



<b>Meeting of East Renfrewshire Health and Social Care Partnership</b>	Performance and Audit Committee
<b>Held on</b>	27 June 2018
<b>Agenda Item</b>	10
<b>Title</b>	Carefirst Finance System Audit Report
<p><b>Summary</b></p> <p>This report provides members with a progress position on:</p> <ul style="list-style-type: none"> <li>▪ Confirmation of the closure of the Council Internal Audit report on Payment to Care Providers (MB/919/RMEL)</li> <li>▪ The report and action plan from the audit of the Carefirst Finance System</li> </ul>	
<b>Presented by</b>	Lesley Bairden, Head of Finance and Resources (Chief Financial Officer)
<p><b>Action Required</b></p> <p>The Performance and Audit committee is requested to note;</p> <ul style="list-style-type: none"> <li>▪ The closure of the Council Internal Audit report on Payment to care Providers (MB/919/RMEL)</li> <li>▪ The report and action plan from the audit of the Carefirst Finance System</li> </ul>	

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## EAST RENFREWSHIRE INTEGRATION JOINT BOARD

### PERFORMANCE & AUDIT COMMITTEE

27 June 2018

Report by Lesley Bairden, Chief Financial Officer

### Carefirst Finance System Audit Report

#### **PURPOSE OF REPORT**

1. The purpose of this report is to provide the Performance & Audit Committee with an update on:
  - Confirmation of the closure of the Council Internal Audit report on Payment to care Providers (MB/919/RMEL)
  - The report and action plan from the audit of the Carefirst Finance System

#### **RECOMMENDATION**

2. The Performance and Audit committee is requested to note:
  - Confirmation of the closure of the Council Internal Audit report on Payment to care Providers (MB/919/RMEL)
  - The report and action plan from the audit of the Carefirst Finance

#### **BACKGROUND**

3. This report provides the committee with an updated position on the Payments to Providers audit and the report and associated action plan from the audit of the Carefirst Finance system now it is in its operational phase.

#### **REPORT**

4. The main developments since last reported are discussed below.
5. The Chief Internal auditor has confirmed that the. Payment to care Providers (MB/919/RMEL) audit is now closed, as detailed in Appendix 1. The two remaining actions have been incorporated into the audit of the Carefirst Finance System.
6. The Carefirst Finance system has been audited, as planned, now that the system is fully operational. The report and action plan are included at Appendix 2 for information.
7. The main messages from the report are:
  - Recognition that significant work has been undertaken to fully implement and operate the system
  - Recognition that the system parameters (as set up) do not have the flexibility required to manage care packages that do not fit into a neat profile of spending over a period of time.
  - There are some issues with the frequency of reviews – recognising we do not have the capacity to undertake an annual review for every individual and that whilst a risk based approach is used we need to refresh that policy.

8. The action plan sets out all the recommendations and our responses and timelines.
9. For those recommendations where a reminder was suggested these have already been issued.
10. There are a number of recommendations where operational managers are required to sign off on a variety of reports and data verifications so we are working to combine and streamline these to minimise time spent on duplicated efforts.
11. The propped process changes and centralised entry of service agreements will mitigate and/or eliminate data quality and timeliness.
12. Many of the recommendations are as a result of using the system in a way that it was not intended hence the need for our additional governance controls. This rigour will continue to be applied as we look at personal budget options.
13. We are looking at the potential finance functionality of the Care First Eclipse software and any other potential systems in use to allow us to move to a fit for purpose and future proof system.
14. I previously gave the commitment that I would bring the Payment to Care Providers (MB/919/RMEL) report progress to this committee whilst the audit was open. This is now closed.
15. I would not intend to bring updates on the Care Finance report to this committee unless, as with any other operational area, there were any significant issues. However if the committee felt differently then I will continue to report.
16. At the stage where we are ready to look at system development in detail I will bring project proposals to this committee in the first instance.

## CONCLUSIONS

17. The Performance & Audit Committee can take assurance that progress continues to be made with the governance of all care package costs.

## RECOMMENDATIONS

18. The Performance and Audit committee is requested to note:
  - Confirmation of the closure of the Council Internal Audit report on Payment to care Providers (MB/919/RMEL)
  - The report and action plan from the audit of the Carefirst Finance

## REPORT AUTHOR AND PERSON TO CONTACT

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27 June 2018

## BACKGROUND PAPERS

East Renfrewshire Council Audit and Scrutiny Committee

# Internal Memo



**Our Ref:** MB/1043/EL

**Date** 19 April 2018

**From:** Chief Auditor

**To:** Director of HSCP

**Subject: Follow up of the Payments to Providers Follow up Audit**

As part of the annual audit plan 2017/18, a follow up audit was carried out to check on progress with the findings of the Payments to Providers audit, originally issued in October 2015 and followed up initially in December 2016. The last follow up report (MB986EL) noted that there were eight outstanding recommendations. This follow up audit included ensuring that appropriate action has been taken to address the points raised in the previous follow up audit report and ensuring that updates provided by the department are accurate and reflect a true picture of the action taken and the current position.

Steps have been taken to implement most of the recommendations however two remain outstanding. These relate to the allocation of care workers and the ongoing review of client commitments. Since these areas are covered in the audit of the Care First Finance system, it is deemed more appropriate to report the findings as part of that audit. Therefore no recommendations are made as part of this follow up review so no response is required.

Chief Auditor  
c.c. Chief Executive

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## Report on Audit of the Carefirst Finance System

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Chief Auditor  
MB/1044/EL  
19 April 2018

## **Report on Audit of the Carefirst Finance System**

### **1. INTRODUCTION**

As part of the annual audit plan 2017/18, an audit of the carefirst finance system was undertaken. This audit focussed on the processes around the implementation and operation of the care first finance system and the commitments, budgeting and control over payment of providers.

As carefirst finance is a newly implemented module it has never before been subject to audit review.

Risks to the council of not properly implementing the controls around the system are that care providers will be paid inappropriately and that review of service agreements does not take place allowing payments to continue after they should.

Self directed support (SDS) is the support you purchase or arrange to meet agreed health and social care outcomes for each individual client assessed as needing care. Client budgets can be:

- Taken as a Direct Payment (a cash payment, Option 1)
- Allocated to a provider selected by the client (where the council or provider holds the budget but the client is in charge of how it is spent, Option 2)
- Allocated to the council to arrange and choose a service (Option 3)
- Clients can also choose a mixture of all three of the above options for different types of support (Option 4).

Each client chooses which option they would like and this is noted in the carefirst system and in the service agreements set up and approved for each client. An agreement should be in place for each client formalising the choice made. References to options within this report relate to clients choices through self directed support.

The assistance of HSCP staff throughout the audit is greatly appreciated.

### **2. SCOPE**

The scope of the review incorporated:

- Clear segregation of duties exist between authorising care packages and processing and approving payments.
- A full audit trail evidencing approval and regular review of care packages is maintained.
- Payments are only processed within the vary limits, all varies are checked (both individually and cumulatively) and agreements amended where required.
- Payments are processed timeously.
- Reconciliations are carried out as appropriate to ensure that actual payments made agree to carefirst and to the financial ledger.
- Income is recorded and reconciled.

### **3. CONCLUSION**

Significant work has taken place to implement the carefirst finance system. The system has been set up and is operated in a way which is not necessarily best fit for the type of care packages that it is used to monitor and control. In an ideal world the system would mirror the type of flexibility that is required for individual care packages but at present it only allows for a fixed budget and profile of spend per service agreement which is not practical for many types of care package, resulting in varies when invoices are received and compared to the monthly service agreement amounts. The current system is reliant



on service agreements being set up and authorised on the system, any changes being updated promptly and service agreements being reviewed at least annually. Audit's view however is that there is not enough evidence of service agreements being reviewed annually or of vary reports being agreed by operational staff. The Head of Finance and Resources however stated that it is not possible to undertake a full annual review on every care package and that this operates on a risk based approach

The following points are therefore raised and require to be addressed.

#### **4. FINDINGS AND RECOMMENDATIONS**

##### **4.1 Annual review of care packages and therefore service agreements**

As part of the Follow up of Payments to Care Providers audit which was issued in December 2016, a recommendation was made relating to the review of clients with service agreements in care first finance without an allocated care worker. A key requirement of the carefirst finance set up is that cases are reviewed at least annually. Now that carefirst finance has been implemented, it is important that this review takes place in order that service agreements are checked and updated to be in line with current services received. If a service agreement is authorised on the system, then this is clear authorisation to pay the provider charges up to the limit of the service agreement.

It is noted however that in two teams visited, there are backlogs and some clients have been awaiting annual reviews for more than a year. For example within the Lavern Valley Residential Team as at 14 February 2018 there were 145 community care clients on the review clipboard with 62 overdue for review ranging between one year and the longest case overdue is 1812 days (almost 5 years). Within the same team there are 99 clients on the care home review clipboard with 52 overdue and the longest overdue is 655 days (almost 2 years). For Learning Disability there are 88 clients on the review clipboard with 48 of those overdue for review with the oldest review date being July 2016.

Care packages may be subject to change during the period that will affect the cost of the service agreements. The Team Managers consulted during the review advised that the review process is currently prioritised by needs and clients are allocated for review as needs are flagged up by family, operational staff, care providers and clients themselves. Priority is given to adult support and protection cases and to sleepover reviews in order to address risk and redesign the sleepover services which will move away from the traditional model to ensure an appropriate service and Best Value is delivered. It should be noted that no cases have been found by audit where overpayment has been made as a result of late review.

#### **Recommendations**

**4.1.1 Priority needs to be given to ensure that annual review takes place for each client with an authorised service agreement however the Head of Finance and Resources stated that it is not possible to undertake a full annual review on every care package and that this operates on a risk based approach. Details of the risk based approach needs to be documented and approved by the IJB.**

**4.1.2 Operational Managers need to review and prioritise cases to ensure that those most likely to have changed are addressed first. In practice these cases should have been reviewed under routine work.**

## 4.2 Vary reports

The Development Accountant advised that care packages are annual amounts and many non-residential packages are flexible. The system, however, needs a weekly amount of hours to be input and doesn't deal well with flexible care packages. This means that there may be perfectly valid reasons why hours and amounts don't match up neatly on a week-by-week basis. Invoice processors try to look at the history of a client when they are processing invoices. Sometimes the workers will have to have averaged out what services individuals receive, sometimes the care will be weighted to a certain part of the year, although the service agreement may not reflect this accurately. The vary policy has been implemented to allow processing of invoices for sometimes fluctuating charges against a fixed weekly service agreement cost.

Vary reports are produced showing all variances processed per client and are categorised into the reason for the vary. This report was produced and issued to managers for the first time at the end of 2016/17, and then issued again at the end of period 6 in 2017/18 covering periods 1-6 when it was discussed at budgetary control meetings and has been issued for period 9 in the last few weeks.

Positive responses were not required from each manager for the initial report. The process has recently been updated and all entries on vary reports for all clients are now reviewed to ensure that only the varies for which operational managers are responsible and can change are included in order to reduce the data required to be reviewed (previously vary reports covered all varies for all clients so included rate changes and other adjustments). It is also planned that a positive return will be required for all clients in order that there is evidence of review by operational managers and that any necessary changes required are highlighted. As this is a new process a guidance note has been produced and distributed to operational staff to assist in their interpretation of the vary schedule.

The finance team are reporting to operational staff any invoices received which do not match to service agreements and requesting authorisation to pay when it is more than 10% authorised variance, however additional hours charged over the agreed number should always be reported for authorisation.

### **Recommendations**

**4.2.1 Action is required by operational managers to ensure that varies processed are appropriate to the client and that service agreements reflect clients' needs accurately. Operational managers should prioritise checking of vary reports to approve all varies processed and to take action to update service agreements where appropriate.**

**4.2.2 A positive response should be obtained by the Finance Team from each operational manager regarding review and approval of vary reports to ensure that each case is addressed and the manager is confirming an awareness of the differences and any required actions. This could be combined with the quarterly client verification check (which covers existence of client, commitment value and provider) and signed off within budget monitoring to avoid numerous verification checks.**

## 4.3 Timeous authorisation of service agreements

A report was run listing active service agreements as at 19 January 2018 and this listed 1,276 authorised service agreements in total excluding homecare and tech/community alarms agreements.

There were 771 new service agreements started from January 2017. An assessment of the time taken from start of the agreement to authorisation on the system was more than 28 days for 304 (39%) of these cases. Of these, 122 (15.8%) cases were entered to the

system but not authorised for more than 3 months. This means that the service agreement started and was due to be paid but would be delayed as the service agreement was not authorised.

Only 212 (27.4%) of the 771 new service agreements were entered to the CFF system before the agreement started. The remaining 559 (72.5%) were not keyed to the system until after the agreement had commenced and 238 (31%) of these agreements were not entered to the system for more than 28 days after the agreements started. It would seem that appropriate priority is not placed on workers updating the CFF system with service agreements timeously.

#### **Recommendations**

**4.3.1 Operational managers should be reminded that service agreements must be authorised as a priority to avoid backlogs in payments to providers.**

**4.3.2 Social Workers should be instructed that updating the CFF system is essential and that this must be done before the service agreement commences where possible.**

#### **4.4 Commissioning report on rates**

A report is available for the commissioning team to use to review and approve the rates set up on the system. Rates are agreed by the commissioning team with providers and keyed to the system by the carefirst team however further rates are required to be set up for Option 2 clients who can choose their own provider. The commissioning team are responsible for picking up on any anomalies on these rates by review of a rates report. A report should also be prepared for DMT to advise of rates payable and allow these to be considered and approved. At the time of the audit, a report had been prepared for the previous quarter but not submitted to DMT. It was planned that the next quarterly report would be submitted and this would cover all previous rates.

#### **Recommendations**

**4.4.1 Regular review of provider rates should take place within the commissioning team and appropriate action taken where anomalies are found. Evidence of this review should be held.**

**4.4.2 The report should be presented to DMT in line with procedures to obtain approval of rates not set by commissioning.**

#### **4.5 Matching invoices**

The process of matching and approving invoices to be paid has been a time consuming one for the Finance Team. The checking and approval of invoices is now done in bulk after each invoice has been individually matched and approved. Reports are run by the Development Accountant to obtain approved invoices from Information @ Work and matched invoices from carefirst and the contents of these two reports are matched and compared. All vary's of greater than 10% are reviewed and returned to invoice processors for further checking unless sufficient evidence can be seen. Invoices with no match in either file are reviewed and returned or completed as required.

Some providers invoice for multiple clients on one invoice and these are reviewed at matching stage on a separate spreadsheet recording differences per client. Varies on these invoices are a result of varies up and down for each client and offset each other to result in a net vary overall for the provider. In these cases the invoice is only specifically reviewed if the overall vary is higher than 10%. Clients on these invoices with a vary of 10% or more should be reviewed individually at batch approval stage. Upon discussion of this issue it was agreed that it would be bad practice to delay payment of larger invoices to

providers on the basis of one client however and each client in these cases is reviewed individually at the matching stage by the invoice processing team. It was agreed to continue with current procedure at the present time but for further audit checks to take place in due course as part of the normal follow up process.

Some anomalies were raised during the review where an invoice was processed but the associated credit note was not. Another case where a credit note was required prior to processing an invoice but processing staff were following slightly different procedures, i.e. some process the invoice whilst requesting the credit and some hold the invoice until the credit is received. These issues were raised and procedures were amended immediately and distributed to the relevant staff.

In many cases varies were noted as being processed due to the rate being increased and the new rate not updated to the system. Commissioning have approved payment of the new rate allowing the invoices to be processed but several varies can be processed whilst awaiting the new rates being updated on the system. This comes about due to delays in updating the service agreement and also because providers can come onto framework where they had not previously been on it, requiring a change to service agreements too. A process should be developed to identify such cases immediately and ensure that rates are updated timeously on the system. The Development Accountant has in a few cases sent repeated emails requesting changes to be processed by operational staff to update the rates on service agreements that continue to remain outstanding.

In one case found, the rate had been increased to framework rate by the provider but the service agreement had not been updated, however the provider had charged for an additional hour each week on top of this which had not been noticed due to the vary on the invoice rate. Care should be taken to ensure that varies equate to the difference in the rates and not additional hours charged.

Housekeeping processes need to be set up around the invoice keying process as many varies and/or amendments appear to be processed which are to be offset at a later date ie when the rate is updated or the credit note is received. It has been mentioned that there just hasn't been the time to do this and the priority has been to ensure timeous invoice processing.

### **Recommendations**

**4.5.1 A review of the uprating process for non-framework service agreements should take place to address the processing of varies where a rate has been approved to be paid but needs to be updated on a service agreement. Service agreements should be identified and subject to independent review and update prior to processing the next period invoice.**

**4.5.2 Processing staff should be reminded to check the number of hours charged to the service agreement to ensure that varies processed for rate changes do not also cover increased charges for additional hours.**

**4.5.3 Housekeeping checks should be implemented ensuring that all of the adjustments processed that are intended to be offset at a later date are actually matched up and cleared.**

### **4.6 Authorisation of changes to the system**

The carefirst team are responsible for setting rates on the system for care services such as rate per hour of service for different providers per the framework. Option 1 clients are paid a rate of £13 per hour and any variation from this or framework rates for other options must be approved by a Head of Service. The carefirst team do not check that approval has been

obtained from a Head of Service before updating the system, but accept workers suggestion that approval has been obtained.

#### **Recommendations**

**4.6.1 Head of service approval must be seen by the carefirst team before they enter a non-framework rate.**

#### **4.7 Deceased clients with open service agreements**

A weekly report on deceased clients with open service agreements is sent to operational managers for review and action. The report repeatedly lists clients whose service agreements were never authorised.

In addition there are 33 clients on the report whose date of death was more than 3 months ago. A sample of 11 of the 33 were selected and checked to the system and it was noted that in 4 out of the 11 there are open service agreements for homecare services which are not paid or processed using care first finance. The remaining cases have end dates recorded and appeared to be unauthorised so no payments can be made. Each was checked and it was confirmed that no payments had been made in error and in most cases, invoices had never been processed on the system for these clients.

#### **Recommendations**

**4.7.1 The deceased clients with open service agreements report should be reviewed and service agreements updated to:**

- **remove clients whose service agreements were not authorised**
- **ensure that service agreements effectively ended do not appear**
- **appropriately end agreements on the system.**

**4.7.2 Homecare Managers should be instructed of the procedure and the requirement to end the service agreements promptly of clients who have died.**

#### **4.8 Ongoing review of client commitments**

As part of the Follow up of Payments to Care Providers audit which was issued in December 2016 two recommendations were made. For those clients already with a commitment on care first finance, a commitment report is available which lists for each client their commitment costs per week. Amendments to the report were previously recommended and Audit have confirmed that these have now been added. The other recommendation was in relation to confirmation from front line operational staff that the service is still required for each client. Commitment reports have been issued to service managers on a quarterly basis however service managers did not positively confirm that they had reviewed the commitments and agree that they should continue. The HSCP Chief Financial Officer indicated that this would now be implemented and evidence of this action would be maintained. Commitments are discussed at regular budgetary control meetings however there is no regular confirmation from care managers that the commitments are accurate. This is addressed at point 4.2.2 above so no further recommendation is made.

Chief Auditor  
c.c. Chief Executive

**ACTION PLAN**

<b>Risk Ratings for Recommendations</b>	
<b>High</b>	<ul style="list-style-type: none"> <li>• Key controls absent, not being operated as designed or could be improved and could impact on the organisation as a whole.</li> <li>• Corrective action must be taken and should start immediately.</li> </ul>
<b>Medium</b>	<ul style="list-style-type: none"> <li>• There are areas of control weakness which may be individually significant controls but unlikely to affect the organisation as a whole.</li> <li>• Corrective action should be taken within a reasonable timescale.</li> </ul>
<b>Low</b>	<ul style="list-style-type: none"> <li>• Area is generally well controlled or minor control improvements needed.</li> <li>• Lower level controls absent, not being operated as designed or could be improved</li> </ul>
<b>Efficiency</b>	<ul style="list-style-type: none"> <li>• These recommendations are made for the purposes of improving efficiency, digitalisation or reducing duplication of effort to separately identify them from recommendations which are more compliance based or good practice.</li> </ul>

<b>Ref.</b>	<b>Recommendation</b>	<b>Risk Rating</b>	<b>Accepted Yes/No</b>	<b>Comments (if appropriate)</b>	<b>Officer Responsible</b>	<b>Timescale for completion</b>
4.1.1	Priority needs to be given to ensure that annual review takes place for each client with an authorised service agreement however the Head of Finance and Resources stated that it is not possible to undertake a full annual review on every care package and that this operates on a risk based approach. Details of the risk based approach needs to be documented and approved by the IJB	High	Yes	A risk based approach was agreed a number of years ago. The policy will be revised and taken to the IJB for approval.	Head of Adult Health and Social Care Localities	31 March 2019
4.1.2	Operational Managers need to review and prioritise cases to ensure that those most likely to have changed are addressed first. In practice these cases should have been reviewed under routine work.	Medium	Yes	Will be in line with policy as above.	Head of Adult Health and Social Care Localities	31 March 2019
4.2.1	Action is required by operational managers to ensure that varies processed are appropriate to the client and that service agreements reflect clients' needs accurately. Operational managers should prioritise checking of vary reports to approve all varies processed and to take action to update service agreements where appropriate.	High	Yes	This is already in place, however the formal sign off recording will be strengthened. To avoid duplication of effort and issues the sign off will	Head of Finance and Resources	31 March 2019

				incorporate some of the points below, as we suggested during the audit.		
4.2.2	A positive response should be obtained by the Finance Team from each operational manager regarding review and approval of vary reports to ensure that each case is addressed and the manager is confirming an awareness of the differences and any required actions. This could be combined with the quarterly client verification check (which covers existence of client, commitment value and provider) and signed off within budget monitoring to avoid numerous verification checks..	High	Yes	Per 4.2.1	Head of Finance and Resources	31 March 2019
4.3.1	Operational managers should be reminded that service agreements must be authorised as a priority to avoid backlogs in payments to providers.	Medium	Yes	Reminder issued 23 May 2018. However the planned centralised entry of service agreements will also improve authorisation times.	Head of Finance and Resources	31 March 2019
4.3.2	Social Workers should be instructed that updating the CFF system is essential and that this must-done before the service agreement commences where possible.	High	Yes	See 4.3.1	Head of Finance and Resources	31 March 2019
4.4.1	Regular review of provider rates should take place within the commissioning team and appropriate action taken where anomalies are found. Evidence of this review should be held.	Medium	Yes	Report developed, will inform actions and any compliance issue will be taken to DMT	Head of Finance and Resources	31 March 2019
4.4.2	The report should be presented to DMT in line with procedures to obtain approval of rates not set by commissioning.	Low	Yes	See 4.4.1	Head of Finance and Resources	31 March 2019
4.5.1	A review of the uprating process should take place to address the processing of varies where a rate has been approved to be paid but needs to be updated on a service agreement. Service agreements should be identified and subject to independent review and update prior to processing the next period invoice.	Low	Yes	See 4.2.1 and 4.4.1.  However the planned centralised entry of service agreements will mitigate.	Head of Finance and Resources	31 March 2019
4.5.2	Processing staff should be reminded to check the number of hours charged to the service agreement to ensure that varies processed for rate changes do not	Low	Yes	Reminder issued during audit and will be routinely reviewed	Head of Finance and Resources	31 March 2019

	also cover increased charges for additional hours.					
4.5.3	Housekeeping checks should be implemented ensuring that all of the adjustments processed that are intended to be offset at a later date are actually matched up and cleared.	Medium	Yes	This was deemed low risk, when team is fully staffed will be a routine process	Head of Finance and Resources	31 March 2019
4.6.1	Head of service approval must be seen by the carefirst team before they enter a non-framework rate.	Medium	Yes	Sign off process being refreshed	Head of Finance and Resources	31 March 2019
4.7.1	The deceased clients with open service agreements report should be reviewed and service updated to: <ul style="list-style-type: none"> <li>• Remove clients whose service agreements were not authorised</li> <li>• Ensure that service agreements effectively ended do not appear</li> <li>• Appropriately end agreements on the system,</li> </ul>	Low	Yes	Reminder issued 23 May 2018 and also see 4.2.1	Head of Finance and Resources	31 March 2019
4.7.2	Homecare Managers should be instructed of the procedure and the requirement to end the service agreements promptly of clients who have died.	Low	Yes	See 4.7.1	Head of Finance and Resources	31 March 2019