

# Final Internal Audit Report

## Special Sheltered Housing

### March 2018

**Distribution:**

- Executive Director of People (Final only)
- Director of Commissioning and Improvement
- Head of Older People Commissioning and Brokerage Phase 2
- Care UK Contract Manager
- Contract Monitoring and Placement Team Manager

Assurance Level	Recommendations Made	
<b>Limited Assurance</b>	Priority 1	2
	Priority 2	8
	Priority 3	0

#### 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

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## **1. Introduction**

- 1.1 Special Sheltered Housing allows adults to have their own accommodation in a block or small estate. It is generally aimed at adults over the age of 60, however younger individuals are assessed on a case by case basis. The work was contracted out to Care UK, who then outsourced the work to Mears.
- 1.2 The Council generally communicates directly to Mears whenever there is an issue relating to Special Sheltered Services. Care UK has progressively reduced its input into discussions and communications due to their lack of input to the process.
- 1.3 The contract with Care UK outlines the requirements of the contractor to provide monthly monitoring reports with data relating to a set of agreed Key Performance Indicators. This is further supported by quarterly meetings between the contractor and the Council. The Council further validates the performance of Mears by performing Quarterly inspections with their own KPI's and quality measurements which provide a better view of the performance of the contractor.
- 1.4 As part of the agreed 2017/18 Internal Audit Plan, an internal audit of Special Sheltered Housing has been undertaken.

## **2. Key Issues**

### **Priority 1 Issues**

Sample testing identified that quarterly quality inspections were not always being conducted as required. Of the fifteen inspections expected, evidence of eight being conducted was not provided. **(Issue 5)**

Although sensitive personal data is shared between the Council and Mears, the Council has not received any documentation evidencing Mears' compliance with the Data Protection Act 1998. **(Issue 6)**

### **Priority 2 Issues**

Evidence that Mears held certain policy documents (as required by the contract) was not available. **(Issue 1)**

Although identified gaps in the monitoring of delayed discharges and of inappropriate placements had been communicated to the contractor, there was a lack of evidence to demonstrate that further action to resolve these had been taken. **(Issue 2)**

Complaints and critical events were not being reported to the Council from Mears. **(Issue 3)**

Sample testing identified that KPI monitoring reports were not always being provided as required. **(Issue 4)**

Assurance that Mears has implemented a risk management tool of CQC standard and that Mears and / or Care UK have the required insurances in place was not available. **(Issue 7)**

Two of the monthly meetings in the last six months between the Council, Care UK and Mears were not held. **(Issue 8)**

Mears' invoices were not addressed to the P2P team and did not quote the Council order number as required. **(Issue 9)**

Although KPI reports were either not provided or reported poor performance, no payment deductions had been made. **(Issue 10)**

3. Actions and Key Findings/Rationale

<u>Control Area 1: Regulatory, Organisational and Management Requirements</u>	
<b>Priority</b>	<b>Action Proposed by Management</b>
2	<p>Care UK remain the contract manager. We have policy documents from Care UK. To provide further assurance we will ask provision of these documents by Care UK from Mears at the next quarterly meeting</p>
	<p><b>Detailed Finding/Rational – Issue 1</b></p> <p>The Council's contract with Care UK outlines six specific policies that the contractor should evidence they possess and regularly update. They are:</p> <ul style="list-style-type: none"> <li>- Complaints;</li> <li>- Confidentiality;</li> <li>- Protection from abuse;</li> <li>- Equal opportunities;</li> <li>- Harassment and Bullying; and</li> <li>- Anti-discrimination.</li> </ul> <p>During the audit, no evidence was available to demonstrate that the Council had sought or received assurance that the required policy documents listed in the Care UK contract were in place for Mears.</p> <p>Where the Council does not have evidence that Mears has established and updated the required policy documents, there is a risk that the contractor does not hold or follow the policies and is non compliant with the Care UK contract core conditions.</p>
<b>Responsible officer</b>	<b>Deadline</b>
Care UK Contract Manager	February 2018

<b><u>Control Area 2: Contract Monitoring</u></b>						
<b>Priority</b>	<b>Action Proposed by Management</b>	<b>Detailed Finding/Rational – Issue 2</b>				
2	The contract management function in C and I provides the link to operational service in Adult Social Care. We have firmed up the liaison procedure and will spot check with scheme managers at contract meetings	Where long running trends in the quality or provision of works done for Special Sheltered Housing are identified, officers should communicate such problems to Mears and ensure the issues are managed through appropriate monitoring.  During the audit it was established that officers are aware of issues relating to a lack of monitoring of delayed discharges and inappropriate placements. These issues had been relayed to Mears during a contract monitoring meeting held on 15 <sup>th</sup> November 2016, however it could not be evidenced that there has been any progress in the management or mitigation of these issues since the discussion.  Where long running monitoring issues are identified but not proactively managed, there is a risk of vulnerable clients lacking the support they require and the Council being unaware of this.				
	<table border="1"> <thead> <tr> <th><b>Responsible officer</b></th> <th><b>Deadline</b></th> </tr> </thead> <tbody> <tr> <td>Head of Older People Commissioning and Brokerage Phase 2</td> <td>Completed</td> </tr> </tbody> </table>	<b>Responsible officer</b>	<b>Deadline</b>	Head of Older People Commissioning and Brokerage Phase 2	Completed	
<b>Responsible officer</b>	<b>Deadline</b>					
Head of Older People Commissioning and Brokerage Phase 2	Completed					

<b>Priority</b>		<b>Action Proposed by Management</b>	<b>Detailed Finding/Rational – Issue 3</b>				
2	Care UK is the contract holder. We have recently started work on our critical events/complaints reporting across all schemes (including with London Care). This should be completed in March 18		<p>The Council's contract with Care UK states "The Service Provider will keep a log of all complaints and actions taken". Complaints and critical events reporting allows the Council to identify any long running trends or issues within Special Sheltered Housing provisions.</p> <p>During the audit it was established that complaints and critical events were not being reported to the Council from Mears. Although the Council provide templates to Mears to report complaints, the templates are not completed and the Council logs zero complaints against the provider.</p> <p>Where complaints and critical events are not reported to the Council, there is a risk that vulnerable members of the public are at risk and not being helped appropriately. Where complaints are not sent direct from the complainant to the Council, there is a risk that the contractor may neglect to report these.</p>				
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<b>Detailed Finding/Rational – Issue 4</b>	
<p><b>Priority</b></p> <p>2</p>	<p>The Council's contract with Care UK states that "Each month, the performance table will be completed detailing the Service Provider's performance as against the Performance Indicators for the Special Sheltered Services".</p> <p>Discussion established that it had been agreed that KPI's would be provided quarterly instead of monthly, however evidence of this agreement was not available. Testing of the KPI returns from all seven Special Sheltered Housing providers identified that:</p> <ul style="list-style-type: none"> <li>- Returns for quarter 2 of 2017 were not available for [REDACTED]; and</li> <li>- Returns for quarter one of 2017 were not available for [REDACTED].</li> </ul> <p>Where KPI monitoring returns are not regularly provided to the Council, there is a risk that domiciliary care providers are not meeting their KPI targets and that vulnerable clients not being provided the level of care they need.</p>
<p><b>Action Proposed by Management</b></p> <p>We have recently reviewed our KPI procedure with Care UK. We have begun KPI reporting this quarter. This will be rolled out fully to all schemes in March 18.</p>	
<p><b>Responsible officer</b></p> <p>Head of Older People Commissioning and Brokerage Phase 2</p>	<p><b>Deadline</b></p> <p>March 2018</p>



<b>Priority</b>		<b>Action Proposed by Management</b>	<b>Detailed Finding/Rational – Issue 5</b>
1	It is an aspiration to monitor all services quarterly not an absolute contractual requirement. The resource to do this is limited and therefore whilst we are looking to increase our resource without further investment we will not be able to guarantee all quarterly qualitative inspections. However we do complete quarterly contract management actions on KPI's.	<p>The Council inspects each of the Special Sheltered Housing providers on a quarterly basis. The inspections provide a qualitative approach to monitoring as opposed to the KPI's provided. Reports are produced for each inspection and outline the areas that worked well and areas which require improvement.</p> <p>Examination of the inspection records maintained for the seven care providers found that it could not be evidenced that the following inspections were conducted:</p> <ul style="list-style-type: none"> <li>- Quarter 1 2017 for [REDACTED]; and</li> <li>- Quarter 2 2017 for [REDACTED].</li> </ul> <p>There was no evidence that Care UK was involved in these inspections.</p> <p>Where regular inspections are not undertaken by the Council, there is a risk that the Council does not detect poor contractor performance and instances of contractual non-compliance. The risk is compounded by the lack of monitoring reports being provided, as identified in issue 4 above.</p>	
<b>Responsible officer</b>		<b>Deadline</b>	
Head of Older People Commissioning and Brokerage Phase 2		Completed	

<b>Detailed Finding/Rational – Issue 6</b>	
<b>Priority</b>	<b>Action Proposed by Management</b>
1	We will seek sight of this imminently.
<b>Responsible officer</b>	<b>Deadline</b>
Head of Older People Commissioning and Brokerage Phase 2	Immediately
<p>The statutory 'Data sharing code of practice' issued by the Information Commissioners Office details the rules and regulations relating to the sharing of personal and sensitive personal data. As sensitive personal data is shared between the Council and Mears, this code of practice applies.</p> <p>During the audit it was confirmed that when the Special Sheltered Services were outsourced to Mears by Care UK, the Council did not receive any documentation evidencing Mears' compliance with the Data Protection Act 1998 and nor is there a data sharing protocol or agreement in place. Since the outsourcing, the Council has received no further confirmation in this regard.</p> <p>Where the Council does not receive assurance that Mears is compliant with the Data Protection Act 1998, there is a risk that vulnerable client sensitive personal data is inappropriately shared and that the Data Protection Act 1998 is breached.</p>	

<b>Priority</b>		<b>Action Proposed by Management</b>	<b>Detailed Finding/Rational – Issue 7</b>
2	This will be raised at the next contract management meeting in March.		<p>The Council's contract with Care UK states that: <i>"The Service Provider must implement a risk management tool which meets Care Quality Commission minimum standard"</i>. It would also be expected that Mears and/or Care UK provides assurance over their annual insurance for their service provision.</p> <p>During the audit, it was confirmed that the Council has not received any assurances that Mears has implemented a risk management tool of CQC standard or Mears and/or Care UK have an up to date insurance policy taken out in respect of the contract services.</p> <p>Where the Council does not receive assurance over Mears' Risk management or Insurance Policies, there is a risk that Mears is non-compliant with the Care UK contract and any hazards relating to Special Sheltered Housing may not be identified and mitigated.</p>
	<b>Responsible officer</b>	<b>Deadline</b>	
	Head of Older People Commissioning and Brokerage Phase 2	March 2018	

<b>Priority</b>		<b>Action Proposed by Management</b>	<b>Detailed Finding/Rational – Issue 8</b>
2	This meeting has been moved to quarterly and varied in the contract.		<p>The Council's contract with Care UK states that <i>"The Authority's Representative shall meet with the Contract Manager not less than once per month at which the performance of the Service Provider will be reviewed."</i></p> <p>From the past six month tested, it was seen in two instances (January 2017 and May 2017) that monitoring meetings between the sub-contractor Mears and the Council were not held.</p> <p>Where contract monitoring minutes are not held on a monthly basis, there is a risk that the Council is unable to demonstrate it has been duly diligent in the monitoring of the contractor. Furthermore, issues may not be communicated and resolved in a timely manner.</p>
	<b>Responsible officer</b>	<b>Deadline</b>	
	Head of Older People Commissioning and Brokerage Phase 2	Completed	

<b>Control Area 3: Contract Payments</b>					
<b>Priority</b>	<b>Action Proposed by Management</b>				
2	<p>Recent work has improved performance in this area. However there is further work to be done. This is linked to payment process work in ASC and will be completed summer 18.</p>				
	<p><b>Detailed Finding/Rational – Issue 9</b></p> <p>The Council's contract with Care UK states that: "...the authority shall make payment to the Service provider within ten working days of receipt of a valid invoice".</p> <p>Testing of a sample of 3 months payments made to Care UK for the provision of sheltered housing works, found that the:</p> <ul style="list-style-type: none"> <li>- Contract payment for March 2017 was invoiced on 10 May 2017 and paid 35 working days later on 28 June 2017;</li> <li>- Additional payment for January 2017 was invoiced on 24 March 2017 and paid 65 working days later on 29 June 2017;</li> <li>- Additional payment for February 2017 was invoiced on 29 March 2017 and paid 57 working days later on 22 June 2017; and</li> <li>- Additional payment for March 2017 was invoiced on 10 May 2017 and paid 35 working days later on 29 June 2017.</li> </ul> <p>Examination of the invoices found that none of these were addressed to Accounts Payable as required and none quoted an order number. It was also identified that the annual order for the contract payments, [REDACTED], was only requested on 1 June 2017 and that the annual order for additional payments, [REDACTED], was only requested on 2 June 2017.</p> <p>While the Council's policy may be to pay invoices on 30 days, the Contract specifies that payment must be made within 10 days and thus all undisputed payments should be made within the specified 10 days.</p> <p>Where the Council is non-complaint with the payment conditions outlined in the Care UK contract, there is a risk of financial repercussions from Care UK due to late payment or non-provision of work.</p>				
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<b>Priority</b>	<b>Action Proposed by Management</b>	<b>Detailed Finding/Rational – Issue 10</b>				
2	Because of the transfer of service from Mears we did not fully implement the KPI. This will be done in the new year.	<p>The Council's contract with Care UK states that, "In the event the Service Provider fails to achieve a Total Percentage Score of 95% in respect of the Special Sheltered Housing Indicators, then a performance Deduction shall be made from the Gross Special Sheltered Payment".</p> <p>Examination of the KPI reports for quarter 1 found that these had either not been supplied (see issue 4 above) or reported poor performance, for example:</p> <p>In Quarter one 2017 [REDACTED]: - 8% of accidents and incidents were reported within 24 hours, whereas a pass rate is 100%; and 0% of safeguarding referrals were made within 24 hours when the pass rate is 100%.</p> <p>In Quarter one 2017 [REDACTED]: - 0% of safeguarding referrals were made within 24 hours, whereas a pass rate is 100%.</p> <p>In Quarter one 2017 [REDACTED]: - 75% of familiarisation visits had been completed when the pass rate is 90%.</p> <p>It was also noted that across all domicile providers, there were missing fields in the quarterly returns which would lead to a score of zero for that KPI.</p> <p>However, examination of payments made to Care UK for Special Sheltered services established that the Council has not made any payment deductions. Discussions established that the Council is currently planning to make its first performance based payment deduction around Q3 of 2017.</p> <p>Where Care UK does not fulfil the expected level of quality with regards to Special Sheltered services and the Council does not act on such under performance, there is a risk that the contractor has no incentive to improve works provided. There is also a risk of the Council not receiving good value for money with regards to the Care UK contract</p>				
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## TERMS OF REFERENCE

### Special Sheltered Housing

#### 1. INTRODUCTION

- 1.1 Special Sheltered Housing allows adults to have their own accommodation in a block or small estate, within which all the residents are older people. It is usually aimed at adults over the age of 60, however younger individuals are assessed on a case by case basis.
- 1.2 The service is run under the Care UK contract held with the Council and has been sub-contracted to Mears. The Care UK contract is a 10 year contract and is currently midway through its duration.
- 1.3 Adults can be referred to the Sheltered Housing service from many sources including home carers, occupational therapists, doctors, healthcare workers, care managers and other agencies such as Age Concern.
- 1.4 Applicants have their case financially assessed and then brought to an Adult Social Care panel who determine whether the applicant has the funds and need for the service.
- 1.5 As part of the agreed 2017/18 Internal Audit Plan, an internal audit of Special Sheltered Housing was 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	1	0
Contract Monitoring; and	2	5	0
Contract Payments.	0	2	0
<b>Total</b>	<b>2</b>	<b>8</b>	<b>0</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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