

Final Internal Audit Report

Community Care Payments

June 2019

Distribution: Executive Director Health, Wellbeing and Adults (Final Only)
 Director of Operations
 Assistant Director 0-65 Disability Service
 Team Manager
 Payments Officer

Assurance Level	Issues Identified	
Limited Assurance	Priority 1	2
	Priority 2	4
	Priority 3	1

Confidentiality and Disclosure Clause

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Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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1. Introduction

- 1.1 The Council makes cyclical payments to community care service providers in respect of residential and nursing care clients, as well as domiciliary care payments. These are made through a SWIFT application via an interface with OneOracle.
- 1.2 Commitments are raised via commitment forms, detailing the price, duration, client and provider. Once this form is authorised and appropriate funding authorisation obtained for the commitment, the information is uploaded to the SWIFT system. Nursing and Residential payment runs are actioned on a monthly basis, Subsistence and Shared Lives Bi-Monthly and Domiciliary care on a weekly basis.
- 1.3 As part of the agreed 2018/19 Internal Audit Plan, an internal audit of Community Care Payments was undertaken.

2. Key Issues

Priority 1 Issues
Testing of a sample of 30 clients who have received funding in the 2018/19 financial year found eight cases where funding was approved after the placement started. (Issue 1)
Testing of a sample of 28 placements noted 11 cases where the commitment form was raised more than seven days after the respective placement start dates. (Issue 2)
Priority 2 Issues
Testing of a sample of 28 placements identified three cases where the commitment form was not present on the SWIFT system. (Issue 3)
Examination of the remittance advice slips sent by the Council to care providers identified that these detailed the respective client names instead of reference numbers thus increasing the risk of a data breach. In addition, fraud declarations were not included which are relevant where the slip is amended and returned. (Issue 4)
Testing of a sample of six new and amended bank details found one case where the input of the bank details had not been evidenced as checked by a second officer. (Issue 5)
A recent instance was identified where the Oracle team was requested to amend the weekly payment run after it had been processed and validated. (Issue 6)

The Priority 3 issue is highlighted under area 4 below.

3. **Actions and Key Findings/Rationale**

Control Area 2: Notification of Placements		Detailed Finding/Rational – Issue 1
Priority	Action Proposed by Management	
1	<p>We continue to place regular reminders in the Monday Message, reinforce at Joint Team managers meeting and add it to the Getting The Basics Right workstream.</p> <p>Additional work is being done on this area as the new localities model is being embedded into the service.</p>	<p>In line with the Council's Payments Procedures, authorisation to incur expenditure must occur prior to providers or suppliers being asked to provide goods or services.</p> <p>Examination of the funding approval records for a sample of 30 clients who received funding in the 2018-19 financial year found that:</p> <ul style="list-style-type: none"> In 8 cases, the funding was approved after the placement start date by between 3 and 68 days. In ten cases, the funding approval date for the new placement or change in placement was not available on SWIFT. <p>A similar issue was identified in the 2017/18 audit report.</p> <p>Where placement funding is not evidenced as appropriately authorised prior to the placement date, there is a risk that the Council is committed to inappropriate placements. Furthermore, there is a risk that payments to providers are delayed, resulting in reputational damage to the Council.</p>
Responsible officer	Deadline	
Head of 25-65 Disability / Service Manager	Ongoing	

Control Area 2: Notification of Placements		Detailed Finding/Rational – Issue 2				
Priority	Action Proposed by Management					
1	<p>We continue to place regular reminders in the Monday Message, reinforce at Joint Team managers meeting and add it to the Getting The Basics Right workstream.</p> <p>Additional work is being done on this area as the new localities model is being embedded into the service.</p>	<p>In order to set up or amend the placements on SWIFT, commitment forms are required to be set up on AIS and appropriately workflow approved before being passed to the Reconciliation and Data Entry Officers to process. Commitment forms are required to be raised within at least 7 days of placement to ensure that payments can be made in a timely manner to the provider. This also allows the Council to be able to monitor and track the commitment and reduce the chance of clients being 'lost in the system'.</p> <p>Examination of the commitment forms for a sample of 28 clients who received funding in the 2018-19 financial year found that:</p> <ul style="list-style-type: none"> • The commitment forms for 11 clients were raised more than seven days after the placement commencing by between 8 and 181 days. • In three cases a commitment form was not available on SWIFT. <p>It is acknowledged that weekly late commitment reports are being circulated to the respective Heads of Service so that suitable action can be taken to help prevent these; however, based on sample testing, the number of late commitment forms has not seemed to improve since the 2016/17 or 2017/18 audits, where this same issue has been raised on both occasions.</p> <p>Where commitment forms are not raised in a timely manner, the payment process is delayed. Furthermore, where the delays are lengthy, there is an impact on budget management with the Service's financial position being misstated.</p>				
	<table border="1"> <thead> <tr> <th>Responsible officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Head of 25-65 Disability / Service Manager</td> <td>Ongoing</td> </tr> </tbody> </table>	Responsible officer	Deadline	Head of 25-65 Disability / Service Manager	Ongoing	
Responsible officer	Deadline					
Head of 25-65 Disability / Service Manager	Ongoing					

Control Area 2: Notification of Placements		Detailed Finding/Rational – Issue 3
Priority	Action Proposed by Management	
2	<p>We are currently working with the various finance teams to map all the finance processes as part of the preparation for migration to ContrOCC. On completion of this work it should be possible to up-date the SWIFT financials guidance but this is a major undertaking and we need to be pragmatic in view of the fact that we are moving to a new system and the group of people using SWIFT is smaller and more consistent than for AIS; this is though, a work in progress.</p>	<p>In order to set up or amend the placements on SWIFT, commitment forms are required to be set up on AIS and appropriately workflow approved before being passed to the Reconciliation and Data Entry Officers to process. The commitment forms also commence the financial assessment process to, where applicable, obtain client contributions.</p> <p>Examination of the records for a sample of 28 clients who received funding in the 2018-19 financial year found that in three cases a commitment form was not present on SWIFT.</p> <p>Discussion with the Finance, Reconciliation and IT Officer established that, for the first two cases, <i>'The holiday payments were setup a bit different this year after discussions. The attached [a Shared Lives Holiday Placements authorisation form] was sent to brokerage to setup the payments, a diary note on each record was added rather than completing commitment forms. My manager [Shared Lives Manager] signed off the attached at the bottom. I was however supposed to save a copy of the attached onto each AIS record but I've noticed that hasn't been done.'</i> Therefore the forms had not been input into SWIFT.</p> <p>In the third case, there were no commitments or funding approval available on SWIFT. This was a 'Direct Payments' client whose placement occurred on 15 October 2018.</p> <p>Where commitment forms (or alternate documentation) are not available on SWIFT, there is a lack of audit trail and a risk that in the case of these clients being queried, that additional time will be required to resolve the query. Authorisation of these cases is also not evident.</p>
Responsible officer	Deadline	
Director of Operations	Ongoing	

Control Area 3: Payments to Service Providers		Detailed Finding/Rational – Issue 4
Priority	Action Proposed by Management	
2	<p>It may be possible to include a fraud declaration on the remittance advice slips. A form of words will be drafted and we will work to include these on future remittance advice that are sent out.</p> <p>The reference number that could potentially be provided on the remittance advice is the SWIFT reference number used by Croydon Council. However, this identifier will likely be different to that used by providers. We can investigate whether remittances can be produced including the SWIFT number as reference.</p> <p>The new Liquid Logic / Controcc system will eliminate the need to send remittances to providers as they will log in through the online portal and agree to receive payment, before a payment is made.</p>	<p>Remittance advice slips are distributed to care providers with each payment run, which are required to be, where appropriate, amended and then certified and returned to Council as confirmation that the provider has received the correct payment for the clients in their care.</p> <p>Testing of a sample of 10 remittance advice slips across different providers and payment periods noted that in all cases a remittance advice slip had been produced and sent to the respective providers.</p> <p>It was; however, noted that:</p> <ul style="list-style-type: none"> • The remittance advice slips did not include a fraud declaration present on the slips. (A fraud declaration will provide the Council with greater recourse should fraudulent information be provided). • The remittance advice slips included client names, (instead of, for instance, client reference numbers.) With these remittance advices being sent to a number of different providers and returns to the Council, there is a risk of a data breach occurring. <p>Where remittance advice slips include client names, there is a risk of a data breach occurring should these go missing or be sent to an incorrect provider in error. This would be a breach of GDPR and the Data Protection Act 2018, which could result in a significant fine.</p>
Responsible officer		
Team Manager		
Deadline		
		Ongoing

Control Area 3: Payments to Service Providers		Detailed Finding/Rational – Issue 5
Priority	Action Proposed by Management	
2	<p>For the one case identified, a second check was not made at the point of entry.</p> <p>However, at the time that this bank account detail change was reconciled at the end of the month (against the account detail change report) by the Payments & Provider Maintenance Manager, a second check was completed.</p> <p>In future AB will initial the bank account change paperwork as part of the third check.</p>	<p>To ensure that changes in bank details are made correctly and to help prevent inappropriate changes, the input of these onto SWIFT are required to be checked by a second officer.</p> <p>Examination of the documentation available for sample of three new bank details and three amended bank details, found that in one case the bank amendment form did not have a signature to show it had been checked by a second officer.</p> <p>Where the input of bank details is not checked by a second officer, there is an increased risk that payments are not made to the correct account, meaning there may be delays in Care Homes receiving funding, resulting in poor relations with the care homes and reputational damage to the Council.</p>
Responsible officer	Deadline	
Team Manager	Ongoing	

Control Area 3: Payments to Service Providers

Control Area 3: Payments to Service Providers		Detailed Finding/Rational – Issue 6
Priority	Action Proposed by Management	
2	<p>Whilst the generation of interface files where code combinations are rejected is a significant issue, this can only cause payments and charges to be rejected (not paid in error). There is a possibility for an inappropriate payment to be made. Any overpayments are identified in reports and adjusted in future payment runs.</p> <p>This is an ongoing issue that we are experiencing and we hope that migration from SWIFT to the new system in 2020 will address this issue (as correct coding will be used.)</p> <p>The new Liquid Logic / Controcc system will mean that the black box and mapping table will no longer be used.</p>	<p>In order to process the weekly payment runs, interface files are generated from SWIFT, which are required to be thoroughly checked, before being passed to the Oracle team where these are validated and then paid.</p> <p>While sample testing confirmed that the weekly interface files were being checked before being passed to the Oracle team, an instance was noted where the Oracle team was requested to amend over a hundred of the payment transactions after these had been validated.</p> <p>The Payments Officer explained that, <i>'This issue has been referred to Business Systems Team. It happens when the files comes back from ICT and is to do with code combinations being rejected. As there are so many code combinations on Swift and some codes don't exist in the mapping table, the payments get rejected.'</i></p> <p>Where errors exist in the weekly interface files, there is a risk that inappropriate payments may be made. Even where errors are detected before the payments are made, there is an impact on staff time amending the payment records and the chance that errors in making these corrections may occur.</p>
Responsible officer		Deadline
Team manager		Ongoing

4. Priority 3 Issue

Action Proposed by Management	Findings
<p>The user guide describes basic core functionality and business process which remains largely unchanged but acknowledge that this should have been reviewed and up-dated where necessary. Specialist areas such as safeguarding have separate guidance which is also found on the AIS intranet pages here.</p> <p>Due to the current restructure, the BST are working with the service on revising business processes and how these will be reflected on AIS – this will be a good time to review and up-date the user guide which we would hope to complete by the end of July.</p> <p>The BST also sends weekly guidance emails to all users, three of which have given guidance / reminders on the issues covered in this audit as below:</p> <p>08/03/19 – Service provision top tips</p> <p>22/03/19 – Brokerage essentials</p> <p>10/05/19 – What to do when someone dies.</p> <p>We are currently working with the various finance teams to map all the finance processes as part of the preparation for migration to ContrOCC. On completion of this work it should be possible to up-date the SWIFT financials guidance but this is a major undertaking and we need to be pragmatic in view of the fact that we are moving to a new system and the group of people using SWIFT is smaller and more consistent than for AIS; this is though, a work in progress.</p>	<p>In order to help ensure that staff are consistent and effective in their duties and that management and legal requirements are complied with, appropriate procedural and guidance notes should be available to staff.</p> <p>It was confirmed that various procedural guidance was in place; however, the 'SWIFT Payments User Guide' dated August 2011 and the AIS User Guide dated April 2015 did not evidence any subsequent review.</p> <p>Where procedure documents are not regularly reviewed, there is a risk that staff are following outdated guidance, which may result in these staff not performing their jobs to the expected or legal standard.</p>

TERMS OF REFERENCE

Community Care Payments

1. INTRODUCTION

- 1.1 The Council makes cyclical payments to community care service providers in respect of residential and nursing care clients, as well as domiciliary care payments. These are made using the SWIFT program following an interface with OneOracle.
- 1.2 As part of the agreed 2018/19 Internal Audit Plan, an internal audit of Community Care Payments has been identified to be undertaken.

2. OBJECTIVES AND METHODOLOGY

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes relating to Business Rates.
- 2.2 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.3 The audit will for each controls / process being considered:
- Walkthrough the processes to consider the key controls;
 - Conduct sample testing of the identified key controls, and
 - Report on these accordingly.

3. SCOPE





- 3.1 This audit included the following areas:

Control Areas/Risks	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Legislative, Organisational and Management Requirements	0	0	1
Notification of Placements	2	1	0
Payments to Service Providers	0	3	0
Budgetary Control	0	0	0
Risk Register	0	0	0
Total	2	4	1

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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