Directly'. It is therefore expected that (a) an agreement is in place with the CCG regarding recharges (for those paid directly by the CCG and, where applicable, for the CCG's share of those paid direct by the Council) and (b) individual contracts are in place for each of the services paid for directly by the Council.</p> <p>As per the spreadsheet, the services paid direct by the Council for 2018/19 were:</p> <table border="1"> <tbody> <tr> <td>MIND Advocacy (IMHA)</td> <td>£67,887.00</td> </tr> <tr> <td>MIND Advocacy</td> <td>£65,445.46</td> </tr> <tr> <td>LGBT A Place called Home</td> <td>£26,315.48</td> </tr> <tr> <td>Imagine Mentoring and Befriending</td> <td>£25,288.13</td> </tr> <tr> <td>New Carers Support</td> <td>£15,908.87</td> </tr> <tr> <td>CRUSE in Croydon – 1</td> <td>£6,841.00</td> </tr> <tr> <td>TBC (Ex mind Counselling)</td> <td>£47,259.28</td> </tr> <tr> <td>MIND Employment Service</td> <td>£79,834.58</td> </tr> </tbody> </table>	MIND Advocacy (IMHA)	£67,887.00	MIND Advocacy	£65,445.46	LGBT A Place called Home	£26,315.48	Imagine Mentoring and Befriending	£25,288.13	New Carers Support	£15,908.87	CRUSE in Croydon – 1	£6,841.00	TBC (Ex mind Counselling)	£47,259.28	MIND Employment Service	£79,834.58
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	<p>The final review was signed off by the CCG Board in the summer of 2017 and implemented from September 2017. Most of the joint funding was retained, though the CCG withdrew all funding on welfare benefits and employment services.</p> <p>The 'MH Vol Sec 3 year invoicing scheme' referenced in the audit report was prepared to identify the impact of the CCG decision.</p> <p>All the agreements itemised in this document were out of the time limit of the original funding and there continued to be no written agreement of year-on-year funding, with a notice period of six months in line with standard practice in the CCG and LBC.</p> <p>The lack of robust governance in relation to these funding agreements has started to be addressed since 2018 with the One Croydon Alliance developing A major programme of Mental Health Community Pathway Transformation with the aim of progressing the Five Year Mental Health Strategy.</p> <p>All the jointly funded voluntary sector expenditure was in scope of this Programme. In April 2019, a new community pathways model of care was approved and a business case was agreed with implementation beginning immediately. The Mental Health Programme Board is the body that will oversee the implementation of the</p>	<p>Imagine Drop In and Outreach Services - 1</p> <p>MIND Welfare Benefits</p> <p>Status Employment</p> <p>Hear Us Welfare Benefits</p>	<p>£88,961.12</p> <p>£52,373.78</p> <p>£TBC</p> <p>£TBC</p>
<p>Although none of the above exceed the £100k threshold during the year, these are being made across multiple years and thus a number will exceed the threshold.</p> <p>A request for copies of the contracts in place only obtained copies of the:</p> <ul style="list-style-type: none"> - Agreement for MIND Social Networks, dated 28th June 2010, which only related to payments for the period '01st October 2009 to 30th September 2012'; and - Appendix 6 to the Agreement for the Helpline and Information Service, which was dated 11th August 2010. <p>There is a risk the services to be delivered and / or the terms under which these are to be delivered may not be clear, and hence may not be performed or performed as originally required, and in the event where agreements are not reviewed and updated may continue when no longer fully relevant.</p>			

pathway including new agreements for funding voluntary sector activities to support the new model of care.

In 2019-20 updated funding agreements incorporating standard terms and conditions and performance requirements will be put in place for all existing contracts in preparation for new contractual arrangements as part of the One Croydon Alliance.

Whilst contracts or funding agreements were not maintained, and agreed variations not given in writing by the CCG, and formal contract reviews were at best sporadic, the 2017 review (led by the CCG but including senior LBC managers) established that all the voluntary sector providers had continued to provide the services at the levels that had been agreed, with one minor exception. All were able to show annual data returns had been made to the CCG. MIND had and have continued to submit annual reports which showed that they have been over trading against the levels of activity originally agreed.

All last year's payments within the council have been reviewed and we are satisfied there were no overpayments. A new schedule of payments for this financial year are in place and agreed with MIND. £100k thresholds will not be exceeded in advance of new voluntary sector

	<p>contracts being put in place through the One Croydon Alliance.</p> <p>Joint discussions between the CCG and LBC with MIND are addressing the monitoring and reporting on outcomes identified in the new model of care during 2019/20. Similar discussions are also underway with Imagine.</p>	
<p>Responsible officer</p> <p>Commissioning Manager Physical Disability and Sensory Impairment</p>	<p>Deadline</p> <p>30 June 2019</p>	

Control Area 5: Payments		Detailed Finding/Rationale – Issue 2
Priority	Action Proposed by Management	
1	<p>To mitigate risk of excessive or duplicate payments being invoiced schedules are being drawn up for all providers. The schedule for MIND's various payments is already completed. Unfortunately requests for up-lift need to be responded to, in some case in consultation with the CCG, and before invoices can be requisitioned; and also down time on the payment system means that compliance will not be achieved until quarter 2.</p> <p>Where appropriate the purchase orders have now been drawn up for quarterly payments.</p>	<p>The Council's P2P procedures detail that, 'It is important that orders are placed on P2P before the actual cost is incurred. As soon as you are aware of a requirement for goods and services, you must raise a requisition on the P2P system. Under no circumstances should requisitions be raised retrospectively (i.e. when goods/services have been delivered).' Furthermore, orders are required to be appropriately authorised in line with the Council's Scheme of Delegation and order splitting to avoid these authorisation limits is not permitted.</p> <p>In 2017/18, some 13 purchase orders were raised for a total of £82,502.50 with a further 13 in 2018/19 for a total of £348,179.13 for services provided by Croydon Mind. Examination of these identified the following:</p> <ul style="list-style-type: none"> • Quarters 3 and 4 for the community fund have been double ordered: Purchase orders were raised on 4 July 2018 and 7 March 2019 for £41,250 (2018/19 quarters two to four Community Fund funding) and £55,000 (funding for 2018/19 quarters three and four, and a further six month extension Community Fund) respectively. • The order for 'Mind Welfare Benefits - 1819 Qtrs 1-4' was only raised on 24 January 2019 - Purchase order for £53,000. A further 'Employment Welfare Benefits support top up Q3 and Q4' was raised on 15 January 2019 for the elements previously funded by the CCG - Purchase order for £53,496. Given that the orders were so close together and were for the same service, these should have been combined and not raised separately. As such, these should have been approved by a Director, but were approved by two separate Heads of Service. • The order for 'Mind Employment - 1819 Qtrs 1-4' was only raised on 2 January 2019 - Purchase order for £80,000. • In 2018/19, Croydon Mind raised invoices for Welfare Benefits Service and Employment Service of £123,827 and £115,374 respectively, which are greater than the values of the purchase orders raised. <p>The Council's P2P procedures have not been properly complied with and there is a risk of excessive and inappropriate payments.</p>
Responsible officer		Deadline
Commissioning Manager Physical Disability and Sensory Impairment		30 June 2019

Control Area 5: <u>Payments</u>		Detailed Finding/Rationale – Issue 3
Priority	Action Proposed by Management	
2	<p>This will be double checked and anomalies resolved before invoicing Q1 2019/20.</p> <p>There was no duplicate payments made by the Council as a whole, though the split between Council was not helpful.</p> <p>The excessive payment was an increased payment the Council agreed to pay to mitigate the funding reduction from the CCG for welfare benefits and employment services in September 2017. It was a not a double payment but a transfer of payment responsibility.</p>	<p>A schedule has been prepared (namely the 'MH Vol Sec 3 year invoicing scheme' spreadsheet) which identifies the charges due to Croydon Mind from 2016/17 through to 2018/19 for the services they provide and the split of the costs of these between the CCG and Croydon Council.</p> <p>Comparison of the schedule to the actual invoices raised found that, (for the four invoices raised by MIND in 2018 to the Council for Welfare Benefits and Employment Support Services totalling £239,201):</p> <ul style="list-style-type: none"> • Invoices raised for Welfare Benefits were £71,453.22 more than the schedule; and • Invoices raised for Employment Support were £35,539.42 more than the schedule. <p>There is a risk excessive and inappropriate payments are incurred, with an adverse impact on the Council's budget.</p>
Responsible officer		Deadline
Commissioning Manager Physical Disability and Sensory Impairment		20 June 2019

<u>Control Area 4: Monitoring and Inspection</u>		Detailed Finding/Rationale – Issue 4
Priority	Action Proposed by Management	
2	<p>There is now the: Mental Health Community Pathway Transformation Delivery Group Reporting to a top level Mental Health Programme Board</p> <p>All the joint voluntary sector funding is in Scope and MIND is represented on the Board, the CCG at Board Level and the HoS for ASC Mental Health.</p> <p>The responsible officer is on both these groups.</p> <p>This is happening under the auspices of the One Croydon Alliance</p> <p>A Business Case and new Model of Care and Community Service Pathway are in the process of being agreed.</p>	<p>The creation of a Partnership Board covering all Mental Health Services provided by Croydon MIND, with its terms or reference set out in the contract between the Council and the service provider, will help to identify and address in a consistent manner common themes and issues.</p> <p>There was no evidence provided of an overarching body responsible for the oversight of all services provided by Croydon MIND.</p> <p>There is a risk that cross-cutting themes and issues exist, which may be addressed differently across different services, and a possibility that good practice in one area may not be learned for use in another.</p>
Responsible officer		Deadline
Commissioning Manager Physical Disability and Sensory Impairment		Achieved

Control Area 4: <u>Monitoring and Inspection</u>		Detailed Finding/Rationale – Issue 5
Priority	Action Proposed by Management	
2	<p>Quarterly meetings will be in place starting with one in June to finalise contract agreements and service specs with routine contract meetings in in Q2, Q3 and Q4. This will resolve many of the findings above.</p>	<p>The holding of periodic and regular contract monitoring meetings will help to ensure that all issues impacting on delivery are identified and addressed in a timely manner, and, where necessary, escalated to a higher level of management for a decision to be taken.</p> <p>There was no evidence provided of any contract meetings between the Council and Croydon MIND for the various services provided. It was explained that historically, the responsibility for managing these joint funded contracts sat with the CCG, acting on behalf of the Council.</p> <p>There is a risk that services continue to be delivered but without issues and problems being resolved, and hence such issues persist.</p>
Responsible officer		Deadline
Commissioning Manager Physical Disability and Sensory Impairment		30 June 2019

Control Area 4: Monitoring and Inspection		Detailed Finding/Rationale – Issue 6
Priority	Action Proposed by Management	
1	Routine inspections will be undertaken during Q3 when the contract officers have been appointed. Previously this responsibility sat with the CCG.	Completion of inspections by the Council of services provided by Croydon Mind, helps provide assurance that services are being delivered as expected and will help to identify issues in service delivery. Periodic inspections should also be conducted to provide assurance that general contract terms are being complied with, including for example checks on insurances, adherence to the London Living Wage, safeguarding, etc. There was no evidence available of any inspections by the Council of the services provided by Croydon MIND or of the general contract terms being complied with by MIND. There is a risk that poor performance or noncompliance with Council expectations may exist, which is not identified and is likely to persist.
Responsible officer		Deadline
Head of Commissioning and Procurement Adult Health and Integration		December 2019

4. Priority 3 Issues

Action Proposed by Management	Issue
<p>1) A copy of this has been requested verbally by Commissioning Manager Physical Disability and Sensory Impairment. If not received by 14 May 2019 this will be requested in writing.</p> <p>The most recent assessment was in 2013.</p> <p>A new assessment has been undertaken and will be provided to us when written up by National MIND.</p>	<p>The Croydon MIND Quality Policy includes a requirement to comply with the standards set by National Mind against which they will be regularly assessed, (there is a national assessment completed annually by National Mind of the compliance of each local group with such standards). The obtaining of this report by the Council, and any plan to rectify any weaknesses, will help to confirm satisfactory performance of Croydon Mind services.</p> <p>A copy of the most recent report MQM Assessment produced by National MIND was not available.</p> <p>There is a risk that deficiencies may exist against national required standards which if not rectified may adversely impact on service delivery.</p>
<p>2) The Mental Health Programme Board and the Mental Health Community Pathway Transformation Delivery Group will provide sound governance and scrutiny of outputs and outcomes on a routine and periodic basis. These will be fed through to relevant SMTs, to the One Croydon Alliance board, professional Cabinet.</p>	<p>The periodic reporting to senior management and Members on progress on the achievement of Corporate Plan priorities and issues impacting on it will help to ensure such issues are resolved.</p> <p>The Croydon Corporate Plan 2018 to 2022 has a priority 'People live long, healthy and independent lives', which has as an action 'revise Croydon's joint mental health strategy to prevent mental health problems and ensure early intervention', however, there was no evidence available to demonstrate the reporting on Croydon MIND services through to Directors/ Members.</p> <p>There is a risk that significant issues exist impacting on delivery of Corporate Plan priorities, which are not resolved.</p>

TERMS OF REFERENCE

Voluntary Sector Commissioning – Adult Social Care

1. INTRODUCTION

1.1 This audit is being undertaken as part of the agreed Internal Audit Plan for 2018/19.

2. OBJECTIVES AND METHOD

2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.

2.2 In order to achieve the overall objectives, a risk based systems audit approach will be carried out, documenting and evaluating the actual controls against those expected and based on this, undertaking appropriate testing conducted.

2.3 The key findings, conclusions, and subsequent issues arising will be presented at an exit meeting and followed by the circulation of a draft report for consideration by management. This prior to agreement and issue of the final audit report. The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.

3. SCOPE





3.1 The audit included the following areas:

Control Areas/Risks	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Organisation, management & legislative requirements	1	0	0
Service Specification	0	0	0
Commissioning & Award Process	0	0	0
Monitoring & Inspection	1	2	1
Payments.	1	1	0
Management reporting.	0	0	1
TOTAL	3	3	2

DEFINITIONS FOR AUDIT OPINIONS AND ISSUES IDENTIFIED

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are consistently applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to issues identified are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that represent an exposure to risk and require timely action.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

STATEMENT OF RESPONSIBILITY

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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