Financial Management of Care Provision

Final Report

Issue Date: 31 March 2017

Working in Partnership to Deliver Audit Excellence

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Executive Summary

Overview

As part of the 2016-17 audit plan a review has been undertaken to assess the adequacy of the controls and procedures in place for the financial management of Care Provision across Somerset County Council.

The Care Act sets out a new legal duty for an adult's 'eligible needs' to be met by the local authority, subject to their financial circumstances. Their eligible needs are those that are determined after an assessment. The Act says clearly that a person will be entitled to have their needs met when:

- the adult has 'eligible' needs;
- the adult is 'ordinarily resident' in the local area (which means their established home is there); and
- any of five situations apply to them.

These are the five situations:

- the type of care and support they need is provided free of charge;
- the person cannot afford to pay the full cost of their care and support;
- the person asks the local authority to meet their needs;
- the person does not have mental capacity, and has no one else to arrange care for them; and
- when the cap on care costs comes into force, their total care and support costs have exceeded the cap.

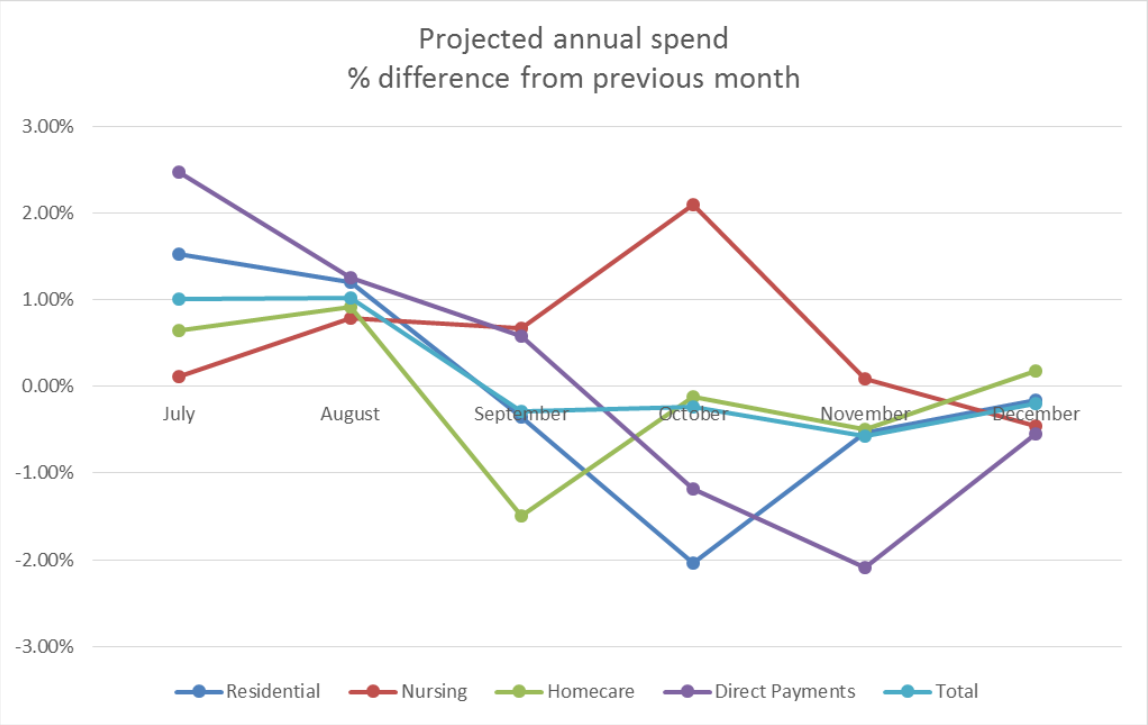
Examples of how the local authority can meet eligible needs are through placing adults in residential or nursing care or through arranging home care. As part of this process clients are assessed by a social worker who recommends a proposed care order. Since September 2016, all care orders have been subject to a panel approval process. The weekly Panel is chaired by the Learning Disabilities Senior Operational Manager, with members from Finance, Commissioning, Procurement, Care Co-ordination and a Team Manager in attendance. The purpose of Panel is to provide challenge on the proposed care orders and to assess alternative methods for meeting an individual's care needs without funded care.

The management of care provisions is managed through the Care Coordination team, who arrange care with providers based on the content of the care plan. Care plans are entered into the Adult's Social Care database (AIS) which will automatically pay residential and nursing care providers through the software interfacing tool (ISP) into the financial management system (SAP). Home care charges are invoiced to the Council by the care providers, the data held on care provision is then checked against delivery notes for accuracy before the invoice is authorised.

The top level projected annual spend from June 2016 is shown in the table below:

	June	July	August	September	October	November	December
Residential	19,937,260	20,241,610	20,484,040	20,412,790	19,995,400	19,887,670	19,856,800
Nursing	18,333,140	18,353,100	18,498,740	18,622,090	19,012,950	19,030,660	18,943,630
Homecare	20,269,660	20,399,920	20,587,420	20,279,820	20,256,850	20,156,710	20,193,090
Direct Payments	9,554,240	9,790,030	9,913,380	9,971,530	9,853,850	9,648,520	9,596,030
All provision	68,094,300	68,784,660	69,483,580	69,286,230	69,119,050	68,723,560	68,589,550
% difference from previous month		1.01%	1.02%	-0.28%	-0.24%	-0.57%	-0.19%

When analysing the percentage difference across all provisions from July there is a notable downward trend. See chart below:



The Council principally has two agreements in place for the pricing of care provision. The larger providers are signed up to a strategic contract with agreed consistent rates across. Other care providers have individual 'spot' agreements, the payment scales in this are dependent on the provider.

Objective
To review the financial control arrangements in place for Adult and Learning Disability placements.

Significant Findings	
Finding:	**Risk**
Due to a backlog of Care Orders being input by Care Coordination team not all invoices are able to be checked to care plans and other supporting documentation, resulting in some payments being processed without verification of legitimacy/accuracy.	Payments made in relation to Placements are not appropriate or do not provide value for money.
The quality of provider invoices prohibit efficient validation processes as do not easily correspond to system validation reports.	
Data input timeliness and quality prevents efficient validation of payments.	

Audit Opinion:	Partial
I am able to offer partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.	

The ability to validate invoice payments is currently hampered by a backlog of care plans and other supporting documentation being input onto AIS by care coordinators. Consequentially validation cannot occur in a timely manner and resource as additional time is required to investigate all instances of variation. Looking at residential and nursing payments made through the ISP system, in June 2016 there were 3,275 ISP payments made totalling £4,700,711 however 1,277 (39%) of these were adjusted payments, a number of these adjustments will be required to ensure that SAP is correct and correct payment is made. A follow-up audit of Direct Payments made in AIS is planned for 2017/18 and further investigation of the ISP interface will be undertaken as part of this review.

Through testing it was identified that home care providers do not always provide sufficient detail on their invoices to be able to check the validity of charges made. As above additional resource is needed to carry out further checking but without information such as client names, hours and invoice periods being clearly stated invoices are being paid without it being possible to properly validate them.

In addition, data input quality requires improvement. From a limited sample of temporary placements weaknesses were identified with inputting care end dates on the AIS system for residential nursing. Consequentially this can impact on the Finance team's ability to monitor these provisions and ensure payments are ended.

As has been reported in other recent audits covering direct payments and personal finance contributions, local finance teams each have their own processes for completing validation work and maintaining records, with some being predominantly manual. The current restructuring of the local finance teams should be used as an opportunity to standardise processes to improve efficiency, using reporting capability within AIS where-ever possible.

Corporate Risk Assessment

Risks	Inherent Risk Assessment	Manager's Initial Assessment	Auditor's Assessment
1. Payments made in relation to Placements are not appropriate or do not provide value for money.	**High**	**Medium**	**Medium**

Findings and Outcomes

Method and Scope

This audit has been undertaken using an agreed risk based audit. This means that:

- the objectives and risks are discussed and agreed with management at the outset of the audit;
- the controls established to manage risks are discussed with key staff and relevant documentation reviewed;
- these controls are evaluated to assess whether they are proportionate to the risks and evidence sought to confirm controls are operating effectively;
- at the end of the audit, findings are discussed at a close-out meeting with the main contact and suggestions for improvement are agreed.

Reductions have been applied to the planned sample sizes as a result of additional time needed to obtain invoice supporting data across different local finance teams, testing was also concluded once it was felt that there was sufficient evidence of a weakness. Sample sizes are quoted throughout the findings section.

Verbal assurance was received from the Senior Care Coordinator that temporary cost increases in care placements are very rare. It was not possible to obtain any data to support this view and therefore this has not been assessed. It is noted that care plans may include respite care and re-ablement as temporary provisions and therefore these plans were used to assess the management of temporary cost changes.

AIS and ISP interface - this was not tested as part of this work and therefore testing was undertaken on the assumption the interface was working correctly in transferring care data from AIS to SAP. ISP testing was limited to an overview of payments shown in ISP and the payments made through SAP. As payment is driven based on data contained within the AIS database, poor data quality will always be a risk in processing these payments. Previous testing has been undertaken on the ISP payment process in relation to Direct Payments with a follow-up review due for completion this year.

The reports requested to demonstrate changes to packages did not outline changes to costs and limited our testing. Instead a record of panel outcomes was reviewed to verify whether costs were processed in line with panel approval.

Risk 1.	Payments made in relation to Placements are not appropriate or do not provide value for money.	**Medium**

1.1 Finding and Impact

<u>Payment validation: Home Care Strategic Providers</u>

The Senior Finance Officer stated that staff try to validate all invoices every month using the Council's reporting tool (Infoview). Where there is more care charged than on the original care plan, AIS is checked for an explanation. Finance staff review the lines of care detailed on the delivery notes and highlight those that don't match and return a list of queries to the Care Coordinators or Care Providers. The Senior Finance Officer stated that there have been some months where validation was not completed due to care package data not being up to date on AIS due to the inputting backlog with the Care Coordination team. The effect of this backlog was seen in the sample testing.

A sample of 15 invoices was selected for testing the findings are demonstrated below by region:

Taunton (3 Cases):
• Two out of three invoices were not validated. The Senior Finance Assistant confirmed that the validation was not completed due to the information on AIS not being available due to a backlog in Care Coordination input. The invoices were for £58,567 and £28,721.

Sedgemoor (3 Cases):
• Two out of three invoices had no evidence of checking. The Finance Officer stated that this resulted from various inputting problems within the care coordination team. These unchecked invoices were for £137,325 and for £5,234.

Mendip (5 Cases):
• All five invoices had copies of the data sheets provided with ticks against individual client lines demonstrating validation.

South Somerset (4 Cases):
• One out of four invoices was a block payment for night response agreed by contract. The Finance Officer stated that there is no validation for these types of payments.
• Two out of four invoices were fully validated complete with a spreadsheet showing the data sheet with the hours requested by SCC for each client listed, next to the hours charged by the care providers.
• One out of four invoices was partially validated. The total hours booked were compared with the total hours charged by the care provider. The Finance Officer stated that further validation was not completed due to staff availability (invoice was for £90,043).

The testing undertaken identified that methodology for this validation varies across the four local finance teams, with some using spreadsheets to record their checks and others paper documentation. One officer was completing their checks 'every couple of months.' It was also noted during testing that there were consistently queries being raised by the finance teams as part of the verification process, and therefore invoices that are not checked creates a risk of payments not being made accurately.

1.1a	Agreed Outcome:	Priority 4

I recommend that the Strategic Manager - Finance Strategy ensures there is sufficient contingency in place to manage the authorisation process, when care plans have not been entered onto the finance system or there are limited staffing resources in place to undertake checking. These could include, but are not limited to identifying agreed tolerances for validation of payments based on the backlog position – resource is lost in checking payments where the source data is not sufficient.

Action Plan:

Person Responsible:	Strategic Finance Manager	Target Date:	September 2017
Management Response:	A restructure of all Adults Local Finance Teams is already underway which whilst resulting in a reduction in staff, is also focussing on a more consistent approach, recognising materiality and risk. Given the pressures across the care coordination teams, Finance teams' ability to fully validate invoices is impacted.		

1.1b	Agreed Outcome:	Priority 3

I recommend that the Finance Manager ensures that there is guidance detailing how invoices are authorised, what records should be retained of checks and queries raised and that this is adopted

across Somerset. There should be consistency across all four regions to ensure the most efficient way of working is used that also allows for business continuity in the event of staff absence.			
Action Plan:			
Person Responsible:	Finance Manager	Target Date:	September 2017
Management Response:	A restructure of all Adults Local Finance Teams is already underway which whilst resulting in a reduction in staff, is also focussing on a more consistent approach, recognising materiality and risk. Full guidance notes across all areas of service will run alongside this restructure.		

1.2	Finding and Impact

Payment validation: Home Care Spot Providers

Care provision is entered onto the AIS database by the Care Coordination team. This should be undertaken at the point the care is booked, however, as a result of high volume and staff turnover the coordination team have focussed on prioritising arranging care over inputting data. Whilst this balance of resources manages the risk of not providing care it causes a significant impact on the ability to validate invoices. The care that has been input onto AIS is extracted and used to verify invoice payments, where this is not up to date local finance staff are required to contact the Care Provider to query the differences. It is noted, however, that there are some instances where these may be justified. Alternatively the care providers have made an error on their invoice and either a revised invoice or a credit note (depending on the provider) will be issued.

During a walkthrough of the invoice validation process, one out of two invoices processed were affected as a result of AIS not being up to date. The Care Coordination backlog has also been identified during a previous audit as having an impact on the management of personal finance contributions, during November 2016 there was approximately 1,000 cases that contained within the backlog that required processing. The backlog was attributed to a loss of staff and there was evidence to show that it was being monitored and reducing,

A verification report was provided to audit by the Finance Manager, this report was used to match against fourteen invoices between April and September to ensure that care had been paid correctly in line with the orders recorded on AIS. The verification report provided was a live document based on current data held in the database, when reviewing previous payments against this report it is acknowledged that the contents may be different to that viewed by Finance as part of their checking processes as may have been updated with more current information, a locked version of the report or a download is not always retained that would demonstrate exactly what was checked against the invoice. Consequentially it is difficult for audit to assess whether variances would have been identified as part of this process. A total of fourteen payments invoiced were reviewed which identified the following findings:

- Five out of fourteen invoices did not include a clear total for number of hours of care provided on their invoice. Three invoices provided a line by line breakdown of care but not totals, two of these had a total of six pages itemising the care delivered. One invoice made reference to units of care however it was unclear what a unit was (ie 15mins or an hour). One invoice simply stated the Net Amount and the unit price, but did not provide any breakdown to the number of hours of care delivered to support validation.
- The Council's record of hours booked did not include an entry for three out of fourteen providers and therefore it was not possible to verify that the payment was legitimate – this can be attributed to the Care Coordination backlog.
- Four out of fourteen invoices only could be matched against the Council's verification report. A further three invoices listed client names however some/all of these were not present on the verification report.
- Three out of fourteen invoices did not provide client names and therefore could not be

matched back to the report, and one out of fourteen included names but it was unclear whether these were staff names or clients.

The main weakness identified was the lack of information present on invoices which limits the Council's ability to easily validate invoice payments against care plans.

Finance Manager and Service Manager Finance, confirmed there will be a new contract due to be rolled out from 1 April that will improve alignment.

1.2a	Agreed Outcome:	Priority 4

I recommend that the Finance Manager works with key providers to ensure that there is a consistent invoicing format for all care provided, considerations to include:

- Clear payment periods
- Breakdown of care received per individual

Action Plan:

Person Responsible:	Finance Manager	Target Date:	27 March 2017
Management Response:	New contract for homecare will require a consistent format across all providers. Meetings are taking place with some providers to ensure understanding and delivery.		

1.3	Finding and Impact

ISP Payments: Nursing and Residential Care Top Level Analysis

As stated in the scope section, limited testing was undertaken in this area due to limited time available within the audit. An analysis of the payments has been provided to demonstrate context, and findings referenced previously will have an impact on the management of this process.

Within June 2016, £4,700,711 was paid across 3,275 care provisions. These payments are driven automatically by the AIS system interfacing into SAP and therefore require correct data to be contained within the system. Where adjustments are made to data held within AIS, the system will recalculate and adjust the next payment automatically. A report of all ISP payments between April 2016 and September 2016 was provided to audit by the AIS/SWIFT Project Manager. Reviewing the payments for June 2016 there were a total of 1,277 adjustments made through this process (39% of all payments), these adjustments relate either to a system generated adjustment as detailed above or a manual adjustment completed by a user. The 1,277 adjustments in June relate to the following periods of time:

- One adjustment with a start date in 2013
- Seven adjustments with start dates in 2014
- Ninety-three adjustments with start dates in 2015

The volume of adjustments demonstrates that the data contained with AIS is playing catch-up with the payment process. This could be a result in delays of paperwork from Social Workers, further testing has not been undertaken in this area to determine whether these adjustments are necessary/justified amendment. A further review of ISP processing is planned as part of the 2017/18 audit plan.

1.3a	Agreed Outcome:	Priority 3

I recommend that the Finance Manager should monitor the volume of adjustments on periodic basis to ensure there is an ongoing review of the timeline of data input

Action Plan:

Person Responsible:	Finance Manager	Target Date:	September 2017
Management Response:	Whilst the volume of adjustments is large, these are necessary to ensure accurate payments are made. A further audit review of the ISP interface is planned for Quarter 2 in the 2017/18 audit plan, any recommendations and proposed outcomes will be considered following this review.		

1.4	Finding and Impact

Panel meet weekly to review proposed care orders, following the meeting the panel email their decisions to the Care Coordination team, the assigned Social worker, the Senior Operational Manager and the Team Manager. Where decisions are sent to the Care Coordinator it is their responsibility to formally record the decision in AIS, this will include any specific details such as whether the care package will be for a temporary periods or whether a review is required.

A sample of ten cost increases were selected from the panel outcomes spreadsheet, of these seven out of ten had been actioned correctly on the AIS database with outcomes recorded, case notes attached and a revised care order indexed.

- Two out of ten did not have the Care Order attached. In one instance the client went into respite care shortly afterwards, and in discussion with the Senior Care Coordinator he felt that as events had overtaken the paperwork this was acceptable.
- One out of ten was missing case notes and documents, the client is currently in a care home and receiving care however it is unclear whether the current level of care is that which was authorised by panel.

Ten cost increases that were denied by panel were also reviewed and were found to have been processed satisfactorily. However, similar to the findings above it was identified that two out of ten had not adequately recorded the panel outcomes on AIS.

If outcomes and supporting documentation are not recorded on AIS there is reduced assurance of the validity of payments being made for care.

Whilst reviewing documentation with the Senior Care Coordinator it was also identified that an email from Panel had been shared with a Care Provider, it is noted that caution should be undertaken when sharing these details with outside agencies to ensure confidential/sensitive information is redacted.

1.4a	Agreed Outcome:	Priority 4

I recommend that the Business Support Manager implements a quality control process within the Care Coordination team to monitor and improve the following:

- evidence of panel outcomes
- evidence of care orders
- timescales for processing care

Action Plan:

Person Responsible:	Business Support Manager	Target Date:	31 May 2017
Management Response:	Agreed		

1.4b	Agreed Outcome:	Priority 3

I recommend that the Business Support Manager ensures that Panel decision emails that contain personal information are not forwarded to Care Providers with the care orders.

Action Plan:

Person Responsible:	Business Support Manager	Target Date:	31 May 2017
Management Response:	Agreed, work is already being undertaken with the Policy Development Officer and Senior Care Coordinator to develop a policy for data sharing between providers.		

1.5	Finding and Impact

Management and monitoring of temporary care provisions

The panel approval process ensures that decisions made meet care needs and that due consideration is given to viable alternatives to funded care, to ensure value for money is achieved The Panel is chaired by a Senior Operational Manager, with members from Finance, Commissioning, Procurement, Care Co-ordination and a Team Manager in attendance to provide support and challenge.

Five cases where Panel had approved temporary care were selected to check that the Panel decisions were recorded accurately within AIS and the care packages were input with end dates to ensure that care would not continue to be paid for beyond the approved period. All five cases had the panel decisions correctly recorded in the AIS case notes detailing the restrictions as approved by panel, however the following weaknesses were identified with three cases in the sample:

- Two instances where the care package had not been added as it had been caught up in the Care Coordinators inputting backlog. The email requesting this to be completed was seen in the HIS inbox awaiting action. As previously stated, the Finance Assistants validate the invoices against the care packages in AIS. Should the care package not be present, then they check the care against the Care Order indexed in AIS if validation processes are completed for the month.
- A care package had been loaded on to AIS but the end date had been left blank. This would mean that should the care provider keep charging for this care beyond the end date, then the Finance Assistant processing the payment request may not pick this up when validating the invoice and could approve payment.

There is an inherent risk of error where data is input manually. With the lack of end date entered for above, there is a risk that payments could continue beyond the approved timeframe. To counteract the effects of errors in the data a system of periodic quality checks could be introduced, based on sample checking to ensure that the accuracy of care packages does not fall below a certain accepted level.

1.5a	Agreed Outcome:	**Priority 4**

I recommend that the Business Support Manager and Finance Manager ensure that a system of periodic quality checks is introduced to ensure that the accuracy of data entered into AIS is monitored. This could be on a sample basis and feed into the monthly performance targets.

Action Plan:

Person Responsible:	Finance Manager	Target Date:	31 May 2017
Management Response:	Business Support Manager – Agreed to be delivered with recommendation 1.4a by 31 May 2017. Finance Manager – Not agreed as there are insufficient resources to provide this function.		

Audit Framework and Definitions

Assurance Definitions	
None	The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Reasonable	Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Substantial	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

Definition of Corporate Risks	
Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Categorisation of Recommendations	
When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors, however, the definitions imply the importance.	
Priority 5	Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.
Priority 4	Important findings that need to be resolved by management.
Priority 3	The accuracy of records is at risk and requires attention.
Priority 2 and 1 Actions will normally be reported verbally to the Service Manager.	

Report Summary

Report Authors

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Support

We would like to record our thanks to the following individuals who supported and helped us in the delivery of this audit review:

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Statement of Responsibility

Conformance with Professional Standards

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Auditing Standards.

SWAP Responsibility

Please note that this report has been prepared and distributed in accordance with the agreed Audit Charter and procedures. The report has been prepared for the sole use of the Partnership. No responsibility is assumed by us to any other person or organisation.