

Follow up of Payments to Care Providers Audit

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Chief Auditor
MB/986/EL
6 December 2016

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FOLLOW UP OF PAYMENTS TO CARE PROVIDERS AUDIT

1. INTRODUCTION

Internal audit previously reported on the findings resulting from an investigation which took place as a result of a request from the Director of the then CHCP as a result of newspaper articles which appeared in the national press that the council had made overpayments to providers. In total 23 recommendations were made in October 2015 and have been progressed by the new HSCP over the year.

The risks of not addressing the issues highlighted by internal audit would include poor control and potential overpayments.

Ongoing implementation of the Carefirst Finance system has taken place throughout this time and full implementation will address many of the points raised however at the time of the follow up audit, service agreements for mental health and children and families were not fully on the system. Audit have however subsequently been advised by the HSCP Chief Financial Officer that all service agreements are now on Carefirst Finance.

2. SCOPE

The audit included ensuring that appropriate action has been taken in addressing the points raised in the audit report and that updates provided by the department are accurate and reflect a true picture of the action taken and the current position.

3. CONCLUSION

It is clear that a lot of work has been carried out within the HSCP in order to address the issues highlighted in the Payments to Care Providers audit. Reports submitted to audit committee for both IJB and the council's audit and scrutiny committee were reviewed by audit as part of this follow up. The main areas still to be implemented relate to Independent Living Funds and the reconciliation between committed and actual learning disability expenditure as at 31 March 2016 on an individual service user basis to provide assurance that no further overpayments have occurred. The following points remain outstanding and require attention.

FINDINGS AND RECOMMENDATIONS

4. OVERPAYMENTS

4.1 Financial ledger

Reconciliation of the financial ledger to the carefirst finance system has taken place at year end for 2015/16 however due to the ongoing implementation of the system during the year, whilst most clients service agreements had been input to the system, they were not yet operational and authorised on the system at this point. This means that the majority of payments made for clients were not controlled and authorised through carefirst finance for 2015/16 rendering the reconciliation less meaningful.

Reconciliations listed items in the ledger not on carefirst however it was not easy to identify individual transactions as only the order number for each provider was noted against each invoice amount. Supporting documentation identifying these amounts was available however the Development Accountant has agreed to ensure that future reconciliations show sufficient information to allow individual amounts to be uniquely identified.

The HSCP Finance Business Partner compared the commitment spreadsheets totals to payments made via the ledger to ensure that the difference between actual ledger spend and commitment projected spend overall was acceptable. The overall

variance across all HSCP services is that ledger payments are £104k less than commitments made, however individual headings show that learning disability (LD) was overspent on the commitment by £771k and at the time of the follow up audit, HSCP were unable to demonstrate on an individual service user basis showing actual spend against commitment however work is currently in progress on this. The HSCP Chief Financial Officer has advised that this work will be completed and ready for review by 31 January 2017.

No actual reconciliation has been carried out on 2015/16 actual to commitment detailing specific clients over or underspends however HSCP Finance have confirmed that work is ongoing to produce this.

For 2016/17 going forward, the Carefirst Finance system will provide easy access to information regarding commitments and actual invoices processed for each client however at this stage, implementation of Carefirst Finance is incomplete across all services but is in place for LD.

Recommendation

4.1.1 Reconciliations between Carefirst Finance and the ledger should contain sufficient information to allow identification of amounts paid to the actual invoice.

4.1.2 A full reconciliation is required for 2015/16 between actual and committed expenditure for learning disability ensuring that any over or underspend can be identified to individual service user.

4.2 Independent Living Fund (ILF)

It was previously reported that there were issues over the monitoring and control of payments of Independent Living Funds (ILF). Some service users' ILF is paid directly to the service provider, some service users receive ILF directly whereas for others, the ILF is received by the council and then submitted to the service provider as part of the payment for services. As part of the original report, instances of double funding were found in the overpayments identified previously where ILF was being paid directly to the provider and also by the council as part of the payment made to the provider. The HSCP finance team will need to demonstrate how ILF payments are monitored and show that there has been no further double funding.

The Chief Finance officer has reported that work remains ongoing for corporate appointee clients (5 of 27 completed) and full reconciliations will be completed for all ILF clients during 2016/17. As HSCP have acknowledged that this work is ongoing, audit have not carried out any further work on this area currently and the previous recommendations are repeated.

Recommendation

4.2.1 A full reconciliation over the last several years needs to be done for all service users who receive ILF to ensure that the funds are fully and accurately accounted for. Any resulting overpayments to providers identified must be invoiced promptly.

4.2.2 Confirmation is sought that regular reconciliations will be carried out on an ongoing basis to ensure that all ILF monies are appropriately accounted for.

5 PROCESSES

5.1 Existing financial records

It was previously recommended that the many spreadsheets used to monitor and control commitments and invoices should not continue to be used as they were inadequate and needed to be replaced.

If use of spreadsheet logs continued, they were required to be updated and reconciled however this has not happened. For the most part where LD sheets have been reviewed there has been no reconciliations carried out either periodically or at the year end.

The HSCP Chief Financial Officer explained however that the LD spreadsheets were only used up to the point of information being put onto the Carefirst Finance system and has committed to providing individual service user based reconciliations using the LD spreadsheets in conjunction with Carefirst Finance service agreements and financial ledger spend.

Based on the spreadsheets and other information available at the time of the follow up audit, it was not possible for audit to verify that no further overpayments had occurred during 2015/16 for LD service users, however as detailed above at point 4.1, reconciliations are in progress.

It is appreciated that the new system will replace all spreadsheets used however until this is fully implemented during 2016/17 spreadsheets used require to be monitored and reconciled.

Recommendation

5.1.1 Where spreadsheets continue to be used for commitments and monitoring they should be kept up to date and reconciled regularly with a supervisor evidencing checks on the reconciliations.

6 MISCELLANEOUS

6.1 Ongoing review of client commitments

For those clients already with a commitment on Carefirst Finance, a commitment report is available which lists for each client their commitment costs per week. The number of hours service committed for clients is not included on the commitments reports. This has been issued to service managers on a quarterly basis, and has been re-run on request for other managers. There is no requirement for service managers to positively return that they have reviewed the commitments and agree that they should continue though this is something that the HSCP Chief Financial Officer have now indicated would be started immediately and evidence of this action would be maintained.

Recommendation

6.1.1 On an ongoing basis, front line operational staff should be required to confirm that each service user is still receiving the services that are being paid for.

6.1.2 The commitment report set up should be revised to include agreed weekly hours of service as well as weekly cost and cumulative actual costs processed and this detail should be verified as correct for each individual service user by operational management on a regular periodic basis.

6.2 Allocated care worker

It was previously noted from an analysis of the care logs and spreadsheets that where there is a column headed "care manager", there are several service users where this column has been left blank or shown as "unallocated".

The implementation of the carefirst finance system has facilitated a report showing all service agreements and whether there is an allocated case worker for each. There are 5,407 authorised service agreements on the system, across all teams, but only 1,740 of these have been allocated to a specific social worker. It was explained to audit that clients with frequent contact with their social worker may retain their allocated worker however generally, after review takes place, each client is allocated to a review clipboard which ensures that regular review takes place and a social worker is subsequently allocated for each new review. This may or may not be the same social worker who carried out the last review.

For LD service users, a report is run monthly to identify which reviews are due to be carried out and the reporting system allows cases to be tracked as to when the review is due and has taken place. Staffing issues however have impacted on the speed of review of these cases and many are overdue. The HSCP Chief Financial Officer has advised that resource has been allocated to Learning Disability on a temporary basis, with two Social Workers dedicated to reviewing cases, commencing with out of area placements.

Recommendation

6.2.1 Ongoing review of all active authorised service agreements should take place and evidence of this should be held for all teams. Specifically review of unallocated clients with service agreements should be carried out and evidenced.

Chief Auditor

6 December 2016

APPENDIX 1 Audit Response - MB/919/RMEL - Report on Payments to Care Providers

Response and Action Plan

Ref.	Audit Recommendation	Rec Accepted YES / NO	Action	Progress	Expected Completion	Responsible Officer
4.1.1	Reconciliations between Carefirst Finance and the ledger should contain sufficient information to allow identification of amounts paid to the actual invoice.	Yes	Quarterly reconciliation process in place	<p>Period 3 complete</p> <p>Period 6 complete and training in place for knowledge share</p> <p>Unique batch numbers from Efins allows identification of amounts paid to actual invoice.</p>	Done	CFO
4.1.2	A full reconciliation is required for 2015/16 between actual and committed expenditure for learning disability ensuring that any over or underspend can be identified to individual service user.	No	<p>This recommendation is not accepted; the attached briefing note identifies the mitigation against any risk and the Chief Officer and Section 95 Officers of both the HSCP and ERC consider the resources required to undertake this work would not demonstrate value for money.</p> <p>Please see attached for supporting detail.</p>	<p>For information we are also developing Care Finance reporting and intend to further develop reconciliations by person as standard practice. This will include:</p> <ul style="list-style-type: none"> • Care Finance commitment • Care Finance payment • Ledger Payment • Service Sign off <p>Thus providing full "account management" information</p>	N/A	CFO
4.2.1	A full reconciliation over the last several years needs to be done for all service users who	Yes	Will be completed for period 2014/15 to 2016/17 and ongoing	Current year completed periodically on receipt of bank statements.	31/03/17	CFO

	receive ILF to ensure that the funds are fully and accurately accounted for. Any resulting overpayments to providers identified must be invoiced promptly.		thereafter as one element of full reconciliation process set out above			
4.2.2	Confirmation is sought that regular reconciliations will be carried out on an ongoing basis to ensure that all ILF monies are appropriately accounted for.	Yes	Please see 4.2.1 above	Work ongoing as 4.2.1 above	Ongoing	CFO
5.1.1	Where spreadsheets continue to be used for commitments and monitoring they should be kept up to date and reconciled regularly with a supervisor evidencing checks on the reconciliations.	Yes	See 4.1.2	All use of spreadsheets as part of routine business will be covered as in reconciliations above.	Ongoing	CFO
6.1.1	On an ongoing basis, front line operational staff should be required to confirm that each service user is still receiving the services that are being paid for.	Yes	Client information is sent quarterly to services for verification. In addition the client commitment information is an integral element of budget monitoring.	A formal sign off process to confirm review will be put in place	31/3/17	CFO
6.1.2	The commitment report set up should be revised to include agreed daily/weekly hours of service as well as weekly cost and actual costs processed and this detail should be verified as correct for each individual service user by operational management on a regular periodic basis.	Yes in part	The commitment reporting from CareFinance will be further developed to allow activity and financial commitment information to be viewed within one report – subject to system parameters	CFO has reviewed commitment reporting with other partnerships and OLM are engaged to replicate, subject to system parameters	31/3/17	CFO

6.2.1	Ongoing review of all active authorised service agreements should take place and evidence of this should be held for all teams. Specifically review of unallocated clients with service agreements should be carried out and evidenced.	Yes	Annual reviews will take place for all active service agreements. A report identifying all unallocated clients who are not on a review clipboard will be distributed to teams weekly for review.	Reviews in 16-17 concentrated on out-of-area and high-value packages. From 17-18, the intention is to review all care packages annually, using CareFirst data as the driver for this exercise. Report is currently being developed by the CareFirst team and will be distributed to operational teams as soon as available.	Ongoing	Head of Health & Community Care
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Payment to Providers Follow Up Report – Briefing Note

Purpose

This briefing note sets out the rationale for the HSCP's rejection of recommendation 4.1.2 of Audit Response - MB/919/RMEL - Report on Payments to Care Providers. The HSCP accepts the remaining 7 recommendations and continue to progress actions.

Scope and Recommendation of Original Audit Report

The original Audit Report focussed on Learning Disability payments to providers, which had been made on schedule payments. Schedule payments were fixed amounts paid on a periodic basis to a number of providers, with retrospective adjustments for changes in planned activity.

At the time of the original audit, wider testing work in relation to payments made on receipt of invoice for all care groups, including Learning Disability did not identify any other area of particular risk. Payments on receipt of invoice are payments made to providers on submission of an invoice for services provided for that period, matched against a purchase order (either the commitment log or service agreement) to ensure services were delivered.

The recommendations from the original report did not specify a by person reconciliation for 2015/16;

"4.3.1 The ledger must be a key component in any regular reconciliation which are being carried out in future. Audit should be given confirmation that the Carefirst Finance system will be fully reconciled to the financial ledger on a regular basis."

The new recommendation was made as part of the follow up work;

"4.1.2 A full reconciliation is required for 2015/16 between actual and committed expenditure for learning disability ensuring that any over or underspend can be identified to individual service user."

Migration to Care First

The issues from 2014/15 related to schedule payments; these schedules were fully reconciled in 2015/16 and completely phased out by the end of 2015/16. The 2014/15 issue relating to schedule payments was fully dealt with, all sums recovered and reconciliation, by person, was provided to both internal and external audit.

During 2015/16 all Learning Disability service agreements were reviewed, verified and migrated to Care Finance. All creditor payments generated using Care Finance were reconciled to the ledger and for those payments made outwith Care Finance an analysis by provider was completed. The 2015/16 creditor payments to suppliers, for Learning Disability, totalled £7.7m

	£m	Comment
Care Finance	0.3	Readily analysed by individual
Direct Payment	0.5	Readily analysed by individual
Schedule Payments	1.1	Readily analysed by individual, now ceased
Creditors Invoice	5.8	Analysed by provider in reconciliation
Total	7.7	

It should be noted that whilst £5.8m invoice payments were paid under the old system through creditors, as service agreements were migrated to Care Finance these were used to match invoice payments. Every care package was reviewed and verified during 2015/16 and migrated to Care Finance as the year progressed. The table below shows the timeline;

Month added	Service Agreements	cumulative %
January 2015	40	4.25%
February 2015	2	4.34%
March 2015	18	6.63%
April 2015	1	6.65%
May 2015	1	6.86%
June 2015	3	7.72%
July 2015	9	9.20%
August 2015	56	23.21%
September 2015	78	58.62%
October 2015	82	71.67%
November 2015	16	75.83%
December 2015	29	81.53%
January 2016	27	85.21%
February 2016	27	92.87%
March 2016	25	100.00%
Grand Total	414	

Note – multiple Service Agreements for some individuals for different care elements

During the course of the migration to Care First every invoice payment was checked to a service agreement or commitment log to ensure the equivalent of a purchase order was in place to allow authorisation of invoice. Where there were any queries with invoices these would be followed up prior to payment. The significant delay in creditor payments during 2015/16 reflected the time taken to follow up on invoice queries with both providers and with service managers; with weekly progress on outstanding payments being provided to ERC Head of Accountancy and reported through the Care Finance project board.

It should also be recognised that the Contracts Monitoring team continued monitoring and liaison work with providers during 2015/16, on a risk based approach by provider. Every provider was required to submit a record of service delivery on a 4 weekly basis, to be reviewed by the contracts officer for that service; any issue would be followed up with the provider / operational services / finance as required.

Agreed Approach to 2015/16 Reconciliation

The HSCP DMT agreed (on advice of the Chief Financial Officer for the HSCP) to a risk based approach for 2015/16 and agreed the content and approach of the annual reconciliation with the council's external auditors, with the focus on any cost variation being analysed through month on month changes in projected costs.

We reported throughout 2015/16 variance to budget and reasons for changes in projections for care package costs; both the HSCP IJB and ERC cabinet revenue reporting recognised there was significant variation between care groups as budgets were on an historic basis and had not been realigned for some years.

Considerable time was spent with Audit Scotland reviewing the Care Finance system, process and procedures during 2015/16 as part of the trade payables audit within ERC annual accounts and the council and HSCP accounts were closed without adjustment.

Reason for Variance

The HSCP stated we would not realign budgets in 2015/16 until all care package costs were migrated to Care Finance. The review and verification of care packages migrating to Care First included a review of coding and care group categorisation. This included clients with a learning disability previously categorised as older people based on age migrating to Learning Disability as their primary care group (including those individuals who came from Merchiston and Lennox Castle as part of the closure of long stay facilities). The budgets were realigned in 2016/17 resulting in no overspend within Learning Disability services. Had this realignment been done in 2015/16 there would have been no overspend within Learning Disability in that year.

Implications of Implementing Audit Recommendation

After much discussion with the Chief Internal Auditor the Chief Finance officer initially agreed that HSCP would accept the recommendation for individual reconciliation. Where the payment is generated through Care Finance this can readily be analysed by client against service agreement; where the payment has been made directly by invoice this comparison needs to be manually created to allow a by person and by period breakdown. However once the HSCP finance team commenced this piece of work, it became clear how resource intensive this would be, as in order to satisfy Internal Audit this would require manual analysis of approximately 3,500+ invoices. There is insufficient capacity within the finance team without diverting resource from existing workload which would be detrimental to progress made to date. A number of members of staff involved in the original invoice processing and data migration no longer work for the council / HSCP. If external resource is used this would still impact on workload planning and supervision.

In summary:

This recommendation is not accepted; the detail above identifies the mitigation against any risk and the Chief Officer and Section 95 Officers of both the HSCP and ERC consider the resources required to undertake this work would not demonstrate value for money;

- all historic issues relating to schedule payments have been resolved and schedule payments were phased out in 2015/16
- invoices were matched to care commitment logs or to Care Finance service agreements, with any queries investigated as standard practice
- all service agreements were reviewed throughout 2015/16 with any queries resolved before migration
- we routinely reported budget alignment would not take place until all data was migrated to Care Finance; learning disability would not have shown an overspend had this realignment been done in 2015/16
- contract monitoring work was undertaken throughout the year, with a 4 weekly record of service delivery submitted by all providers, with any queries followed up as standard practice

- significant time was spent with Audit Scotland reviewing controls, process and procedure as part of the trade payables audit for the council accounts
- the 2015/16 accounts were closed without adjustment
- there are no ongoing risks for 2016/17 the Care Finance systems can produce information by client as required