

# Final Internal Audit Report

## Adult Social Care Payments

### December 2023

Distribution: Corporate Director Adult Social Care and Health  
 Director of Adult Social Care Operations (Deputy DASS)  
 Head of Business and Service Compliance  
 Director of Finance (Deputy S151 Officer)  
 Corporate Director of Resources and S151 Officer

Assurance Level	Issues Identified	
Limited Assurance	Priority 1	2
	Priority 2	1
	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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**Please refer to the Statement of Responsibility in Appendix 4 of this report for further information about responsibilities, limitations and confidentiality.**

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## 1. Introduction

- 1.1 The Care Act 2014 sets out a legal duty for an adult's 'eligible needs' to be met by the local authority, subject to their financial circumstances. The Council's Adult Social Care & Health Strategy 2021 to 2025 (updated in November 2022) aims to safeguard adults at the risk of abuse or neglect, support resident who have care and support needs, etc. It further states that "*the Council will have a 'Cost of Care Policy' which will support the Adult Social Care Strategy and provide a quality and sustainable provider care market within Croydon. Each year the Council will set out what it will pay as a minimum amount for care to providers to ensure a sustainable market that provides excellent care, provides activities and care that is person centric and has staff development/retention as a key area.*"
- 1.2 Croydon Council's (Council) Payments team makes cyclical payments to Adult Social Care (ASC) service providers in respect of residential and nursing care clients, as well as domiciliary and day care payments. Payments are made to service providers using LiquidLogic Adult Social Care System Software (LAS) using the ContrOCC system which is used by the Council and multiple local authorities as a tool for managing social care finance contracts, payments, assessments, and billing.
- 1.3 The Payments team are notified of the payments to be made to service providers through the interface between LAS and the ContrOCC Provider Portal. For additional care plans with an existing service provider, the care plans are added to the client's account on LAS by a social worker with details of the agreed care package and weekly cost. When a care plan is added, an end date is also added. The end date feeds through to ContrOCC and the Provider Portal to prevent payments being made for a period after the end date has passed. However, the last payment for care delivered may be made after the end date has passed, due to service providers submitting their actual hours of service after the end date.
- 1.4 Service providers are required to submit their actual hours of service provided and value of domiciliary and day care scheduled payments to the Provider Portal on a weekly basis. The Senior Reconciliation and Data Officers review such costs, which are then to be approved by the Head of Business and Service Compliance. Payment runs are produced and emailed to the ICT Central Systems Development team for final processing and to the SWIFT Payment team inbox for information.
- 1.5 Invoices from service providers in relation to residential placements and nursing care are paid every four weeks. All invoices are reviewed by the Payments Officer and approved by the Head of Business and Service Compliance. Approved invoices are emailed to the ICT Central Systems Development team, for final processing.
- 1.6 New service providers are set up on the ContrOCC Provider Portal through New Supplier Request forms completed by the Brokerage or Social Care team. These forms are shared with the Digital Systems team (DST) and the Contracts and Commissioning team (C&C). The C&C team reviews the Care Quality Commission (CQC) and VAT registration of the service providers and sends the

details to the Procurement Governance team (PG) to complete supplier checks such as review of Companies House registration and the estimated spend and duration of the placement with the service provider. Based on these checks, the PG team approves the new service providers and the Payments team set up the suppliers on the Provider Portal after receipt of their bank details.

- 1.7 Requests for changes to bank account details or contract details are received from the service providers through the Provider Portal. Bank detail changes are confirmed by the Payments Officers through review of bank details written on service providers' letterhead. All bank details change requests are approved by the Head of Business and Service Compliance.
- 1.8 Between September 2021 and December 2022, a total of £178,536,605 was paid to service providers delivering ASC across 12 different services.
- 1.9 Adult Social Care Payments is a cyclical review. The previous final report of 2020/21 was given Limited Assurance with four Priority 1 and five Priority 2 findings and this review also has Limited Assurance with two Priority 1, one Priority 2 and two Priority 3 findings.
- 1.10 This audit was undertaken as part of the agreed Internal Audit Plan for 2022/23. The objectives, approach and scope are contained in the Audit Terms of Reference at Appendix 1.

## 2. Key Issues

### Priority 1 Issues

It was not possible to confirm how budgets were set nor whether these were being monitored on a regular basis for the Adult Social Care service. **(Issue 1)**

Testing of changes made to providers' details for a sample of ten changes from April to August 2022 noted that:

- evidence of independent confirmation using provider's contacts within the Council's records was not available to ensure all change requests were genuine;
- required documentation to support the changes made to providers' details could not be found in two cases;
- for eight changes, an audit trail of review by a second officer was not available in the system; and,
- for one case, the Payments team was not able to identify the changes made to the provider's contact details.

In addition, sample testing of ten changes to providers' bank account details highlighted that for two changes, there was a delay of 25 and 40 days respectively in processing the changes and for five changes there was a delay in sending an email to the Head of Business and Compliance ranging from 23 to 39 days.

For all ten changes, there was no evidence of review or approval from the Head of Business and Service Compliance. **(Issue 2)**

**Priority 2 Issue**

Testing a sample of five new providers identified that in each case the process and documents required to validate the supplier, such as a welcome email sent to the provider and evidence that the provider submitted their bank details, had not been retained. Furthermore, there was a 91 day delay in completing the new provider request for one of the care providers tested. **(Issue 3)**

Details on the Priority 3 issues are included under section 4 below.

### 3. Actions and Key Findings/Rationale

#### Control Area 5: Budgetary Control

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1
1	<p>Medium Term Financial Strategy and Annual Budget Planning and Implementation:</p> <p>Following the 2020 S114 Notice and Report in Public Interest, the Adult Social Care and Health Directorate has refined its approaches to annual budget setting.</p> <p>This is within the corporately arranged annual Star Chamber process.</p> <p>Starting approximately in June each financial year, and with timelines socialised by the Corporate Finance Team, the Directorate Management Team and Senior Management Team hold a planning session.</p> <p>This reviews the outcomes of the prior year’s budget outturn and activity data, against expected delivery, national</p>	<p><b>Expected Control</b></p> <p>The Council sets and regularly monitors the budget for the ASC service. Evidence of the monitoring is retained.</p> <p><b>Finding/ Issue</b></p> <p>The Head of Business Compliance advised that the ASC service budget is set and monitored by the Director of ASC Operations.</p> <p>We requested details of the budget setting and monitoring process and budget monitoring reports from the Director of ASC Operations; however, we were not provided with this information despite following up on the request and therefore were unable to provide assurance over the effectiveness of this process.</p> <p><b>Risk</b></p> <p>Where the Council is not adequately setting and monitoring their budget, there is a risk there is not appropriate oversight of their spending, this can lead to overspend/inappropriate spend remaining unidentified.</p>

indicators and transformation plans.

Heads of Service and Directors then propose areas of their services requiring additional investment (revenue and capital) and/or revenue savings.

Alongside this, the Directorate uses its relationship with the Local Government Association’s sector support service – Partners in Care and Health. Specifically, this enables three key metrics to be evidence our budget considerations.

(1) Expected demographic growth (residents requiring long term care support). Then for our provider market and Direct Payments: (2) cost of care (inflationary uplifts) considerations relevant to home care (this is mainly wage costs); and finally (3) cost of care considerations relevant to residential and nursing providers (a mixture of wage and hotel costs). On this matter,

there is a long lead in time on negotiations and communications required with the provider market, and with key deadlines for sign off required, so that uplifts can be applied on our financial systems in advance of annual charging letters being sent to residents each April.

These metrics are applied against the outturn budgets and demographics, and inform a revenue growth submission, and informs the expected requirements of the Corporate Inflation pot.

During the current 2021-2024 Medium Term Financial Strategy period, the Directorate has twice annually presented it budgetary consideration at an initial (July/August) and then final (September) Star Chamber session. The 2023 sessions were chaired by the Executive Mayor, with the relevant Directorate Cabinet Member and Cabinet Member for Finance, the Chief





Executive, Corporate Director for Resource & S151 Officer, Director of Finance. The ASCH Directorate Management Team including the Finance Business Partner then present the budget requirements (PowerPoint slides for July and September Star Chambers are available).

The outcomes of the final Star Chamber session then informed the budget papers taken to October Cabinet. However, the final sign off of the budget is not confirmed until the February Budget Cabinet and Full Council.

Budgets are agreed between Directors, Corporate Directors and Finance before being agreed corporately.

Every Head of Service reviews their budgets monthly with Finance Colleagues and presents forecasts to a joint DMT meeting.

The Corporate Director for ASCH alongside Directors and the Finance Business Partner report budget updates at

<p>monthly Period Monitoring Assurance meetings with the Chief Executive, Corporate Director for Resource &amp; S151 Officer, Director of Finance</p> <p>Scrutiny of budget monitoring is extremely robust.</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>2023.07.10%20-%202023.09.25%20-%20ASCH%20-%20Star%ASCH%20-%20Star%</p> </div> <div style="text-align: center;">  </div> </div>	
Responsible Officer	Deadline
Director of Adult Social Care Operations (Deputy DASS)	31/03/24

**Control Area 3: Set up and Amendments of Service Provider Details on the System**

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 2
1	<p>All amendments are sent to the Head of Service for final checks and review and these updates are kept on file and acknowledgement of these amendments are returned to the officer.</p> <p>All amendments requested are checked, appropriate evidence is required to be provided by the provider and then reviewed by HoS before being amended on the system.</p> <p>Processes are now in place to ensure that timeliness of updates is improved.</p> <p>Changes are recorded and retained for audit purposes.</p>	<p><b>Expected Control</b></p> <p>An audit trail of changes, along with all supporting documentation obtained, made to provider’s contact, contract and bank account details should be retained. All changes made should be subject to independent review from the Head of Service.</p> <p><b>Finding/Issue</b></p> <p>The ContrOCC Supplier Set up Policy (September 2021) sets out that any changes to the provider’s name, bank details or parent company must be notified using the New Supplier Request Form and that checks will be made to ensure that robust governance is maintained. In addition, discussions with the Head of Business and Service Compliance noted that the DST receive requests for changes to providers’ details from the suppliers via email which are then actioned by a DST Officer and reviewed by either the Head of Service or Payments Officer. For bank account details changes, the providers need to submit a company letterhead with their updated details before the change can be processed.</p> <p>A sample of ten amendments made to existing provider details was selected for testing, covering contact details, addresses, key contact, email addresses and contract types, from the supplier changes reports generated from ContrOCC for the period April to August 2022. Testing identified:</p> <ul style="list-style-type: none"> <li>• Evidence of independent confirmation using provider’s contacts within the Council’s records was not available to ensure that any of the tested change requests were genuine.</li> <li>• In two cases, evidence of the change request received from the supplier and the review of changes made within the system based on such request were not available within ContrOCC or manually with the Council;</li> </ul>
Responsible Officer	Deadline	
Head of Business and Service Compliance	31/03/24	

- An audit trail of review by a second officer was not available in the system for eight cases; and
- In one case, the Payments team were unable to identify what or if a change was made or why the change appeared on the changes report.

In addition to the above test, the ten most recent changes made to providers’ bank account details as of February 2023 from the ‘Supplier Changes Report’ were reviewed and the following identified:

- In two cases (Super Jobs Ltd and Abbeys Care Support), the change was made 25 days and 40 days after the date of request, respectively;
- For five changes (Super Jobs Ltd, Surrey Choices, Abbeys Care Support, Donomar Clarke and Remark Ltd), the email to the Head of Business and Service Compliance for approval purposes was sent between 23 to 29 days after the changes had been initiated; and
- For all ten changes, there was no evidence of review or approval from the Head of Business and Service Compliance within ContrOCC.

The Head of Business and Service Compliance advised that there is no report to capture changes made to bank account details. However, during the fieldwork, we were provided with the supplier changes report from ContrOCC and noted that this included provider bank account changes. This highlighted that the report is not subject to review as required by the New Supplier Set up Policy (September 2021).

**Risk**

Where evidence of changes made to providers details are not recorded and retained, there is a risk an inappropriate change is made and is unable to be identified.

Where changes to providers details are not reviewed by a second officer, there is a risk that errors or fraudulent activity is not identified and corrected, posing a financial risk to the Council.

		<p>While changes requested by suppliers need to be validated for their legitimacy, where there is a delay between the date the bank account details change was requested and the date the change was made, there is a risk of delayed payments which may lead to financial loss in the form of interest or penalties or have a negative reputational impact on the Council.</p> <p>Where changes in bank details of service providers are not reviewed, there is a risk that inappropriate or fraudulent changes are made and not identified leading to financial and reputational loss of the Council.</p>
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**Control Area 3: Set up and Amendments of Service Provider Details on the System**

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 3
2	<p>Social Workers will put in a request to the Tech desk to make amendments and they will have completed the new supplier form – amendments also use this form.</p> <p>Form is checked and then the DST adds the very basic information to ContrOCC.</p> <p>This then goes to Care Quality for further checks, including CQC websites etc. If a single owner/Director, it requires an IR35 check.</p> <p>Headed paper with bank details are requested at this point.</p> <p>Then moves to the Buying team who check all the governance and Inland Revenue details. Buying team always have sight of Panel Approval and the Cost Centre that Package of Care is being funded by.</p> <p>Returns to DST for completion.</p>	<p><b>Expected Control</b></p> <p>New service providers are set-up according to the ‘Adults ContrOCC Supplier Set Up Policy’. This sets out that new service provider requests are processed within a reasonable time, contracts with the service providers are in place, welcome emails are sent to all new providers, receipt of bank details of service providers are retained and bank details are reviewed with details within ContrOCC.</p> <p><b>Finding/ Issue</b></p> <p>The process for setting up a new provider for the ASC service is outlined in the Supplier Set up Policy (September 2021). The DST receives new supplier set-up requests through a new supplier request form. The key steps in setting up a new provider are:</p> <ul style="list-style-type: none"> <li>• A new supplier request form to be completed and submitted to the DST;</li> <li>• The Procurement Governance team completes supplier checks e.g. entity type (sole trader, Ltd. etc.), estimated spend, duration of contract and the Procurement Governance team authorisation date;</li> <li>• A welcome email is to be sent to the provider detailing how to log on and use the ContrOCC Provider Portal; and</li> <li>• When the supplier has submitted bank account details through the Provider Portal, the Payments Team will add them to ContrOCC.</li> </ul> <p>A sample of five new providers was selected for testing from the new provider tracker maintained by the DST for the period February 2022 to January 2023 to determine if the above process was followed.</p> <p>In all five cases, the following was not available:</p>

<p>Payments team do a final check adding payment method and bank details to ContrOCC.</p> <p>Emails sent to HoS Business Compliance to confirm all actions taken – email confirming receipt sent from HoS.</p> <p>New clients are directed to the Adults Provider Portal by the Payments Team.</p> <p>Tracking of instructions to amend or add bank details is now more robust to ensure checks are done weekly as to updates required.</p> <p>Weekly email to be sent to HoS to confirm checks have been made to avoid delays.</p>	<ul style="list-style-type: none"> <li>• A welcome email had been sent to the supplier by the Payments Team;</li> <li>• Evidence of the provider submitting their bank details which were updated in the system; and</li> <li>• Reviews to confirm the bank details in ContrOCC matched with the details submitted by the provider</li> </ul> <p>In addition, for one provider of the sample of five tested (Firtree House Nursing Home), there was a 91 day delay between the date the new provider request was made and the date the request was finalised in ContrOCC. This was explained as being due to team resourcing issues.</p> <p><b>Risk</b></p> <p>Where evidence of the new provider set up process is not retained, there is a risk Inaccurate payments or payments made to unauthorised or incorrect service providers.</p> <p>Where there is a delay between the request date for a new provider and the date the provider is finalised in the Provider Portal, there is a risk the provider cannot be used to provide critical care for vulnerable service users.</p>
<p><b>Responsible Officer</b></p>	<p><b>Deadline</b></p>
<p>Head of Business and Service Compliance</p>	<p>31/03/24</p>

**4. Priority 3 Findings**

Agreed action	Findings
<p><b><u>Control Area 1: Legislative, Organisational, and Management Requirements</u></b></p> <p><b><u>Action proposed by management:</u></b></p> <p>The procedural guides are currently under review and version control will be added.</p> <p><b><u>Responsible Officer:</u></b></p> <p>Head of Business and Service Compliance</p> <p><b><u>Deadline:</u></b></p> <p>December 2023</p>	<p><b>Expected Control</b></p> <p>The procedural guidance in place for the ASC payments team should be up to date to reflect any system updates made to ContrOCC or the Provider Portal, alongside any changes to the payment process, for example, who is able to authorise payment runs.</p> <p><b>Finding/Issue</b></p> <p>The procedural guides in place for the ASC payments process include how to make interim payments, add payment methods, and bank details to ContrOCC, process invoices and run and finalise a scheduled payment run. The guides provide step-by-step instructions and include screenshots from the Provider Portal. However, review highlighted that the guides were not version controlled to reflect when these were created or updated.</p> <p><b>Risk</b></p> <p>Where the procedural guidance in place is not version controlled, there is a risk this may be outdated and not reflect system and process updates, leading to staff carrying out payment related tasks incorrectly.</p>
<p><b><u>Control Area 6: Risk Register</u></b></p> <p><b><u>Action proposed by management:</u></b></p> <p>The BCP's are reviewed annually and dates have been added to the document.</p>	<p><b>Expected Control</b></p> <p>The Business Continuity Plan (BCP) for the ASC provider Payments team should be regularly reviewed to help ensure that it is up to date and appropriate.</p> <p><b>Finding/Issue</b></p> <p>The Council has an ASC Directorate Risk Register in place which captures the risk in relation to business continuity. The ASC Payments team's BCP (May 2022) includes examples of disruptions which may activate the BCP and the steps to take. However, there was no date for the next review in place.</p>



<p><b><u>Responsible Officer:</u></b> Head of Business and Service Compliance</p> <p><b><u>Deadline:</u></b> November 2023</p>	<p>Furthermore, the ASC Directorate Risk Register does not capture operational risks such as inaccurate or excess payments, safeguarding and compliance of service providers to regulations.</p> <p><b>Risk</b></p> <p>Where there is no date for review for the BCP, there is a risk it is not reviewed and updated to reflect changes made to actions to take for trigger events, which may lead to service disruptions.</p> <p>Where risks are not identified and captured within Risk Register, the Council may not be prepared and have sufficient controls to mitigate those risks if these materialise.</p>
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## AUDIT TERMS OF REFERENCE

### Adults Social Care Payments

#### 1. INTRODUCTION

- 1.1 The Council makes cyclical payments to community care service providers relating to the placement of adults into care within the Borough. This includes payments in respect of fostering, adoption, children with disabilities etc.
- 1.2 Payments are made by the Children’s Payment Hub Team using Liquidlogic via the ContrOCC interface.
- 1.3 This audit was undertaken as part of the agreed Internal Audit Plan for 2022/23.

#### 2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective was to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit 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 (and issues raised):

Control Areas/Risks	Issues Raised		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Legislative, Organisational, and Management Requirements	0	0	1
Notifications of Placements (sets ups and terminations)	0	0	0
Set up and Amendment of Service Provider Details on the System	1	1	0
Payments to Service Providers	0	0	0
Budgetary Control	1	0	0
Risk Register	0	0	1
<b>Total</b>	<b>2</b>	<b>1</b>	<b>2</b>

**Definitions for Audit Opinions and Identified Issues**

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 constantly 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 of the controls which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or extremely weak, leaving the system open to the high risk of error, abuse and reputational damage.

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

<b>Priority 1 (High)</b>	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
<b>Priority 2 (Medium)</b>	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
<b>Priority 3 (Low)</b>	Although control weaknesses are considered to be relatively minor and low risk, still provides an opportunity for improvement. May also apply to areas considered to be of best practice that can improve for example the value for money of the review area.

## 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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