AGENDA ITEM No. 4

Report on Payments to Care Providers

Chief Auditor
MB/919/RMEL
13 October 2015

East Renfrewshire COUNCIL

REPORT ON PAYMENTS TO CARE PROVIDERS

1. INTRODUCTION

As a result of an article that appeared in the press on 5 March 2015 and a subsequent request by the Director of CHCP to investigate, Audit incorporated a review of payments made to care providers within the 2015/16 annual audit plan.

In respect of the article that appeared in the newspaper, the circumstances were that it was initially thought by senior management that £1,435 per week had been paid for 117 weeks in respect of a deceased service user from 1 July 2011 to 31 December 2013 resulting in a total overpayment £167,895 (subsequently found to be incorrect and understated). It appears that some CHCP and accountancy staff had been aware of issues of this type for several service providers for quite some time but this had not translated into recovery of the overpaid sums. Subsequent larger overspends emerged following analysis of spend with other providers and reconciliation by CHCP finance and commissioning staff. At no point prior to the article appearing in the press were Audit informed of any potential issue.

CHCP is sub divided into the following service provision groups for accounting purposes:

Older people (OP), Learning Disability (LD), Mental Health (MH), Children and families (CF), Criminal Justice (CJ), Physical Disability (PD), Addictions (AD), Service strategy (SS) and Support service and management (SM).

This report concentrates mainly though not exclusively on payments made to providers within LD. Appendix 1 puts into context the values of payments made overall during 2014/15.

Payments to providers for service users with learning disability were paid by invoice or by schedule or sometimes by both, though not necessarily for the same services. At the time of the audit, seven organisations providing care were being paid by schedule for some service users in addition to payments also being made on an invoiced basis, sometimes for the same service users. This arrangement has been in place for a number of years and is referred to as scheduled payments. These payments were being made for some service users within the categories of Learning Disability (LD) and Older People (OP). During 2014/15, scheduled payments totalling £4,273,899 were made by schedule (£3,774,896 within LD and £499,003 within OP)

2. SCOPE

The audit included the following:

- The system of logs and spreadsheets was analysed
- Checks were made of the information contained in the logs and in the overpayments calculations relating to each of the care providers paid by schedule and checks carried out to verify the overpaid amounts
- Schedule payments were tabulated to show any changes during the year and all payment amounts were traced to spreadsheets showing how the amounts had been calculated
- CareFinance system was viewed to identify available financial information
- CHCP officers in the commissioning and finance functions and outwith were spoken to and their views obtained

3. CONCLUSION

There has been a serious lack of financial control going back several years in the payment of CHCP care providers in respect of clients with learning disability. An estimated £1.47 million of overpayments have been made to providers in the period 2010/11 to 2014/15 of which £1.27 million has already been recovered or offset against other monies due. Year end reconciliations have not always been carried out and some of the reconciliations which were done were inaccurate. In most cases no action was taken to recover the overpaid amounts identified or adjust ongoing payments to the provider to the correct level going forward. This has resulted in the large cumulative overpayments that were only properly addressed at the end of 2014/15 and during 2015/16.

There was no reliable base to use which provided details of all committed expenditure for each service user and how this was being delivered. The Carefirst system in place at the time of the audit did not provide this information but it is stated by senior management that the Carefirst Finance module when fully implemented will address this shortfall. Audit are unable to comment on this however as it is not yet fully in place and has therefore not been tested.

There has been a lack of communication by the CHCP finance team with operational staff and also within their own team. There is evidence that key information has been passed to CHCP Finance or input to CareFirst but not acted upon by the finance team in terms of adjusting payments being made. There is a complex myriad of in excess of 300 excel spreadsheets to manage the costs of care, and the supporting processes required to maintain these are manually intensive. The usefulness of most of these logs is questionable and it is understood that most will be replaced by use of the information available on the new CareFirst Finance system.

It is clear that there have been significant control failures within the CHCP Finance team that have allowed the overpayments of Adults with Learning Disability (LD) scheduled payments to occur and continue year on year. Key controls such as reconciliations and adjustments would have avoided this, however basic transfers of information from one officer to another would also have helped prevent many of these overpayments.

At each stage in the process for paying schedule payments, there is an absence of appropriate checks being carried out by accountancy staff to ensure the correct amounts are paid for services which have actually been received. There are also control issues over amounts paid by invoice as no annual reconciliation has taken place for payments made by invoice to committed expenditure.

FINDINGS AND RECOMMENDATIONS

4. OVERPAYMENTS

4.1 Amounts paid by Scheduled Payments

The scheduled payments spreadsheet details all service users, the hours that are being paid for and the rate. This spreadsheet then totals the committed cost and $^{1}/_{13}$ of this is deemed to be the 4 weekly period amount to be paid to that provider. There is a separate commitment log spreadsheet for providers being paid in this way. The 4 weekly amounts for each provider are then entered into a payment spreadsheet which has a separate tab for each period showing the scheduled payments being made to each supplier for that period. This spreadsheet is used to make the scheduled payments via creditors. The preparation of the spreadsheet is a manual exercise and at times, the wrong periodic amount has been entered for a provider and gone unnoticed for several months. Moreover, when it was noticed and the mistake rectified by an additional payment being made to make up the shortfall, the incorrect amount was then subsequently paid in the following month indicating checks are not

being carried out of the accuracy of total scheduled payments made. Another provider was paid too much in one period (£96,374 paid instead of £1,760) and this was rectified by the provider repaying the overpaid amount by cheque.

There is an onus on CHCP operational staff to inform the CHCP finance team if they become aware of changes to the services being provided to specific service users such as an increase or reduction in hours. They should also inform the CHCP finance team when a service user dies or is no longer receiving any service.

In general there is a poor trail of communications to show that information has been passed from one individual to another, leaving open the potential for disputes to arise on whether information on changes has been passed from care staff to the finance team in all cases.

There is evidence in some cases however that information had been passed from care staff to CHCP finance and whilst it may sometimes have been updated on the commitment log or scheduled payment spreadsheet, it was rarely reflected the amount actually being paid by scheduled payment. Audit is unable to conclude on the completeness of the changes notified by CHCP operational staff to CHCP finance as no reliable base data was available at the time of the audit showing every service user and all the services that they received from the CHCP perspective, though there is evidence to suggest that the CHCP finance team were aware of numerous changes but did not action them.

A review of the scheduled payments made in the five financial years 2010/11 to 2014/15 demonstrates that many payments remained largely unchanged for the full 5 year period which should have indicated to accountancy staff that payment amounts were likely to require adjustment. Audit's view is that no changes in a group of service users' needs over a long period should have been an indicator that the payments may not have been representative of the services being provided.

Scheduled payments were not properly controlled or reconciled to services received. This has been the situation for at least five years. **The Head of Accountancy has advised that scheduled payments are being phased out (expected to be completed by the end of the 2015/16 financial year) and therefore no recommendation is made at this time in respect of scheduled payments specifically.**

4.2 Recovery of Overpayments

To date, all efforts to identify and quantify the overpayments made to suppliers have been concentrated in the area of scheduled payments. Scheduled payments in 2014/15 totalled approximately £4.3 million and is mostly included within the overall CHCP level 3 cost centre Learning Disability though £499,004 of this relates to Older People. At each stage when interim calculations of the overpayments were presented to audit, errors were noted. It also appears to Audit that CHCP finance staff had 'accepted' figures without actually verifying them to be fully correct. Most of the overpayments identified to date have now been invoiced and recovered as indicated in appendix 2. Audit estimates total overpayments to be £1,468,556, excluding the contract dispute amount as discussed in paragraph 4.6. As at 12 October 2015, an amount of £195,802 had still to be recovered, although this may be reduced by £27,730 as one of the providers is claiming an underpayment but has yet to provide proof of how this has been calculated.

At the time of the audit there was no clear and transparent source of data which showed how much had been paid for each service user and to which provider. It is for this reason Audit is unable to give assurances that all overpayments have now been identified and addressed, though it is expected that all larger overpayments have now been addressed. The basis for this view is that commitments made for each individual service user could not readily be traced to the ledger and vice versa.

This problem was exacerbated by the absence of any unique identifying number being used to identify each service user by the CHCP finance team, even though each user has a unique 'P' number on the Carefirst system used by social workers. Numerous anomalies were noted between records in how the same person's name was recorded.

Recommendation

4.2.1 Invoices should be issued for the remaining amounts to be recovered and all debts pursued in accordance with the council's debt recovery procedures as necessary.

4.2.2 'P' numbers must be used to uniquely identify service users at all times, especially when carrying out reconciliations between different source records.

4.3 Financial ledger

In recent years, reconciliations do not appear to have been carried out on a robust basis between the financial ledger and commitment logs. An exercise was started but not completed to compare the 2014/15 invoice logs and the commitment logs. This exercise however was contaminated by the insertion of figures to 'balance' the two amounts where the difference was considered small by the CHCP finance team. This reconciliation was 'one way' from the commitment logs to the invoice logs and would therefore not identify instances of amounts paid for someone on invoice logs who didn't appear on the commitment log. This shows a lack of understanding of basic accounting principles and the purpose of carrying out a reconciliation.

It is considered fundamental that reconciliations should have been carried out to show that all payments made through the financial ledger were recorded on the invoice logs and were supported by a valid commitment to pay for the service. Audit found numerous examples of where invoices had been paid for service users who did not appear on a commitment log. Various members of the CHCP finance team confirmed to Audit at the start of this investigation that invoices would only be paid after checking that the person appeared on a commitment log. This process was not followed. Audit has had to conclude on the basis of testing that the commitment logs are incomplete and are unable to give full assurance that all invoices paid to providers are for a service user with a committed service.

Recommendation

4.3.1 The ledger must be a key component in any regular reconciliations 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.

4.3.2 CHCP finance staff should be given training to ensure that they understand that the insertion of 'balancing figures' is incorrect and all differences however small should be shown in reconciliations.

4.4 Independent Living Fund (ILF)

There are 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. There have been instances of double funding in the overpayments identified to date where ILF is being paid directly to the provider and also by the council as part of the payment made to the provider. The CHCP finance team will need to demonstrate how ILF payments are monitored and show that there has been no further doublefunding.

Recommendation

4.4.1 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.

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

4.5 Contractual Basis for Scheduled Payments

As stated above, scheduled payments were made to a number of providers. No-one was able to produce signed contractual documentation for any of these arrangements with the main providers. It has been advised that some of the arrangements were for block funded places at specific locations ie there are say four places at a location, when one service user ceases to use the service for whatever reason, the council would continue to pay for the service continuously whilst at the same time, finding another service user who could fill the void. The Director of CHCP explained that a memorandum of understanding (dated January 2013) is in place between the council and the main providers under the Public Sector Partnership (PSP) model. The memorandum however is not a contractual document and does not impose any legal obligation on either party and was established to demonstrate both parties' commitment to collaboration and innovation in the delivery of services.

It is not clear what responsibility lies with providers to identify where they have received too much money for services provided and refund the council for excess monies they receive.

Recommendation

4.5.1 A legally contractual basis for all services provided to service users should be established to minimise the risk of future contractual disputes.

4.5.2 It should be made clear to all providers that an onus of responsibility rests with providers to identify and notify the council where a service users' care needs change or cease to be provided.

4.6 Contract Dispute

There is one provider where an amount of £213k was deemed originally by both CHCP Finance and Commissioning leads to be an overpayment for services not received. This amount was consequently included in the 2013/14 accounts as accrued income. Advice from legal services was sought and on the basis of the information available, it was eventually concluded that the Council should not pursue repayment of the perceived amount due as no contractual documentation was available to either support or refute the overpayment claim being made.

The accrued income was subsequently reversed from the accounts in 2014/15 as it was deemed to be a payment dispute, rather than an overpaid amount due to the fact that the latter could not be proved on a contractual basis.

The number of service users at the provider was declining (1 service user left August 2011, 6 service users died between February 2012 and October 2013) but the council paid for void places during this period. It is understood that a decision had been made by the council not to fill the spaces. The council only reduced the payments to the provider in periods 9, 10 and 11 of 2013/14 to reflect void places and all payments ceased in November 2013. At this point when the council decided to terminate the relationship with the provider and move all service users to alternative providers, a counterclaim was received from the provider that the council owed them money for the reductions made to payments in the preceding few months. The lack

of action to address the issue more promptly however resulted in the payment for services which were not being received and calls into question whether the council was receiving value for money for the amounts being paid to the provider. Financial Regulation 1.5 states that

"*The council, its corporate management team and heads of service shall at all times endeavour to secure best value for money in the provision of services"*.

The council no longer has any contractual relationship with this provider and as such, recovery of any monies is unlikely.

Recommendation

4.6.1 The council must at all times be able to demonstrate that it is receiving value for money for services paid for. Contracts or arrangements which require the council to block fund places whether they are used or not should be avoided, and if deemed essential, should be approved by the Integrated Joint Board of the newly formed HSCP, monitored on a regular basis and terminated if value for money cannot be demonstrated.

5 PROCESSES

5.1 Reconciliations

Audit have been advised by various officers that previously, year-end reconciliations were carried out between commitment and invoice logs/payment schedules though it is unclear how comprehensive this process was or which periods or providers were covered. These reconciliations would be agreed with providers and result in a refund and/or adjustment to ongoing payments to rectify any anomalies discovered. This would ensure that any information which had been input to the commitment log was cross-checked to the invoice log or payment schedule.

It was stated by a member of the CHCP Finance team that there was "an awareness" within the finance team that the reconciliations were not being done, however information on changes to service or deaths received by them was being recorded on commitment logs but not passed on to the Finance Business Partner for further action to be instructed to update payment schedules and therefore limit ongoing overpayment.

Some reconciliations were being done for some providers sporadically during the period 2010/11 to 2014/15 but the overpaid amounts identified generally were not invoiced, nor were ongoing payments adjusted timeously. For example, an overpayment of £218,776 relating to 2012/13 was agreed with provider C in October 2013 but not invoiced until January 2015.

Some of these amounts were posted to the ledger previously even though recovery was not actioned. The Head of Accountancy has provided a schedule indicating that overpayments totalling £391,646 were processed in the 2012/13 or 2013/14 accounts.

Appendix 2 analyses overpayments by provider showing how much has already been recovered or accounted for. The overpayment analysed by year to which they relate is included in appendix 3.

There were other overpayments during 2010/11 to 2014/15 which are not included in appendix 2 as the amounts were fully recovered or dealt with prior to 2014/15. For example, annual reconciliations did appear to be carried out for provider D however the amounts identified in 2010/11 to 2012/13 inclusive were not fully addressed at the time and were carried forward on a cumulative basis until they totalled £123,089 and were then recovered by reduction of ongoing payments in periods 11 to 13 in 2013/14.

Another example is that a reconciliation relating to 2009/10 to 2011/12 for provider C totalling £252,839 was carried out and invoiced in March 2013.

In both these examples, whilst the overpaid amounts were fully dealt with, this was not done on a timeous basis.

Audit were advised that ongoing consultation was taking place with some providers and that many had advised that the schedule payment was not working for them either and that it should be changed to a more appropriate way of paying. This point is also minuted in a meeting with provider B in July 2013. This is apparently not something that can be done overnight due to the overpayments identified however the Head of Accountancy has confirmed that scheduled payments are now being phased out completely. Audit have also been advised that the use of Carefirst Finance will address this issue however this is not due to be fully in place for LD service users until April 2016.

No recommendation is made in respect of this as the Head of Accountancy has confirmed that payment by schedules will not continue and a requirement to reconcile Carefirst Finance to the ledger in future is covered in paragraph 4.3 above.

5.2 Existing financial records

Hundreds of different spreadsheets are used for financial recording purposes for each year. These spreadsheets are unreliable, incomplete and very fragmented. There is also duplication of information being keyed onto the various spreadsheets which also leads to mistakes. Tracing payments made to supporting schedules proved difficult as there are sometimes several versions of the same spreadsheet with no explanation for the differences in each nor any indication of which is most up to date or accurate. The dates in the titles of the spreadsheets were also inaccurate leading to uncertainty as to whether the correct spreadsheet had been accessed.

Based on the spreadsheets and other information available, it was not possible for audit to conclude invoices had not been paid for overlapping periods or how much had been paid for any particular service user within a given financial year. This is still the case but the Head of Accountancy has given assurances that once all information has been fully ported onto the Carefirst finance system, this problem will not be replicated and a clear audit trail will be available showing all payments for each service user.

More generally it was noted by audit that whilst a myriad of spreadsheets are in use, they are of the most basic form with little use made of excel functions. Many instances were noted where excel functions were being used only minimally and reliance was placed on users to manually type information into cells. An example of this is where a very simple 'if' statement or conditional formatting could be used to determine whether two amounts had been reconciled (or were within a reasonable margin of error) but instead yes or no is manually keyed every time by the user.

Recommendation

5.2.1 The spreadsheets currently being used for financial recording purposes are not fit for purpose and their use should cease as soon as possible. An alternative means of recording all relevant information needs to be identified and put into use, particularly for service users who are not yet fully operational on the Carefirst Finance system.

5.2.2 In the interim period whilst the spreadsheets continue to be used these should be kept up to date and reconciled regularly with a supervisor evidencing checks on the reconciliations.

5.2.3 All employees using spreadsheets should be provided with excel training where required to reduce over reliance on manual processes and improve efficiency.

5.3 Commitment Logs

For the purposes of estimating expenditure within each of the CHCP service provision groups, numerous commitment logs have been set up. The commitment logs show the expected service to be provided for each service user for each year. A review was carried out of the commitment logs covering older people, mental health, learning disability, physical disability and children and families. The total committed expenditure within these logs was compared to ledgered expenditure within the same areas. The commitment logs covered £22m out of a total £32m expenditure to providers. Whilst it was found that there was no significant variance between ledgered and committed total expenditure within these records, a number of errors were found within the logs where categorisations to service provision areas were incorrect meaning that ledgered expenditure compared to budgeted expenditure was not accurate. For example, some committed expenditure on logs under MH or PD was in fact posted to LD cost centres.

Recommendation

5.3.1 More care needs to be taken by both CHCP and Finance staff to ensure that each service users' actual and committed costs are consistently coded to the correct cost centres and account codes. Proper regular budgetary control monitoring would assist in identifying incorrect postings.

5.4 CHCP Finance Responsibility

At the time of the audit and for the years leading up to it, the CHCP Finance team were responsible for authorising all payments to providers. This is an unusual situation and as is the case across other council departments, the operational managers would normally be expected to be responsible for authorising expenditure within their own budget areas as they would better know whether the goods or service were received. It is not known when or why this arrangement was put in place but it is clear that significant sums of money have been paid over several years for services which have not been received and should not have been paid, resulting in the large overpayments now being identified.

Financial regulations paragraph 7.3.2 states that:

"*Before certifying invoices or payment vouchers the officer shall satisfy himself that the works, goods or services to which the invoice relates have been carried out, received, examined and approved and in accordance with the order…*".

Recommendation

5.4.1 In accordance with financial regulations, payments must not be authorised until the officer has verified that the goods or services have actually been received.

5.4.2 Consideration should be given to removing responsibility from finance staff for authorising payments.

6 MISCELLANEOUS

6.1 Previous Audit Reports

Going back to 2007 at least, audit recommendations and follow up recommendations were made to suggest that social workers should confirm at least annually that service users were still receiving the level of service being paid for. This recommendation has never fully been implemented and in several responses it was intimated that the implementation of Carefirst Finance would resolve this issue.

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. Confirmation is needed that the Carefirst Finance system will be set up to require regular updates and that this will be monitored.

6.2 Restructure of CHCP finance team

It is understood that the CHCP finance team is currently being restructured to ensure the necessary skills are available and an appropriate financial service is provided to CHCP care managers.

Anecdotal evidence suggests that operational and staffing issues within the CHCP finance team have been known about for some time within the Accountancy service and that overreliance was placed on the then Finance Business Partner due to perceived skills shortages within the CHCP finance team. It is not known how much has been done to address the weaknesses being referred to but hopefully the planned restructure will fully address all issues raised.

It is also noted that the CHCP finance team has been operating with inadequate cover in the event of absence ie if any particular member of staff is absent then their work is not done by a designated person during their period of absence. There appears to be a lack of knowledge of procedures followed by individual members of the CHCP Finance team which would have enabled others to carry out tasks in the event of absence.

Based on the operation of the existing CHCP finance team, communication is poor and there is an apparent lack of clarity and ownership on individual roles and tasks which has likely contributed to the scale of the overpayments now being identified.

As management have already indicated to Audit that a full review of the structure of the CHCP finance team is in progress, no recommendations are made at this time.

6.3 Budget holders

If care managers are expected to be budget holders, they must be given regular, quality budgetary information which is concise and shows the key information. Based on the evidence available and inaccuracies noted across commitment logs, it would appear that some CHCP care managers have had to operate without access to reports showing actual expenditure compared to accurate committed budgets. Anecdotal information from several care managers would support this view with suggestions that they have been unhappy with the quality and accuracy of financial information made available to them by the CHCP Finance team for some time. Audit testing also identified numerous examples where there were anomalies or mispostings between the cost centres used for committed and actual expenditure for individuals. Previously there was no mechanism in place which would have enabled budget holders to identify these anomalies or mispostings.

Recommendation

6.3.1 A review of the type and quality of information provided to budget holders should be undertaken to ensure that they have ready access to their committed budgets and actual expenditure on a real-time basis. This could be facilitated by setting up business objects reports which extract data from the Carefirst Finance and financial ledger systems.

6.3.2 Regular budgetary control meetings should be held between finance and operational staff when comprehensive budget monitoring statements should be prepared and discussed showing commitments, budget, period to date actual and period to date budget for comparison and control purposes.

6.4 Meetings between CHCP staff

It is good practice to hold regular 4-weekly meetings between finance staff and care managers to go over in detail the care packages on a service user by service user basis. The purpose of these is to ensure that any changes in care packages are reflected in the amounts being paid. It is also a recognition that whilst the onus is on care staff to communicate any change in care packages to CHCP finance, this cannot always be relied upon to happen and so other checks and controls are required. Regular formal communication in addition assists in corroborating budgetary versus actual financial information being provided to elected members and senior management. Whilst regular 4-weekly meetings are held within Children and Families, no evidence of the meetings being held was available.

Recommendation

6.4.1 For all service users, regular meetings should be held between the relevant care and finance staff. These should be evidenced by way of minutes or meeting notes, and should clearly show that verification has been obtained of all care costs being paid in that period.

6.5 Allocated care worker

It was 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”. It may be that there is in fact an allocated care worker for these service users and it has just not been noted or that there is nobody specifically allocated. Either way, there should be an allocated care manager for each service user and this should be noted in all logs/spreadsheets. More importantly, when the new Carefirst Finance package is implemented, a care manager is essential to knowing who is ultimately responsible for the service user and for ensuring that their service package is up to date with any associated payments being accurate.

Recommendation

6.5.1 A named care worker must be allocated for each service user and this information shown in all care logs/ Carefirst Finance. Reports should be run on Carefirst Finance periodically to show that all service users have a valid named social worker.

6.6 CHCP Committee Budget Monitoring

A paper was submitted to the CHCP committee on 1 April 2015 detailing the revenue budget as at 31 January 2015. The appendices to the report show the budget reports for consolidated, ERC and NHS respectively however the ERC and NHS cannot be

added to get the consolidated position provided to members. Within appendix C of the report which relates to NHS figures, it is noted that the full year budget for resource transfer is incorrectly included within the year to date columns and no amounts are shown for physical disability. The accountant who had prepared the report was asked to explain the method used to consolidate the amounts but was unable to fully explain the methodology or how the figures were arrived at. The appendices were also incorrectly labelled as period 8 instead of period 11. There are anomalies between the summarised position and the NHS and ERC budgets when added together of £12,700 for the full year budget and £1.8 million for budget and actuals to date. This could have been potentially confusing to members of the then CHCP committee and perhaps some explanation of how the budgets are consolidated should have been provided. The Head of Accountancy has by way of explanation stated that this report was compiled at short notice by an agency temp.

A further three CHCP committee reports were reviewed as a result of this and no other anomalies in the total figures reported were noted.

Recommendation

6.6.1 Some narrative or figures should be provided to elected members to explain the relationship between the council and NHS budget reports and the consolidated budget report in future, particularly in relation to resource transfer amounts.

6.6.2 All reports presented to members should be checked for accuracy, particularly where these have been prepared by an officer who does not normally prepare these reports.

6.7 Implementation of CareFinance

The implementation of the CareFinance module of CareFirst has been in progress under the transformation change agenda since 2011. However it is understood from discussions with CHCP and Finance staff that the already stretched project resources have continually been diverted to other tasks and activities which resulted in further delays to full implementation. In particular, it has not been a priority of social work care staff to create service agreements for input to the system, and that embedding change has been challenging within the CHCP Finance team. The progress of the project has been hindered by a lack of resources, poor base information available and by poor administrative practices by CHCP finance and others over several years.

Recommendation

6.7.1 The implementation of Carefirst Finance should be given higher priority until all the data has been input, checked and tested and the system is ready to go live.

Chief Auditor

13 October 2015

Appendix 1

Payments to Providers 2014/15 (per ledger as at 25/06/15)

	2014/15 £000
Older people (OP),	14,644
Learning Disability (LD),	8,675
Mental Health (MH),	1,920
Children and families (CF),	4,239
Criminal Justice (CJ),	34
Physical Disability (PD),	1,658
Addictions (AD)	159
Service strategy and support service and management. (SS & SM)	100
TOTAL	**31,429**

Appendix 2

Overpaid amounts and recovery status as at 13/10/15

Provider	Net overpayment	Invoiced and paid	Offset/ credited	Invoiced but not paid yet (X)	Not yet invoiced (Y)	Total sum still to be recovered (X+Y)	Note
A	827,327	820,381			6,946	6,946	
B	336,844	138,520	54,951	115,643	27,730	143,373	£27,730 of this amount may not be recovered as the provider is claiming this as an underpaid amount which has yet to be verified.
C	248,886	218,776	13,007	17,103		17,103	
D	28,380			28,380		28,380	
E	27,119		27,119			Nil	This was fully reimbursed by way of credit notes
TOTAL	**1,468,556**	**1,177,677**	**95,077**	**161,126**	**34,676**	**195,802**	

Appendix 3

Overpayment Analysis by year

Year overpayment relates to	Overpayment amount
2010/11	49,726
2011/12	214,844
2012/13	500,021
2013/14	431,531
2014/15	272,434
	1,468,556

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

September 2015

Response and Action Plan

Ref.	Audit Recommendation	Recommendation Accepted – YES / NO	Action	Responsible officer	Date due for completion	Actual completion date of action	Current Status
4.2.1	Invoices should be issued for the remaining amounts to be recovered and all debts pursued in accordance with the council's debt recovery procedures as necessary.	Yes	There are 2 invoices outstanding which cannot be issued as we are waiting on responses from both organisations (£27,730 and £6,946). These are being actively pursued and invoices will be issued on confirmation of outstanding issues resolved.	HSCP Chief Financial Officer / Head of Strategy	31 December 2015		
4.2.2	'P' numbers must be used to uniquely identify service users at all times, especially when carrying out reconciliations between different source records.	In Part	P numbers will be associated with all clients within Care First and therefore also in Care Finance. Providers do not always quote P numbers on invoices so work will be needed to determine whether this can be included as a standard field. As part of the invoice verification process each client commitment is checked to ensure approval is in place prior to authorisation, therefore identifies the P number. Invoice transactions on the ledger will be total payments to providers per invoice, not individual client transactions. The individual level information will be on Care Finance.	HSCP Chief Financial Officer / Head of Strategy	31 March 2016		

4.3.1	The ledger must be a key component in any regular reconciliations 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.	Yes	Care Finance and ledger period close will be reconciled as part of the control process to be introduced. This will ensure the costs to date per the ledger are as expected, within agreed tolerance levels. The reconciliations will be signed off ensuring separation of duties. (also see 6.3.1).	HSCP Chief Financial Officer	31 March 2016 for development thereafter on-going		
4.3.2	CHCP finance staff should be given training to ensure that they understand that the insertion of 'balancing figures' is incorrect and all differences however small should be shown in reconciliations	Yes	Training will be given on reconciliation principles and separation of duties will ensure supervisor / independent sign off	HSCP Finance Business Partner	31 October 2015		
4.4.1	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.	Yes	ILF practice will be reviewed given the national changes to the system. Reconciliations will be undertaken as part of new processes and procedures to be developed (see 6.3.1).	HSCP Chief Financial Officer	31 March 2016 for development thereafter on-going		
4.4.2	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 4.4.1 above	HSCP Chief Financial Officer	31 March 2016 for development thereafter on-going		
4.5.1	A legally contractual basis for all services provided to service users should be established to minimise the risk of future contractual disputes	Yes	The HSCP, through the Council, has in place contracts with a number of providers under the National Care Home Contract, the Care at Home framework and the Care and Support framework for major areas of service.	Head of Strategy	31 March 2016		

			For the Learning Disability former scheduled payment providers, the Public Social Partnership which commenced in 2013 is the vehicle for reviewing and redesigning over 100 complex and high value care packages. To date 65 of these have been redesigned, with clear expressions of individual choice being agreed and the relevant Self Directed Support route being followed. The HSCP will migrate these individuals on to their preferred self-directed support option and associated contracts: • Option 3 Care and Support Framework - 42 Individuals • Option 2 Individual Service Fund Agreement - 20 Individuals • Option 1 Direct Payment Agreement - 3 Individuals Individuals whose service redesign is currently underway will agree their preferred choice and the relevant Self Directed Support contracts will be put in place - 24 Individuals Work with the remaining individuals to redesign and implement their preferred Self Directed Support option. - 36 Individuals The HSCP will undertake a				

			systematic review of all remaining grants and other contract arrangements.				
4.5.2	It should be made clear to all providers that an onus of responsibility rests with providers to identify and notify the council where a service users' care needs change or cease to be provided.	Yes	Providers will be reminded about relevant contractual obligations and operational arrangements for discussing changes to individual care arrangements.	Head of Strategy	31 March 2016		
4.6.1	The council must at all times be able to demonstrate that it is receiving value for money for services paid for. Contracts or arrangements which require the council to block fund places whether they are used or not should be avoided, and if deemed essential, should be approved by the Integrated Joint Board of the newly formed HSCP, monitored on a regular basis and terminated if value for money cannot be demonstrated.	Yes	The HSCP continues to minimise the use of block contracts, however operational requirements must be considered. The Performance and Audit Committee of the IJB will oversee the HSCP approach to contracting/contract management, including evidencing best value. A report will be taken to the first meeting of the Performance and Audit Committee of the IJB.	Head of Strategy	31 December 2015		
5.2.1	The spreadsheets currently being used for financial recording purposes are not fit for purpose and their use should cease as soon as possible. An alternative means of recording all relevant information needs to be identified and put into use, particularly for service users who are not yet fully operational on the Carefirst Finance system.	No	The current process needs to remain in place during the transition to Care Finance. It is unrealistic to expect this to cease, without any alternative. It is equally unrealistic to expect an interim alternative to be developed. The current commitment information is not only required to inform the cost the cost projection for financial reporting but also provides the parallel running check for Care Finance.	HSCP Chief Financial Officer	31 March 2016 for development – thereafter on-going		

			Spreadsheets will still be a significant tool and will be used for financial reporting. Care Finance will provide the source data, spreadsheets will be used to refine, manipulate and model this data. Excel is a fundamental tool for finance work and will be used on an appropriate and proportionate basis.				
5.2.2	In the interim period whilst the spreadsheets continue to be used these should be kept up to date and reconciled regularly with a supervisor evidencing checks on the reconciliations.	Yes	The function and purpose of regularly used spreadsheets will be identified and prioritised for reconciliation and control, with a phasing out of the remainder linked to the roll out of Care Finance.	HSCP Finance Business Partner	31 March 2016		
5.2.3	All employees using spreadsheets should be provided with excel training where required to reduce over reliance on manual processes and improve efficiency.	Yes	It will be fundamental to the performance of the finance team that excel functionality is understood and fully utilised.	HSCP Finance Business Partner	31 March 2016		
5.3.1	More care needs to be taken by both CHCP and Finance staff to ensure that each service users' actual and committed costs are consistently coded to the correct cost centres and account codes. Proper regular budgetary control monitoring would assist in identifying incorrect postings.	Yes	The client group and service type will be identified by the Service at the point a care package is agreed. Future Finance input into the resource allocation process will ensure coding is correct for the type of care. Protocols will be developed for clients who may cross cut different categories. Periodic review of client data, as an integral element of budget monitoring, will ensure each Service	HSCP Chief Financial Officer / Head of Health & Community Care / Head of Children's Services & Criminal Justice Head	31 March 2016 for development – thereafter on-going		

			confirm the accuracy of the data and identify any required corrections. There will be an agreed protocol for changes to existing care packages.				
5.4.1	In accordance with financial regulations, payments must not be authorised until the officer has verified that the goods or services have actually been received.	Yes	For individual care arrangements payment will be authorised from the approval of the service agreement on the care finance system. Block payments are monitored on a quarterly basis.	Head of Strategy / Head of Health & Community Care / Head of Children's Services & Criminal Justice	31 March 2016		
5.4.2	Consideration should be given to removing responsibility from finance staff for authorising payments	No	Given 5.4.1 above Finance should be able to access up to date information from Care Finance to appropriately verify and authorise payments.	HSCP Chief Financial Officer	31 March 2016		
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. Confirmation is needed that the Carefirst Finance system will be set up to require regular updates and that this will be monitored.	Yes	Please see 5.4.1 above	Head of Strategy / Head of Health & Community Care / Head of Children's Services & Criminal Justice Head	31 March 2016		
6.3.1	A review of the type and quality of information provided to budget holders should be undertaken to ensure that they have ready access to their committed budgets and actual expenditure on a real-time basis. This could be facilitated by	Yes	The future structure and operation of the finance team will ensure a detailed budget monitoring process which will include, for client related costs: ▪ Period shutdown and	HSCP Chief Financial Officer	31 March 2016 for development – thereafter on-going		

	setting up business objects reports which extract data from the Carefirst Finance and financial ledger systems.		reconciliation process, to include quality control checks of data ▪ Client commitment detail reports to all service managers / team leaders to reflect budget responsibility and agree client data and cost projections ▪ Documented budget monitoring meetings and process ▪ Reconciliation of changes in projected costs				
6.3.2	Regular budgetary control meetings should be held between finance and operational staff when comprehensive budget monitoring statements should be prepared and discussed showing commitments, budget, period to date actual and period to date budget for comparison and control purposes.	Yes	As of period 5 monitoring (to August) meetings with all Heads of Service have taken place with the HSCP Finance Business Partner. This will be extended to Service Manger level in conjunction with delegated budgets. Work has commenced identifying gaps in existing service support and work is on-going to improve budget monitoring, to delegate budgets, the dissemination of information, improve relationships and communication with services. Finance will be the focus of an HSCP Leadership event scheduled for 21 October	HSCP Finance Business Partner	31 March 2016 for development work		

6.4.1	For all service users, regular meetings should be held between the relevant care and finance staff. These should be evidenced by way of minutes or meeting notes, and should clearly show that verification has been obtained of all care costs being paid in that period.	Yes	This applies to all care groups – please see 6.3.1 above	HSCP Chief Financial Officer	31 March 2016 for development – thereafter on-going		
6.5.1	A named care worker must be allocated for each service user and this information shown in all care logs/ Carefirst Finance. Reports should be run on Carefirst Finance periodically to show that all service users have a valid named social worker.	In Part	The Care First and therefore by default the Care Finance system allows for cases to be unallocated for valid reasons. Periodic reports and review will be required by the Service to ensure the unallocated caseload is regularly reviewed, prioritised and allocated.	Head of Health & Community Care / Head of Children's Services & Criminal Justice	Reports and process developed by 31 March 2016 – thereafter on-going		
6.6.1	Some narrative or figures should be provided to elected members to explain the relationship between the council and NHS budget reports and the consolidated budget report in future, particularly in relation to resource transfer amounts.	Yes	A budget reconciliation note is being developed for inclusion in future finance reports to the IJB. The style and content of the reports will be developed. This will incorporate accounting treatment for integrated resources as detailed in the LASAAC Guidance on Accounting for the Integration of Health and Social Care.	HSCP Chief Financial Officer and HSCP Finance Business Partner	31 October 2015 for budget reconciliation – thereafter on-going		
6.6.2	All reports presented to members should be checked for accuracy, particularly where these have been prepared by an officer who does not normally prepare these reports.	Yes	A procedure and control process will be documented.	HSCP Chief Financial Officer and HSCP Finance Business Partner	31 October 2015 for procedure – thereafter on-going		
6.7.1	The implementation of Carefirst Finance should be given higher priority until all the data has been input, checked and tested and the system is ready to go live.	In Part	Whilst additional posts have been allocated to the Care Finance project through temporary	Head of Accountancy / Chief Officer / HSCP Chief	31 October 2015 to develop proposal for		

			recruitment and secondments, much of the development work relies upon existing Accountancy and CHCP staff who still have to perform their normal day to day duties. Consideration is being given to the need for a further increase in resources to support the implementation, along with an appropriate use of overtime and / or additional hours.	Financial Officer	interim support.		