



Meeting of East Renfrewshire Health and Social Care Partnership	Performance and Audit Committee
Held on	29 June 2016
Agenda Item	9
Title	Internal Audit report on Payments to Care Providers
<p>Summary</p> <p>This report provides a progress position on the Council Internal Audit report on Payment to care Providers (MB/919/RMEL).</p>	
Presented by	Lesley Bairden, Chief Financial Officer
<p>Action Required</p> <p>The Performance and Audit committee is requested to note the progress to date against each recommendation in the action plan</p>	

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EAST RENFREWSHIRE INTEGRATION JOINT BOARD

PERFORMANCE & AUDIT COMMITTEE

29 June 2016

Report by Lesley Bairden, Chief Financial Officer

INTERNAL AUDIT REPORT: PAYMENT TO CARE PROVIDERS

PURPOSE OF REPORT

1. The purpose of this report is to provide the Performance and Audit Committee with an update on the status and progress of the Council Internal Audit report on Payments to Care Providers.

RECOMMENDATION

2. The Performance and Audit committee is requested to note progress to date against actions.

BACKGROUND

3. The Council Internal Audit report on Payments to Care Providers was completed on 13 October 2015. The HSCP management response and associated action plan was provided on receipt.
4. The Performance & Audit Committee will recall that this report was a result of a press article on 5 March and subsequent request by the HSCP Chief Officer to investigate the issue.
5. Members of the committee will also be aware that updates on this issue and recovery of funds were previously reported to the Integration Joint Board.
6. The report was presented to Council Audit & Scrutiny Committee on 21 January 2016, along with the management response and action plan. As the report relates to the period pre the Integration Joint Board, the reporting protocol and spirit of partnership working was to submit to the Council Audit & Scrutiny Committee in the first instance.
7. Progress on the action plan was last reported to the Performance and audit Committee on 16 March 2016.

REPORT

8. The scope of the audit included:
 - Analysis of commitment logs and spreadsheets
 - Verification of accuracy of information and overpayment amounts
 - Review of scheduled payments and process
 - Care Finance review

9. The audit identified a number of weaknesses in process, control and staff understanding all of which are addressed in the action plan.
10. The progress made to date against all actions is included at Appendix 1, with the main developments to date including:
11. Staffing structure; the new staffing structure for the ERC finance team has been fully populated, with the final member of the team starting on 20 June. The service transferred to the HSCP on 1 April 2016. A development day is planned for 24 June, with a focus on the service improvement plan.
12. Financial Governance; there is continuous improvement within the financial governance, process and procedures as outlined in the action plan, as well as in the wider environment beyond the scope of this audit. For 2016/17 the key developments include:
 - Formal delegation of budgets
 - Finance standing agenda and standardised reporting, with attendance at service management meetings
 - Continued development of the Care Finance tool, both functionality and reporting
 - Gap analysis and training programmes will be developed, both routine and bespoke
 - Continued development of all financial reporting
 - Review of all finance work undertaken out with the finance service.
13. Care Finance; we have previously reported that all data would be migrated by 31 March 2016, recognising that development work would remain on-going. When last reported at 16 March we had still intended to migrate all data, albeit recognising that the Learning Disabilities cases took far longer to migrate than expected given the complexities of the care packages. In the last couple of weeks in March we had capacity issues, both within finance and in the service due to illness and whilst we technically could have met the deadline with an “all hands to the pump” approach I did not want to compromise the integrity of the data migration for the cases outstanding. The data not migrated as at 31 March was 16 Mental Health cases from a total of 47 and Children’s residential and direct payments (196 service agreements).
14. The Mental Health cases include complex package arrangements, similar in nature to the complexities encountered within Learning disabilities and in my professional opinion ensuring the integrity of the data and the process to date was more important than meeting the deadline.
15. The Children’s residential care and direct payment process is working well under the current self-contained system and therefore there is no risk in continuing with status quo and migrating once all adult cases are complete. This will also benefit the service allowing training to include newly appointed staff members. The CarePay function for kinship, adoption and fostering is now parallel running in a live environment and is expected to be signed off in full at the next project board in July.
16. The position as at 31 March is set out below:

Area	Total Records	Outstanding as at 31 March	Expected Completion
Mental Health	47	16	July 2016
Children’s Services	278	196	October 2016

17. There remains on-going improved communication and understanding between finance and the operational services and these relationships will continue to be built upon

CONCLUSIONS

18. The Performance & Audit Committee can take assurance that progress continues to be made to ensure all recommendations are fully complied with. The action plan will continue to be reported to this committee until actions are fully resolved. Whilst there is slippage against the original deadlines the Performance and Audit Committee should take assurance that this is through deliberate decision

RECOMMENDATIONS

19. The Performance and Audit committee is requested to note progress to date against actions.

REPORT AUTHOR AND PERSON TO CONTACT

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BACKGROUND PAPERS

East Renfrewshire Council Audit and Scrutiny Committee

KEY WORDS

Audit, recommendations, payment, providers

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APPENDIX 2 Audit Response - MB/919/RMEL - Report on Payments to Care Providers

Progress to Date as at 10 June 2016

Response and Action Plan

Ref.	Audit Recommendation	Recommendation Accepted – YES / NO	Action	Responsible officer	Date due for completion	Progress
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	<p>The amount of £27,730 will not be invoiced for. The Council and Contractor are both satisfied that this service was provided and no rebate is due.</p> <p>A credit note has been confirmed for the amount of £6,946</p> <p>Action closed</p>
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>P numbers will be associated with all clients within Care First and therefore also in Care Finance.</p> <p>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.</p> <p>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.</p> <p>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.</p>	HSCP Chief Financial Officer / Head of Strategy	31 March 2016	<p>Work is ongoing with providers to improve information on invoicing – however this is dependent on company IT systems.</p> <p>P numbers are a mandatory field in Care First</p> <p>Propose to close for next review</p>

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	Development Accountant has fully reconciled 2015/16 records. This is a full reconciliation to Care Finance records and all other ledger transactions. Procedure in place for 2016/17 for regular periodic reconciliations, including separation of duties. Propose to close for next review.
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	Reconciliation guidance and principles have been raised with the team. Detailed process notes will support 4.3.1 Propose to close for next review.
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	Work remains ongoing for corporate appointee clients (5 of 27 completed). This, along with the reconciliation processes at 4.3.1 will be used to ensure full reconciliations for all ILF accounts will be completed during 2016/17.
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	Work ongoing as 4.4.1 above

<p>4.5.1</p>	<p>A legally contractual basis for all services provided to service users should be established to minimise the risk of future contractual disputes</p>	<p>Yes</p>	<p>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.</p> <p>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:</p> <ul style="list-style-type: none"> ▪ Option 3 Care and Support Framework - 42 Individuals ▪ Option 2 Individual Service Fund Agreement - 20 Individuals ▪ Option 1 Direct Payment Agreement - 3 Individuals <p>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</p> <p>Work with the remaining individuals to redesign and implement their preferred Self Directed Support option. - 36 Individuals</p> <p>The HSCP will undertake a systematic</p>	<p>Head of Strategy</p>	<p>31 March 2016</p>	<p>For the Learning Disability former scheduled payment providers, the Public Social Partnership which commenced in 2013 was the vehicle for reviewing and redesigning 124 complex and high value care packages. All 124 of these have been redesigned, with clear expressions of individual choice being agreed and the relevant Self Directed Support route being followed.</p> <p>The HSCP has migrated these individuals on to their preferred self-directed support option and associated contracts:</p> <p>Option 3 Care and Support Framework - 106 Individuals</p> <p>Option 2 Individual Service Fund Agreement – 15 Individuals</p> <p>Option 1 Direct Payment Agreement - 3 Individuals</p> <p>A review of all grants and contractual arrangements has been undertaken. A new module for care finance “Commissioner” is now installed and presently undergoing testing, once operational will add further visibility to service delivery and contracts</p> <p>A tendering exercise for care at home services will conclude shortly. A new Care & Support Framework to replace the existing Framework Agreement is currently being drafted.</p>
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			review of all remaining grants and other contract arrangements.			<p>This framework agreement will clearly highlight the responsibility of partner providers to notify changes to an individual's care & support needs. In addition it will be a condition of the framework that all partners submit accurate monthly and quarterly data</p> <p>Proposed to close for next review</p>
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	<p>All providers have been reminded about relevant contractual obligations and operational arrangements for discussing changes to individual care arrangements.</p> <p>In addition all LD providers now complete a 4 weekly record of service delivery showing the actual hours provided on an individual basis and take part quarterly financial monitoring meetings.</p> <p>A new module for care finance "Commissioner" is currently being installed and once operational will add further visibility to service delivery</p> <p>Action closed</p>

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	Report was taken to Performance & Audit Committee on 18 December 2015. Propose to close this action for next review.
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	<p>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.</p> <p>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.</p> <p>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.</p>	HSCP Chief Financial Officer	31 March 2016 for development – thereafter on-going	<p>N/A – however implementation of Care Finance is ongoing.</p> <p>Use of excel for reconciliations is addressed above.</p> <p>Wider use of excel will be quality checked through control totals, standard templates and supporting procedures.</p> <p>Any specific training needs will be identified in PRD and ongoing.</p> <p>Two team members are part of the Council excel champions group. Useful tips, learning and information is shared on a routine basis.</p> <p>Propose that this action is closed for next review.</p>

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	Please see 5.2.1 above. Propose that this action is closed for next review.
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	Please see 5.2.1 above. Propose that this action is closed for next review.
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	<p>The client group and service type will be identified by the Service at the point a care package is agreed.</p> <p>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.</p> <p>Periodic review of client data, as an integral element of budget monitoring, will ensure each Service confirm the accuracy of the data and identify any required corrections. There will be an agreed protocol for changes to existing care packages.</p>	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	<p>Data verification exercise undertaken as part of data migration to Care Finance.</p> <p>For 2016/17 the process, procedures, roles and responsibilities is being finalised for inclusion as an integral part of periodic monitoring.</p> <p>An issues log and gap analysis is also being undertaken and the Development Accountant will lead on finalising procedures to support reconciliation and financial governance.</p>
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	31 March 2016	Ongoing Client Commitment reports has been developed as part of the regular reporting suite.

				Children's Services & Criminal Justice		Care Managers will agree the content as part of routine monitoring. Block payments are discussed at regular meetings with Providers. Propose to close this action for next review.
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	N/A Propose to close this action for next review.
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	As per 5.4.1 above Client Commitment reports has been developed as part of the regular reporting suite. Care Managers will agree the details as part of routine procedure. Propose to close this action for next review.
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	Yes	The future structure and operation of the finance team will ensure a detailed budget monitoring process which will include, for client related costs: <ul style="list-style-type: none"> ▪ Period shutdown and 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 	HSCP Chief Financial Officer	31 March 2016 for development – thereafter on-going	Structure agreed and fully populated. Service transferred to HSCP 1/4/16. Reporting requirements and controls continue to be developed so that we can maximise the use of data beyond basic reporting. The software developers OLM will

	ledger systems.		<p>client data and cost projections</p> <ul style="list-style-type: none"> ▪ Documented budget monitoring meetings and process ▪ Reconciliation of changes in projected costs 			<p>assist in developing new reports as required.</p> <p>Propose to close this action for next review.</p>
6.3.2	<p>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.</p>	Yes	<p>As of period 5 monitoring (to August) meetings with all Heads of Service have taken place with the HSCP Finance Business Partner.</p> <p>This will be extended to Service Manger level in conjunction with delegated budgets.</p> <p>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.</p> <p>Finance will be the focus of an HSCP Leadership event scheduled for 21 October</p>	HSCP Finance Business Partner	31 March 2016 for development work	<p>Ongoing</p> <p>Budget monitoring meetings continue every period with Heads of Service.</p> <p>Budget realignment initial work completed to support formal delegation of budgets within services.</p> <p>Monitoring meetings scheduled for 2016/17.</p> <p>CFO presentation to HSCP Leadership Group 21/10/15</p> <p>IJB Seminar on budget matters held on 13 January 2016.</p> <p>Continued seminars, training etc. will be business as usual.</p> <p>Propose to close this action for next review.</p>

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	<p>New protocols have been developed for 2016/17.</p> <p>Finance Business Partner attending meetings with services providers and commissioning – this will be Senior Accountants moving forward.</p> <p>A regular operations / contracts / finance meeting has also been established.</p> <p>Agreed with operations that finance will be an explicit element of the resource allocation group. This will be addressed t monthly meetings and through a review of SDS.</p>
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	<p>Case allocation and case closure reports have been developed and are now being circulated to services.</p> <p>Team managers regularly review caseload allocation.</p> <p>Propose to close this action for next review.</p>
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	<p>Completed – budget reconciliation and resource transfer allocations by care group now included in IJB financial report.</p> <p>Action closed</p>

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	Control totals built into process. Written note on consolidation process. Finance Business Partner and CFO review all submissions. Action closed
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 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.	Head of Accountancy / Chief Officer / HSCP Chief Financial Officer	31 October 2015 to develop proposal for interim support.	New structure now in place. Too early to assess on-going workload impacts. Will be regularly reviewed. Work is ongoing with creditors to streamline process.

Footnote: SDS Definitions:

The Act places a duty on local authorities to offer four options of self-directed support to citizens: The options for self-directed support are:-

- *Option 1* - The making of a direct payment by the local authority to the supported person for the provision of support.
- *Option 2* - The selection of support by the supported person, the making of arrangements for the provision of it by the local authority on behalf of the supported person and, where it is provided by someone other than the authority, the payment by the local authority of the relevant amount in respect of the cost of that provision.
- *Option 3* - The selection of support for the supported person by the local authority, the making of arrangements for the provision of it by the authority and, where it is provided by someone other than the authority, the payment by the authority of the relevant amount in respect of the cost of that provision.
- *Option 4* - The selection by the supported person of Option 1, 2 or 3 for each type of support and, where it is provided by someone other than the authority, the payment by the local authority of the relevant amount in respect of the cost of the support