



Independent Placements - Financial Controls


Final Report




Issue Date: 23 November 2016

Working in Partnership to Deliver Audit Excellence




Executive Summary

-  This section provides an overview for senior management to understand the main conclusions of this audit review, including the opinion, significant findings and a summary of the corporate risk exposure.

Findings and Outcomes

-  This section contains the more detailed findings identified during this review for consideration by service managers. It details individual findings together with the potential risk exposure and an action plan for addressing the risk.

Appendices:

-  Audit Framework Definitions
-  Support and Distribution
-  Statement of Responsibility

Executive Summary

Overview

As part of the 2016-17 audit plan a review has been undertaken to assess the adequacy of the financial controls and procedures in place for independent foster care, residential and educational placements across Somerset County Council. The audit was originally scheduled for quarter 4 but has been moved forward to quarter 2 at the request of the Director of Children's Services.

Somerset County Council (SCC) is part of a collaboration with Cornwall Council, Plymouth City Council, Torbay Council and Devon County Council. This collaboration is referred to as the Peninsula Framework and is concerned with the commissioning and procurement of the independent placements considered in this audit. The framework used has been in existence since 2013 and is currently being reviewed ahead of expiration at the end of 2016/17. Currently the framework encompasses four elements (or Lots):

- Lot 1) Independent residential childrens homes;
- Lot 2) Independent fostering services;
- Lot 3) Day and residential independent and non-maintained special schools; and
- Lot 4) Support and accommodation for 16-25 year olds (including Care Leavers and those who meet the threshold for Local Authority support)

Decision making processes for all placement types have been significantly revised over the last 18 months due to resource issues and as part of efforts to increase control over costs. Decision making regarding placements is now centred around four panels as follows (the first three of which being established in July 2016):

- At risk of care panel;
- Legal gateway panel;
- Permanence panel; and
- Special Educational Needs Disabilities (SEND) statutory panel.

Further to the above a complex care panel was being formalised at the time of audit to consider children whose needs are more complex and require support from health, education and social care and therefore should be considered for funding from these agencies. A protocol has been agreed with the Somerset Clinical Commissioning Group in September 2016 which sets out the arrangements for considering these cases and the mechanisms to enable tripartite funding from Health, Education and Social Care.

SCC is currently forecasting a significant budgetary shortfall which is driven, in part by cost pressures in Childrens Services with independent placements forming a significant part of these pressures. In the case of education placements funding is via the Dedicated Schools Budget (DSB) rather than directly from SCC.

Objective

To review the financial control arrangements in place regarding independent foster care, residential and educational placements. Where appropriate, recommendations for improvement and/or sharing of good practice will also take place.

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.

A total of thirteen priority 4 recommendations have been made to address identified control weaknesses. These recommendations can broadly be grouped in the following areas:

- Documented procedures are insufficiently robust to support an effective control framework.
- Placement reviews are often not stipulated or do not take place even where mandated by decision making panels.
- There is no evidence that the cumulative costs of placements is considered in decision making meaning that approval processes are unlikely to be compliant with SCC financial regulations in many instances.
- A coherent system of reporting of placement costs and contributory factors including reporting on exceptions (timeframes and costs etc.) is not in place.
- Contractual arrangements with providers are insufficiently formalised particularly in the case of education placements.
- The Peninsula Framework is not effectively utilised to deliver value for money. (It is acknowledged that this area may only be able to be significantly improved in collaboration)

Whilst the audit opinion and volume of high priority recommendations is less than positive, multiple areas of strength and ongoing improvement were identified in the course of the audit. These include well-managed purchase order exempt payment processes, developmental work taking place with Peninsula partners, and the establishment of an ongoing placements action plan (of which this audit is a part) to address areas requiring improvement.

Further information regarding findings is included in the body of this report.

Corporate Risk Assessment			
Risks	Inherent Risk Assessment	Manager's Initial Assessment	Auditor's Assessment
1. Financial controls regarding payments are not effective given the relative size of the budget and the need to achieve value for money.	High	High	High
2. Short term / emergency placements are not effectively reviewed resulting in disproportionately high costs. <i>(This risk has been assessed only in terms of social care placements)</i>	High	High	High
3. Placements take place outside of existing framework contract arrangements and result in increased costs.	High	High	High

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.

Audit testing originally focussed on Children's Social Care placements and a discussion document for this work was produced on the 21st September. Further work was then completed to review education placements which has been amalgamated into this report.

All findings are recorded under sub headings to indicate the area to which they relate.

1. Financial controls regarding payments are not effective given the relative size of the budget and the need to achieve value for money. (controls may include authorisation & delegation, review, monitoring, and reporting etc.)

1.1 Policies, procedures and guidance
Finding and Impact

Children’s Social Care (CSC) and Education Placements

Guidance for each of the four panels in question (Risk of Care, Legal gateway, Permanence, and SEND Statutory) takes the form of Terms of reference, standard documentation for placement requests, agendas, minutes and emails to relevant officers etc.

A process map for the making of CSC placements was identified during the audit but it was acknowledged by the responsible manager that this does not include requirements for authorisation at three points in the process.

Documented procedures that can be seen as suitably robust in terms of approval or availability were not found to be in evidence. This presents risks in several areas:

- Effectiveness of processes will be difficult to assess on an ongoing basis.
- Compliance with and monitoring of procedures will be ineffective.
- Individual officers may be unduly exposed in decision making processes.
- There is an increased likelihood of decision making taking place that is contrary to desired SCC corporate direction and may result in increased costs.

1.1a Agreed Outcome: Priority 4

I recommend the Assistant Director - Commissioning & performance ensures that placement procedures are fully documented and made available to all relevant staff. Procedures should cover all aspects of the placement process and should mandate clear time limits for placement actions to take place and financial thresholds for decision making.

Action Plan:

Person Responsible:	Assistant Director – Commissioning and Performance	Target Date:	1 January 2017
Management Response:	Within the Placements Action Plan highlighted above a specific workstream is to put in place robust procedures and flow chart for the process of making a placement. This will include roles and responsibilities of social care teams, SEN teams, placements team, panels and their administrative support, commissioning staff and providers. A workshop will be held in early November to facilitate this with draft procedures developed by 1 Dec 2016 for approval (including agreement with internal audit) by early / mid December. These will then be rolled out to teams over Dec/Jan.		

1.2 Panel approval of placements
Finding and Impact

CSC Placements

A sample of fifteen placements were reviewed to assess whether these had been appropriately approved by the relevant decision making panel. In all instances except one the existence of panel decision making was able to be confirmed. In this individual instance the placement related to

criminality and would therefore sit outside of normal decision making processes. Assurance was received that under revised panel processes these types of placements would now be retrospectively reviewed by panel.

The following control weaknesses in the panel approval process were however identified:

- Ten (of fourteen) panel decisions do not state an end or review date for the placement.
- In one (of four) panel decisions where a review date was stated this review did not take place.

There is a risk that without review dates being established and actioned, placements may continue where alternatives that are more suitable and / or lower cost may have been identified.

Education Placements

Twenty three placements were identified as commencing in the current financial year. Each of these were reviewed against recorded SEND Statutory Panel outcomes (September 15 to September 16).

- References in panel outcomes to the above placements were only identified in eleven (of twenty three) instances. *Note: Clarification on the above was requested by SWAP and assurance was provided that the twelve remaining decisions would have been recorded under 'EHCP Agreed' or 'Tribunal' in panel outcomes rather than 'Placement Decisions'. This has not been further tested in the course of the audit.*
- Six (of Eleven) panel outcomes did not state the type of placement approved.
- Two (of five) placement types were found to be inconsistent between recorded panel outcomes and financial information. (It is noted that in both these instances panel outcomes stated boarding placements whereas finance records stated day placements. There is therefore unlikely to have been an increased cost impact.)
- In three (of eleven) instances panel outcome records indicate deferral or further investigation but subsequent panel records indicate that the placement had been initiated although no panel approval was identified in this audit.
- Two (of eleven) panel decisions were to initiate a search for placement but no approval of the placement could be identified.

After panel approval the relevant finance officer is notified of the decision by the caseworker. This notification should take the form of a standard pro-forma but it has been established that this is not always the case. Finance do not receive any further confirmation of panel decisions or authorisation.

Without a clear and systematic link between panel decision making and finance activity there is a risk that spending will take place without appropriate authorisation potentially increasing costs to the Authority.

1.2a	Agreed Outcome:	Priority 4
I recommend the Assistant Director - Commissioning & Performance ensures that panel decision making documentation is updated to include placement review dates. Records should then be maintained to ensure that all required reviews take place in the required timeframes.		
Action Plan:		
Person Responsible:	Assistant Director – Commissioning and Performance	Target Date: 1 January 2017
Management Response:	This will be encompassed within the new procedures and templates outlined above. In the short term reviews of high cost placements are already happening now on a monthly basis and the	

	chairs of all panels meet weekly to discuss these and will be made aware of this priority recommendation.		
1.2b	Agreed Outcome:		Priority 4
I recommend the Assistant Director - Commissioning & Performance in liaison with the Deputy Director - Education ensures that SEND panel decision making records include information on the type, start date, and cost of all new provision. Processes (see recommendation 1.1a) should include a requirement that panel decision records are provided to finance before any payments to providers are set up.			
Action Plan:			
Person Responsible:	Assistant Director – Commissioning and Performance	Target Date:	1 January 2017
Management Response:	The objective will be for the placements team to be the central point of placements activity, co-ordinating between social care / education teams, panels, providers, finance and commissioning. There will be one data source of placements including panel details outlined above that will be accessible by the finance team. The revised procedures will capture this detail as a requirement. See further recommendations below.		

1.3	Full cost of placements Finding and Impact		
CSC Placements			
As previously reported, end or review dates of placements are often not recorded as part of decision making processes. In order to test compliance with SCC delegated authority levels proxy measures were used to assess potential levels of spend against the level of authority to authorise:			
<ul style="list-style-type: none"> - Eleven (of fifteen) placement decisions were found to have potential lifetime costs above the level of delegated authority of those approving the decision. 			
Education Placements			
Twenty three placements identified as commencing in the current financial year were reviewed and costs based on stated estimated placement end dates are as follows:			
<ul style="list-style-type: none"> - One placement’s lifetime cost is estimated as £490k. - Four placements have lifetime costs estimated at between £300 and £400k. - Four placements have lifetime costs estimated at between £200 and £300k. - Nine placements have lifetime costs estimated at between £100 and £200k. 			
The above includes only ‘core’ placement costs and does not include provision for travel etc.			
As detailed in section 1.2, panel decision making and subsequent authorisation has not been found to be consistent and it has not been possible to assess the delegated authority of those initiating placements.			
Summary			
Individual placements clearly have the potential to accumulate very high costs over the 'lifetime' of the placement. It is acknowledged that issues relating to 'lifetime' costs are known and are evident in other SCC service areas (notably placements in adult services). There is a risk that placements are			

procured which incur costs above the delegated authority of the decision making officer. This risk is exacerbated where placements take place outside of the Peninsula Framework agreement (see 3.1).

1.3a	Agreed Outcome:	Priority 4
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I recommend the Assistant Director - Commissioning & Performance ensures that placement approval processes and documentation are amended to include the 'lifetime' cost of the placement. A clear rationale for the calculation of this cost should be included in procedures but may be based on:

- total cost until date of review (see recommendation 1.2a)
- the cost of placement until the age where the placement will not be required.

Procedures (see recommendation 1.1a) should include actions to be undertaken where likely lifetime costs of placements will exceed delegated authority levels.

Action Plan:

Person Responsible:	Assistant Director – Commissioning and Performance	Target Date:	1 January 2017
Management Response:	As part of the revised procedures, panel paperwork will be updated to ensure all costs of the placement are included (ie the cost of the accommodation aspect plus associated costs eg transport, additional staffing, therapeutic interventions etc), the review dates of the placement and the expected length of time of placement. In the short term panel chairs will be made aware of this recommendation to ensure they consider full costs. Currently CSC placement decisions can only be agreed by the Director of Children Services and the two Deputy Directors. Education placements are approved by the Deputy Director – Education.		

1.4	Increases in costs for children already placed Finding and Impact
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CSC Placements

A sample of fifteen children where placement costs had increased was taken and twenty increases in costs were reviewed:

- Seven (of twenty) cost increases were not found to be approved by panel.
- Thirteen (of twenty) cost increases were not for a specified time period.
- In two cases the requirement for review was stated but dates for review were not specified.
- In two cases where arrangements were described as short term no stated review dates were evident.
- In two cases where review dates were stated the review could not be identified as taking place.

The average cost increase across the sample of twenty was found to be 212%. Given that the majority of cost increases do not include review dates there is a risk that increases in cost, even where approved will continue beyond the period for which they were intended significantly increasing cost pressures.

Education Placements

Fifteen increases in placement costs in the 16/17 financial year were reviewed:

- There was no consistent method for increases in costs to be authorised. Emails, high need placement forms, and hand written notes were identified as being used as a method of approval.
- In one instance (of fifteen) panel approval for the increase dated back to 2012. This related to a requirement for additional staff to support a given individual. (It should be noted that this additional cost had been negotiated down from £9k to £6k.)
- In one instance (of fifteen) the costs provided to panel for decision making were incorrect and when the placement was initiated an additional cost in excess of £10k was incurred. This was reported as occurring in three further instances (not included in audit sample) in the current financial year. These three occurrences relate to the same provider and incurred similar costs.

1.4a **Agreed Outcome:** **Priority 4**

I recommend the Assistant Director - Commissioning & Performance ensures that procedures (see recommendation 1.1a) include requirements for the approval of placement cost increases to:

- include time limitations (where appropriate).
- include dates for placement review.
- require panel approval above given thresholds.

Action Plan:

Person Responsible:	Assistant Director – Commissioning and Performance	Target Date:	1 January 2017
Management Response:	This will form part of the revised procedures and panel paperwork outlined above.		

1.5 **Non-core costs charged by framework agreement providers**
Finding and Impact

CSC Placements

Pricing schedules only exist for Lot 1 and Lot 2 of the Peninsula framework agreement. In both instances where pricing schedules exist items to be included in core provision are clearly stated.

A review of payments made by SCC above core placement costs identified multiple instances of payments being made for items such as uniforms and travel or transport both of which are stated in the pricing schedules above as being part of core provision. Payments above core costs were identified as being made from both placement and area budgets and are estimated as totalling some £60k per annum. As payments can be made from both budgets there is a risk that oversight of spend relating to individual placements will be reduced decreasing control and increasing the likelihood of duplicate or inappropriate payments.

It is beyond the scope of this audit to review non-core payments made by other Authorities party to the Peninsula Framework Agreement. It has however been stated that SCC is the only Authority who does not pay travel costs (for example) as matter of course.

No formal procedures exist that cover the payment of non-core costs but practice such as payments only being made for travel costs above 200 miles was found to be evident.

Education Placements

Non-core placement cost for 2016-17 are forecast to total some £104k. This includes items such as

therapy, exam fees, and counselling. It does not include transport costs which are held under a separate budget and were not reviewed during this audit.

Pricing schedules are not included in the framework agreement for education providers (Lot 3). Section 5.2 of Individual Placement Agreements (IPAs) does set out the respective responsibilities for 'non-core' costs between parent, provider, and purchaser. As stated in section 1.7 of this report IPAs have not been found to be in use for the majority of education placements and as such no assessment of the appropriateness of 'non-core' costs can be made at this point.

Summary

There is a risk that costs are incurred that should be included in core placement costs and absorbed by providers.

1.5a	Agreed Outcome:	Priority 4
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I recommend the Assistant Director - Commissioning & Performance ensures that written procedures (see recommendation 1.1a) are established to ensure adequate control of non-core payments. These procedures should include the budget from which such payments are to be made.

Action Plan:

Person Responsible:	Assistant Director – Commissioning and Performance	Target Date:	1 January 2017
Management Response:	Agreed that this will form part of the revised procedures highlighted above. This will be supported by the requirement to provide total costs of the placement being requested, and therefore the commitment against budgets and clarity of costing structures within procured services.		

1.6	Payments made after placement finish date Finding and Impact
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CSC Placements

In five (of fifteen) instances where the placement provider changed there were 'overlapping' payments of between three and nine days. It is noted that in some instances placement breakdown will result in notice periods with initial providers having to be complied with. It is also noted that a system of credit notes is in place between placement and finance teams that serves to minimise over payments.

In one instance identified during other sample testing an individual's belongings remained with the previous provider for three weeks after the placement end resulting in costs of £1,185. (these costs had been negotiated down from £3810).

There is no formal procedure for the placement team to be notified of a placement change resulting in a reliance on individual team members being alert to imminent changes and then giving notice to providers accordingly. This presents a risk that SCC will incur placement charges from multiple providers simultaneously for the same placement.

1.6a	Agreed Outcome:	Priority 4
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I recommend the Assistant Director - Commissioning & Performance Strategic ensures that procedures (see recommendation 1.1a) include a method for the placements team to be notified of any actual or imminent CSC placement end dates in order to enable notice periods to be enacted, all necessary actions to take place, and a new placement (where appropriate) to be sought.

Action Plan:			
Person Responsible:	Assistant Director – Commissioning and Performance	Target Date:	1 January 2017
Management Response:	This will be addressed through the revised procedures with clear review dates of placements plus the responsibility of social workers / SEND staff to advise the placements team of likely or imminent changes to any placement.		

1.7

Payment of invoices
Finding and Impact

CSC Placements

A sample of twenty five invoice amounts as recorded in the finance spreadsheet entitled 'Agency Monitoring' were tested.

- Only sixteen (of twenty five) invoices could be located to confirm authorisation of the hard copy invoice. In these sixteen instances no issues were identified. All invoice amounts (twenty five) were confirmed against scanned invoices and details entered in SAP.
- Seven (of twenty five) invoice amounts were found not to match costs detailed in Individual Placement Agreements (IPA).

Further to the above, seventeen (of twenty five) invoice amounts were not found to match against information recorded by the placements team in the spreadsheet document entitled 'SBS Database'. Testing did identify a further spreadsheet document entitled 'Current Placements List 2016' and in this document all twenty five invoices were found to match.

Education Placements

A sample of fifteen invoices were tested. In all instances the invoice amounts corresponded to the projected amounts to be paid. Similarly each invoice reviewed was found to be authorised by a member of the SEND team. Generally this authorisation was completed by the SEND Statutory Assessment Manager but when not available this would be undertaken by a Senior Casework Officer. Control weaknesses were identified when testing invoices against Individual Placement Agreements:

- Only two IPAs could be identified for the sample selected (fifteen).
- In one (of two) IPAs the amount stated in the agreement was not able to be matched against the projected amounts to be paid or the invoice reviewed.

Further to the above the existence of IPAs was reviewed. Officers engaged with in the course of the audit consistently stated that the lack of these agreements being in place is a known issue. In order to quantify this statement:

- A review of fifteen hard files for currently placed children identified no IPAs.
- A hard file for IPAs has been created but this contained only one agreement.
- Thirty Two IPAs were identified electronically as stored on the SEND shared (T) drive. This clearly represents only a small proportion of placements.

It is noted that IPAs have been updated and it has been reported that they are now being put in place for some providers. No assurance on the effective use of individual contracts can however be given with regards to education placements.

Summary

There is an increased risk of payment error where information is not consistent between sources. In addition where IPA terms are not consistent with actual payments there are further risks that contract payments will not have been appropriately authorised, will not be able to be effectively monitored, and may be subject to provider challenge.

1.7a **Agreed Outcome:** **Priority 4**

I recommend the Assistant Director - Commissioning and Performance ensures that procedures (see recommendation 1.1a) include requirements for IPAs to be in place when placements are initiated. Any changes to costs and requirements should also be captured in amended IPAs. This recommendation applies to all placement contracts but it is acknowledged that some content may vary between CSC and education placements.

Action Plan:

Person Responsible:	Assistant Director – Commissioning and Performance	Target Date:	1 January 2017
Management Response:	Agreed and this will be included within the new placement procedures. IPA should be the source document for the agreement with the provider on the placement and outcomes required for the child.		

1.8 **Recording and reporting of placement information** Finding and Impact

CSC Placement Recording

As detailed in finding 1.7 multiple spreadsheet documents were found to be in existence that record information relating to placements. Each of these have been developed largely independently of one another to fulfil particular purposes. Liquid Logic Social Care System (LCS) as the primary case management system also holds information on the placement of children.

Due to the variety of different methods of recording information there is a risk that efforts will be duplicated, inconsistencies may occur, and holistic information will not be readily available.

CSC and education placement reporting

The ongoing 'Placements Action Plan' has provision to establish systems to review high cost placements and placement reviews. At the time of audit work these systems were at an early stage of development and assurance cannot be given at this point as to their effectiveness.

Directorate score cards do not include information on placement numbers or on costs of placements. Given the fact that current scorecards have been developed largely in response to Ofsted requirements it may not be practicable to include specific placement issues in this reporting.

Monthly revenue reports are produced and are provided to operational managers. Whilst these reports are useful and appropriate they can only offer a largely retrospective view of costs and do not (and are not intended to) give specific measurable information to understand what is driving either increasing or decreasing costs.

There is a risk that without clear and overarching reporting on factors that drive placement cost pressures management will not be able to develop and monitor appropriate actions to mitigate these pressures.

1.8a **Agreed Outcome:** **Priority 4**

I recommend the Assistant Director - Commissioning & Performance establishes clear reporting and

performance measures relating to placements. This should include, but is not restricted to the following:

- Placements outside of indicative cost parameters (see recommendation 3.1a)
- Completion of placement reviews stipulated by approving panels (see recommendation 1.2a)
- Realisation of potential placement discounts available (see recommendation 3.2b)

Exception reporting should then be used to highlight areas where stated timeframes and financial thresholds are exceeded so that corrective action may take place.

Action Plan:

Person Responsible:	Assistant Director – Commissioning and Performance	Target Date:	1 January 2017
Management Response:	Agreed. This will be part of the workshop activity planned for November. The reporting information is required for both operational and strategic management purposes including future commissioning requirements.		

1.8b **Agreed Outcome:** **Priority 4**

I recommend the Assistant Director - Commissioning & Performance instigates of review of information requirements. This should identify requirements for Social care, Education, panels, Placements Team, Commercial & Procurement and Children’s Commissioning teams. Wherever possible information should be available to access from a single point in order to reduce duplication of effort and the potential for inconsistencies. In the first instance LCS and Capita should be utilised as the primary systems although it is acknowledged that functionality may limit this in some instances.

Action Plan:

Person Responsible:	Assistant Director – Commissioning and Performance	Target Date:	1 January 2017
Management Response:	Agreed. A review will take place with the aim to create one source of data for all placement activity, that will utilise information within LCS and Capita case management systems. This one data source will be held by the placements team and used for a range of purposes with access enabled to those who require it eg finance staff for financial forecasting. There may need to be a short term plan utilising the Placement Action Plan whilst exploring longer term options.		

2. Short term / emergency placements are not effectively reviewed resulting in disproportionately high costs.

2.1 Emergency placements
Finding and Impact

CSC Placements

Fifteen emergency placements taking place in the 2016/17 financial year were reviewed:

- In one instance authorisation took place via Emergency Duty Team (EDT). This is outside of the approval process reported to audit.
- Two decisions were not approved (in advance or retrospectively) by panel.

There is a risk that placements are not properly authorised resulting in decreased decision making control and the potential for increased costs.

Panel review of Emergency Placements

- In one instance an assessment of why a residential placement was required was requested by panel but this review did not take place and no subsequent change of placement has been identified.
- Two placements reviewed by panel on the 26th July required permanency planning meetings which could not be identified as having taken place as of the 6th September.
- For the seven placement decisions retrospectively reviewed by panel the average time between the placement starting and the panel review was 32 days.
- In three instances placements were changed after panel review. The time scales for panel review and placement change are recorded below:

Cost of placement (£ per week)	Days between placement and panel review	Days between panel review and placement change
£10,500	7	63
£6,000	15	97
£5,100	54	44

There is a risk that panel decision making, required placement review, and mandated actions do not take place in a timely fashion (or not at all) resulting decreased decision making control and the potential for increased costs.

Recommendation 1.2a is applicable to the control weaknesses identified. As such no further recommendation is made here.

3. Placements take place outside of existing framework contract arrangements and result in increased costs.

3.1 Off contract placements Finding and Impact

CSC Placements

Two hundred payments made to individual providers in quarters 1 and quarter 2 of 2016/17 were reviewed as part of audit testing;

Of these payments 12% were made to providers who are not recorded as part of the South West Peninsula Framework agreement. These payments accounted for 22% of costs amongst the 200 payments reviewed.

Education Placements

One hundred and forty active placements were reviewed.

41% of these placements were with providers not identified in Lot 3 (Education Placements) of the Peninsula framework agreement. These placements accounted for 36% of 2016/17 annual cost forecasts.

Summary

The above can only ever be seen as indicative of off-contract purchasing as there will be continuous movements in placements and therefore variance in actual numbers and proportions of costs. It is also acknowledged that purchasing will have to take place outside of the framework contract where suitable vacancies are not available amongst framework providers. Further to this costs outside of the framework agreement are likely to be higher where specific or complex needs exist which

prevent placements within the framework.

Section 7 of SCC Contract Procedural Rules states that:

'Employees..... (who)are not included on the Procurement Officer Authority List are not permitted to undertake procurement activity'

The sourcing of placements outside of the Peninsula framework is undertaken by members of the placement team (CSC placements) and casework officers (education placements). As only members of the Commercial and Procurement team are included in the Procurement Officer Authority List there is a risk that off-contract placement purchases are not compliant with Contract Standing Orders which may result in the:

- Potential for challenge from providers not awarded placements.
- Potential reduction in value for money where commercial and procurement skills are not harnessed.
- Potential for undue exposure for officers making procurements outside CSOs.

3.1a **Agreed Outcome:** **Priority 4**

I recommend the Assistant. Director - Commissioning & Performance liaises with Commercial & Procurement services to ensure that a process is established for off-contract placement purchases which is compliant with SCC Contract Standing Orders.

Action Plan:

Person Responsible:	Head of Commercial and Procurement	Target Date:	1 January 2017
Management Response:	Work is already underway to address this for existing off-contract providers. One-off arrangements will be included within the revised placement processes as discussed above. In addition a review of SCC Contract Procedural Rules should be undertaken so that Placements Officers have the ability to make emergency placements where necessary.		

3.2 **Peninsula Framework Discounts**
Finding and Impact

CSC and Education Placements

On applying to be part of the framework agreement providers are required to provide details of the discounts that they offer. These discounts are then detailed in the 'Version 66 Providers' document. A review of this document identified the following levels of discounts being stated as offered by framework providers:

Discounts stated	Volume		Long Term		Siblings		Reserved	
	Min	Max	Min	Max	Min	Max	Min	Max
Lot 1	0	20%	0	2%	0	10%	0	75%
Lot 2	0	10%	0	5%	0	15%	0	50%
Lot 3	0	6%	Not stated					
Lot 4	0	25%	Not stated					

All discounts stated by providers are considered by Commercial and Procurement as 'non-contractual' on the basis that pricing levels stated in Individual Placement Agreements supersede those costs stated by providers on entry to the framework. Further to the above it is reported that Authorities party to the framework agreement negotiate pricing levels independently from one another.

Despite the above, the existence of stated discount rates does offer SCC an opportunity to negotiate on price with providers and there is evidence of this occurring albeit not in a systematic fashion.

CSC Placements

Volume discounts

Payments made to Lot 2 providers were reviewed to assess the number of placements made with each provider. Those providers where more than 10 placements were in existence are recorded below.

Provider	Number of Placements	Volume discount offered				
		10	25	40	60	Somerset Note
Capstone	18	1.0%	2.0%	2.5%	3.0%	11+ 5%
Enhanced Foster Care	23	1.0%	1.5%	2.0%	3.0%	N/A
Foster Care Associates	14	0%	0%	0%	0%	N/A
Fusion Fostering	15	1.0%	2.0%	3.0%	4.0%	N/A
National Fostering Agency	16	0%	0%	0%	0%	N/A
Regional Foster Placements	11	1.0%	1.0%	1.5%	0%	N/A

Note: Payments are used as an indicator of placements made with each provider (in certain instances placements may have a changed in the period tested resulting in the potential for minor double counting)

In only two instances were volume discounts recorded as being applied. Both recorded discounts related to Capstone and were for amounts of 1%.

Long term discounts

A sample of fifteen placements made with framework providers and stated as 'Full Care Order' were reviewed to provide an indication of discounts applied to long term placements:

- Seven placements (of fifteen) were identified as being with providers offering long term discounts.
- Two placements (of seven) were identified as being above the costs stated in the 'Version 66 Provider' document.

Education Placements

Volume Discounts

Payments made to Lot 3 providers were reviewed to assess the number of placements made with each provider.

Provider	Number of Placements	Volume discount offered			
		3	4	5	6+
3 Dimensions	3	3.0%	3.0%	3.0%	3.0%
Cambian School - Somerset	8	0.0%	0.0%	0.0%	0.0%
Embrace - Somerset Progressive	11	0.0%	0.0%	0.0%	0.0%
Inaura	12	0.0%	0.0%	0.0%	0.0%
Marchant Holiday	16	0.0%	0.0%	0.0%	0.0%
Priory – Chelfham	5	1.0%	2.0%	3.0%	4.0%
Priory - Mark College	9	1.0%	2.0%	3.0%	4.0%
Priory - Newbury Manor	6	1.0%	2.0%	3.0%	4.0%

Volume discounts were not identified as being recorded as applied in any documentation reviewed during the audit.

Summary

It should be noted that a review of placement costs found multiple payments (CSC & Education) that could not be matched to costs stated in the 'Version 66 Providers' document. Whilst payments may be below as well as above the providers indicative costs, the lack of clear recording of the rationale for agreed costs presents a weakness in control.

There is a risk that SCC is not fully utilising the discounts available through the framework agreement resulting in increased costs being incurred.

3.2a	Agreed Outcome:	Priority 4
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I recommend the Assistant Director - Commissioning & Performance ensures that the process for approval of placements is enhanced to ensure that the level of discounting offered by providers is received by the approver. Where discounts stated have not been obtained a clear rationale for why this is the case should be provided ahead of approval for the placement.

Action Plan:

Person Responsible:	Assistant Director – Commissioning and Performance	Target Date:	1 January 2017
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Management Response:	The issue of securing discounts is already being considered by Commissioning, Procurement and Placement staff to address directly with providers. This will be systematically addressed through the revised procedures, performance and data requirements including the ability of source data to flag where discounts can be secured.
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3.2b	Agreed Outcome:	Priority 4
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I recommend the Assistant Director - Commissioning & Performance ensures that finance monitoring information processes are updated to include:

- The level of discounts available from each provider.
- The level of discount applied to each placement.
- The % above or below indicative framework cost for each placement.

Whilst it is not the responsibility of finance staff to ensure that discounts are applied where appropriate the use of enhanced financial monitoring will facilitate reporting of higher than expected costs.

Action Plan:

Person Responsible:	Assistant Director – Commissioning and Performance	Target Date:	1 January 2017
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Management Response:	This information will be built into the placement activity recording system which will provide one source of information regarding placements – recommendation 1.8b. It will also be a performance reporting requirement as highlighted in 1.8a above
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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 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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Working in Partnership with

Devon & Cornwall Police & OPCC	Somerset County Council
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Forest of Dean District Council	West Somerset Council
Herefordshire Council	Weymouth and Portland Borough Council
Mendip District Council	Wiltshire Council
North Dorset District Council	Wiltshire Police & OPCC
Sedgemoor District Council	

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.