

# Final Internal Audit Report

## Community Care Payments

### July 2018

**Distribution:** Executive Director (Interim) Health, Wellbeing and Adults  
 Director of Adult Social Care and All-Age Disability  
 Assistant Director 0-65 Disability Service  
 Head of Older People's Social Care  
 Team Manager (Enablement and Welfare)  
 Reconciliation and Data Entry Officer

Assurance Level	Recommendations Made	
<b>Limited Assurance</b>	Priority 1	5
	Priority 2	3
	Priority 3	1

**Status of Our Reports**

This report ("Report") was prepared by Mazars Public Sector Internal Audit Ltd 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 3 of this report for further information about responsibilities, limitations and confidentiality

## Contents

Page

### Executive Summary

1. Introduction.....	2
2. Key Issues.....	2

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### Detailed Report

3. Actions And Key Findings/Rationale.....	4
3. Priority 3 Issue.....	15

### Appendices

1. Terms Of Reference
2. Definitions For Audit Opinions And Recommendations
3. Statement Of Responsibility

## **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 following an interface with OneOracle.
- 1.2 Nursing and Residential payment runs are actioned on a monthly basis, Subsistence and Shared Lives Bi-Monthly and Domiciliary care on a weekly basis. 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 to be made in the next payment run.
- 1.3 As part of the agreed 2017/18 Internal Audit Plan, an internal audit of Community Care Payments was undertaken.

## **2. Key Issues**

### **Priority 1 Issues**

Examination of the records for a sample of 30 placements found that the funding for eight was authorised after the placement had been made, there was no evidence of funding approval for six and there was one instance where insufficient evidence of delegated authorisation was provided (**Issue 1**).

Examination of the records for a sample of 30 placements found that the commitment forms for 15 of these had been raised at least seven days after the placement date and in one case it took 130 days (**Issue 2**).

Examination of the records for a sample of 30 placements found that two of these did not have a commitment form, even though the placement had started and finished at the time of testing. Discussions established that commitment forms for a large amount of previously in house provisions, now outsourced to Care UK, were not being raised (**Issue 4**).

There was no evidence of a formalised process for the monitoring, processing and appropriate actioning of deceased client notification (**Issue 5**).

There has been a significant delay in the amendment of Advance Payment Solutions (APS) to Pre-paid Financial Services (PFS) bank account details resulting in 24 unnecessary rejected payments and the risk of payments being made to incorrect accounts (**Issue 7**).

### Priority 2 Issues

The Reconciliation and Data Entry Officers will often be delayed in processing commitment forms due to these being incorrectly completed or the funding approval being delayed, **(Issue 3)**.

The checks conducted before actioning requests of bank account amendments or updates were insufficient **(Issue 6)**.

Sample testing of the remittances for 10 providers from different payment runs found that that in one instance, evidence that a remittance advice slip had been sent to the provider was not available and that in four instances, the signed remittance slip had not been returned to the Council, **(Issue 8)**.

The Priority 3 issue is included under item 4 below.

3. Actions and Key Findings/Rationale

<u>Control Area 2: Notification of New, Amended and Ending Placements</u>	
<b>Priority</b>	<b>Action Proposed by Management</b>
1	<p>Panel processes are being reviewed to ensure stronger oversight and timeliness.</p> <p>Systemic issues with the client recording system (AIS) have caused delay in updating information. Hospital Discharge happens at fast pace and this means Social Care staff are working but there can be delay.</p> <p>Many of the issues around payment and commitment will be resolved once we've got a new AIS panel process set up (hopefully rolled out to the whole dept by April 18);</p> <p>Stronger understanding amongst Senior Staff of delegated limits have allowed for these processes and this has led to a more efficient approach.</p> <p>New Case Recording System will be in place in spring 2019. Procurement process currently underway</p>
	<p><b>Detailed Finding/Rational – Issue 1</b></p> <p>The Scheme of Financial Delegation specifies that Heads of Services may authorise expenditure of up to £100,000. Where this expenditure relates to placements, which may extend over a number of years, it is the annualised value that is applied. In line with the Council's Payments Procedures, the commitment to incur expenditure must be authorised prior to providers or suppliers being asked to provide goods or services.</p> <p>Examination of the records for a sample of 30 placements found that there were issues with the funding approval for 15 of these, as follows:</p> <ul style="list-style-type: none"> <li>• For eight placements, the funding was approved after the client was placed, one of which was only approved 62 days after the placement;</li> <li>• For six placements, there was no evidence on SWIFT of funding approval. Discussions with Senior Reconciliation Officers established that funding authorisation is not evidenced on SWIFT for three types of provision, namely: Social Inclusion – Non Social Care Accommodation; Shared Lives and Subsistence Cash and Non-Cash. The six placements tested were for these types of provision; and</li> <li>• For one placement, where the value of the placement exceeded the manager's delegated limit, the Head of Service had 'cut and pasted' relevant text from the email by their Director authorising the funding rather than attaching the e-mail.</li> </ul> <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.</p>

<b>Responsible officer</b>	<b>Deadline</b>
Assistant Director 0-65 Disability Service / Head of Older Peoples Social Care	Various

**Control Area 2: Notification of New, Amended and Ending Placements**

Priority	Action Proposed by Management	Detailed Finding/Rational – Issue 2
1	<p>Panel processes are being reviewed to ensure stronger oversight and timeliness.</p> <p>Many of the issues around payment and commitment will be resolved once we've got a new AIS panel process set up (hopefully rolled out to the whole dept by April 18);</p> <p>New Case Recording System will be in place in spring 2019. Procurement process currently underway.</p> <p>Late commitments regularly reviewed by SMT and robust challenge given to team managers. New processes are being brought in as an interim measure until new recording system is in place that we are confident will improve the issues.</p> <p>Placement officers now recruited in C &amp; I and their role is to ensure commitments are raised in a timely manner- this team has had additional resources to increase capacity as the previous configuration was not adequate for the volume and demand of work.</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 records for a sample of 28 placements found that 15 of the commitment forms had been raised at least seven days after the placement of the clients, with one being dated 130 days after the placement date.</p> <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 improved since the 2016/17 audit, when this same issue was also identified.</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>

<b>Responsible officer</b>	<b>Deadline</b>	
Assistant Director 0-65 Disability Service / Head of Older Peoples Social Care	Various	



**Control Area 2: Notification of New, Amended and Ending Placements**

<b>Detailed Finding/Rational – Issue 3</b>	
<p><b>Priority</b></p> <p>2</p>	<p><b>Action Proposed by Management</b></p> <p>Many of the issues around payment and commitment will be resolved once the a new AIS panel process has been set up (hopefully rolled out to the whole dept by April 18)</p> <p>New Case Recording System will be in place in spring 2019. Procurement process currently underway.</p> <p>Late commitments regularly reviewed by SMT and robust challenge given to team managers. New processes are being brought in as an interim measure until new recording system is in place that we are confident will improve the issues.</p>
<p><b>Detailed Finding/Rational – Issue 3</b></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.</p> <p>Examination of the records for a sample of placements found that generally the commitment forms for these were being processed in a timely manner by the Reconciliation and Data Entry Officers. However, discussion with these two staff established that the processing of commitment forms was often delayed due to the number of queries that they had. At the time of audit (30 January 2018), these staff had a total of 46 outstanding queries with commitment forms, which were preventing these being processed. It was explained that the most common queries related to a lack of appropriate funding approval or the amounts on the commitment forms not reconciling to corresponding the funding approval.</p> <p>Where commitment forms are not properly completed, there is a risk that placements are not created on SWIFT in a timely manner. Furthermore, the clearing of these queries by the Reconciliation and Data Entry Officers is not an effective use of their time.</p>	
<p><b>Responsible officer</b></p> <p>Assistant Director 0-65 Disability Service / Head of Older Peoples Social Care</p>	<p><b>Deadline</b></p> <p>Various</p>

**Control Area 2: Notification of New, Amended and Ending Placements**

<b>Control Area 2: Notification of New, Amended and Ending Placements</b>		<b>Detailed Finding/Rational – Issue 4</b>
<b>Priority</b>	<b>Action Proposed by Management</b>	
1	<p>Many of the issues around payment and commitment will be resolved once the a new AIS panel process has been set up (hopefully rolled out to the whole dept by April 18)</p> <p>A commitment should follow the same process whether it be an in-house or external placement – this issue will be minimised with the implementation of the new panel processes.</p> <p>Late commitments regularly reviewed by SMT and robust challenge given to team managers. New processes are being brought in as an interim measure until new recording system is in place that we are confident will improve the issues.</p> <p>Work with staff to familiarise them with the financial processes on AIS are being developed and the SOPS updated.</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 placements found for two of these, where the placement had already started and finished, that a commitment from had not been raised.</p> <p>Discussions with Senior Reconciliation Officers established that for the previous in-house provisions that were now outsourced to Care UK, it was common for there to be a large delay in raising commitment forms. It was explained that for these placements, the payments are made upfront to the provider, and that without the commitment forms being raised and authorised, the placement could not be created on SWIFT and any client contributions, if applicable, sought. It was also explained that a similar issue could arise with block bed bookings.</p> <p>Where commitment forms are not raised in a timely manner or not at all, there is a risk of financial loss to the Council from unclaimed contributions.</p>
<b>Responsible officer</b>	<b>Deadline</b>	
Assistant Director 0-65 Disability Service /	Various	

Community Care Payments 2017/18

Head of Older Peoples Social Care		
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<b><u>Control Area 3: Payments to Service Providers</u></b>	
<b>Priority</b>	<b>Action Proposed by Management</b>
1	<p>If a service desk receive a notification of a death this triggers a close down of the case. There is a list of deceased clients that can be forwarded to allow testing of the system.</p> <p>LBC relies on providers and families to alert us of a death so as to initiate the close down process.</p> <p>The placement agreement that is sent to all providers contractually binds the provider to notify the council of any deaths for which we will pay a maximum of 3 days after death</p> <p>A pilot project will commence in May 2018 whereby all care home providers for OP will be phoned on a monthly basis to check the placements list and for the provider to notify the council of any deaths</p>
	<p><b>Detailed Finding/Rational – Issue 5</b></p> <p>Deceased clients are required to be notified to the Council and this information should be forwarded to the payments team in a timely manner. This then allows the team to ensure that payments in respect of these individuals are stopped.</p> <p>No evidence of a formalised process for the monitoring, processing and appropriate actioning of deceased client notifications was available. Although we were provided with an example to demonstrate that deceased notifications are received by the payments team, we were unable to test the effectiveness of deceased client payment removal as we were not provided with a list of deceased clients the Council has been notified of.</p> <p>This issue was previously raised in the 2016/17 Community Payments Audit.</p> <p>Where there is no formalised procedure in place, teams may be working to different processes. This could lead to confusion and deceased clients not being removed from the SWIFT system in a timely manner; or removed at all. There is also a risk of funding being removed incorrectly; either denying a client or provider of funds which may result in reputational damage among clients and providers.</p>
<b>Responsible officer</b>	
Team Manager	Deadline
	Various

**Control Area 3: Payments to Service Providers**

<b>Priority</b>	<b>Action Proposed by Management</b>	<b>Detailed Finding/Rational – Issue 6</b>
2	<p>A guidance document will be drafted.</p> <p>As agreed appropriate at a recent meeting attended by Internal Audit, officers will include a screenshot of the online location from which the business contact number was located/verified.</p>	<p>Mandate fraud is when someone requests a change to a direct debit, standing order or bank transfer mandate, by purporting to be an organisation the Council makes regular payments to, for example a subscription or membership organisation or a business supplier. Mandate fraud has been a significant fraud area for the UK over the last few years.</p> <p>Sample testing noted that when a provider sends in a request to update or amend their existing bank details, a member of the payments team will call up the provider to reaffirm the amendment. Based on the audit trail provided it is not clear how the number to call or who to confirm the request with is determined and, for both of the changes sampled where the payments team had called the provider, the contact details (i.e. name and phone number) were the same as that detailed on the requests received. This is not deemed an adequate control to ensure the bank detail change is legitimate as no evidence is provided as to who the officer is talking to on the phone. We were also not provided with a formalised guidance document for amending bank details, but were provided with emails informing officers of the requirement to call the provider.</p> <p>A similar issue was previously raised in the 2016/17 Community Care payments audit.</p> <p>Where there are insufficient checks around bank detail changes, there is a risk the Council is exposed to bank mandate fraud.</p>
<b>Responsible officer</b>	Team Manager	
	N/A	

**Control Area 3: Payments to Service Providers**

<b>Priority</b>	<b>Action Proposed by Management</b>	<b>Detailed Finding/Rational – Issue 7</b>
1	<p>This was a one-off exercise due to the move from the previous pre-paid card provider (APS) to the new pre-paid card provider (PFS).</p> <p>There were a significant number of bank account details to amend for direct payments and subsistence service users. The rejections were caused due to our team not receiving the bank account details for the service users mentioned. These payments were rejected from the old APS accounts that had been closed. These have now been resolved.</p>	<p>Changes to bank details, once verified, must be made as soon as feasibly possible to ensure that payments are not made to incorrect or closed accounts.</p> <p>During discussions with the Accounts Payable team, it was established that the Council switched pre-paid card provider from Advance Payment Solutions (APS) to Pre-paid Financial Services (PFS) resulting in a large amount of bank account amendments requiring to be made. The Accounts Payable team informed the SWIFT payments team prior to the payment run where the account change was required to be applied. Two batches totalling 24 payments (£3,139.36) have subsequently been rejected due to these changes not having been made. We were shown subsequent emails from Accounts Payable to the SWIFT payments team to rectify these rejections, but the required bank account changes have still not all been actioned.</p> <p>Where bank account details are not changed soon after these are verified, there is a risk of payments being made to incorrect accounts, resulting in financial and reputational risk to the Council. There is also a risk of hardship to vulnerable members of the community.</p>
<b>Responsible officer</b>	Team Manager	
	<b>Deadline</b>	
	Various	

<b><u>Control Area 3: Payments to Service Providers</u></b>	
<b>Priority</b>	<b>Action Proposed by Management</b>
2	<p>The sample remittances had been sent out a few weeks before the sample was taken.</p> <p>The remittances were in the process of being submitted by the providers.</p> <p>A pilot project to commence in May 2018 whereby care homes providers for older people will be phoned on a monthly basis to check whether any of the service users have moved out or passed away.</p>
	<p><b>Detailed Finding/Rational – Issue 8</b></p> <p>Remittance advice slips are sent to providers at the end of each payment run, which the providers are required to check, sign and return to the Council to confirm that the amounts paid are accurate and correct.</p> <p>Sample testing of 10 providers from different payment runs found that:</p> <ul style="list-style-type: none"> <li>• In four instances, a signed remittance slip had not been returned to the Council; and</li> <li>• In one instance, evidence that a remittance advice slip had been sent to the provider was not available (For the 16/10/17 – 12/11/17 payment run).</li> </ul> <p>This issue was previously raised in the 2016/17 Community Care Payments Audit.</p> <p>Where remittance advice slips are not issued to providers or returned, there is a risk that providers are not letting the Council know when clients are deceased or where other payment inaccuracies exist. This could lead to a financial loss to the Council.</p>
<b>Responsible officer</b>	<b>Deadline</b>
Team Manager	Various

**4. Priority 3 Issue**

<b>Action Proposed by Management</b>	<b>Findings</b>
<p>a) New Case Recording System will be in place in spring 2019. Procurement process currently underway.</p>	<p>In order to ensure that the service provided is in line with legal requirements and best practice, procedure guidance should be regularly reviewed and, where appropriate, updated. The name of the reviewer and the review date should be noted in the document.</p> <p>During testing, it was established that the 'Adult Integrated Solution user Guide and Process Guide', had last been reviewed in April 2015. Although the SWIFT procedure guidance was present on the Council's SharePoint site, the document did not note a date of last update or author, however the SharePoint entry evidenced a last modification date of 01/08/2013.</p> <p>Where procedure documents are not regularly reviewed, there is a risk that staff are following outdated guidance, which may result in them 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 2017/18 Internal Audit Plan, an internal audit of Community Care Payments has been identified to be undertaken.

#### 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 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 The audit included the following areas:

Control Areas/Risks	Issues Identified		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Regulatory, Organisational and Management Requirements;	0	0	1
Notification of new, changed and ending placements;	3	1	0
Payments to Service Providers;	2	2	0
Budgetary Control; and	0	0	0
Risk Register.	0	0	0
<b>Total</b>	<b>5</b>	<b>3</b>	<b>1</b>

## DEFINITIONS FOR AUDIT OPINIONS AND RECOMMENDATIONS

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 recommendations are based on the following criteria:

<b>Priority 1 (High)</b>	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
<b>Priority 2 (Medium)</b>	Control weakness that represent an exposure to risk and require timely action.
<b>Priority 3 (Low)</b>	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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