



Internal Audit Report

Social Care Commissioned Services Contract Monitoring

Issued to:

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EXECUTIVE SUMMARY

Aberdeen City Health & Social Care Partnership (the HSCP) procures care services from a variety of contracted Suppliers in order to meet the assessed needs of persons requiring support and assistance. The contracts register indicates contracts are in place for £86 million of social care services in 2020/21.

The objective of this audit was to provide assurance that contract monitoring arrangements relating to Social Care Commissioned Services are adequate. Contract monitoring is undertaken by Commercial & Procurement Shared Services (the Service).

The contract monitoring procedures were examined as part of a National Care Home Contract (NCHC) Internal Audit (report AC1920) in January 2019, in which recommendations were made, and have been subsequently reported to Committee as having been actioned. Whilst the procedures, associated template documents, and changes made as a result of the previous audit, are appropriate, it has been identified following review of individual contract monitoring reports as part of the current audit that further clarification with regards to some areas, could improve the procedures and their application. This includes scheduling to ensure all monitoring activity takes place at required frequencies, and ensuring records are complete and variations reviewed, adequately explained and challenged where appropriate.

The Service has noted that it was always the intention to carry out a review of the revised procedures after a full year of operation, to consider whether they had achieved the desired outcome, and where improvements might be made. It has not been possible to do this due to the Covid19 situation, which has meant that routine monitoring has been temporarily suspended, and all resources within the team are fully engaged in dealing with supplier sustainability issues and reconciliation of service provision, contract variations, and additional cost claims. All of the points raised in the audit will be considered as part of the review, completion of which is planned by the end of the financial year, depending on available resources pending transition to a 'new normal' post Covid19.

An instance was identified of a supplier being used where a signed contract was not in place. Whilst there may be implications for service provision, services should not be procured from suppliers for which there is no signed contract in place. The absence of a signed contract is an indicator that procurement may not have followed the correct route. If contract terms have not been agreed, there is a greater risk to service delivery, service users, and to the level of assurance the Service can obtain through contract monitoring – as it may be more difficult to enforce the contract. The HSCP is aware of this risk and the Service will continue to reinforce this point.

1. INTRODUCTION

- 1.1 Aberdeen City Health & Social Care Partnership (the HSCP) procures care services from a variety of contracted Suppliers in order to meet the assessed needs of persons requiring support and assistance. The contracts register indicates contracts are in place for £86 million of social care services in 2020/21.
- 1.2 The objective of this audit was to provide assurance that contract monitoring arrangements relating to Social Care Commissioned Services are adequate.
- 1.3 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Craig Innes, Chief Officer - Commercial & Procurement Shared Service and Jean Stewart-Coxon, Strategic Procurement Manager - Commercial & Procurement Shared Service.

2. FINDINGS AND RECOMMENDATIONS

2.1 Written Procedures

2.1.1 The contract monitoring procedures were examined as part of a National Care Home Contract (NCHC) Internal Audit (report AC1920) in January 2019, in which recommendations were made, and have been subsequently reported to Committee as having been actioned. Whilst the procedures, associated template documents, and changes made as a result of the previous audit, are appropriate, it has been identified following review of individual contract monitoring reports as part of the current audit that further clarification with regards to some areas, could improve the procedures and their application. These are set out in the sections below.

2.2 Overall Monitoring

2.2.1 The Service has a complete list of all contracts which should be subject to regular contract monitoring. This currently includes 183 contracts, valued at £86 million per annum. The procedures require contracts to be risk assessed and assigned a monitoring level. Once assigned a level, contracts should be monitored annually commensurate with that level. Reports are prepared to document the monitoring undertaken, and any actions required of or recommended to the supplier as a result.

2.2.2 Risk assessments are based on two criteria of equal importance: financial risk and service user risk. Contracts with an annual value of £600,000 or over are considered high financial risk, and below this, low risk. Service user risk is considered based on vulnerability and level of support required. Suppliers providing high levels of support to individuals who may be unable to self-advocate are classed as high risk while suppliers providing low levels of support or information and advice only to individuals who are otherwise able to self-advocate are deemed low risk.

2.2.3 Following assessment, monitoring levels are assigned:

- a) Level 1 – where it has been assessed there is both a high financial and service user risk. There should be active provider engagement with contracts of this type, recorded in the provider engagement section of the monitoring report.
- b) Level 2 – high financial risk but low service provision risk OR low financial risk but high service provision risk. Monitoring is likely to consist of desktop analysis of information with provider engagement where considered appropriate.
- c) Level 3 – low financial risk and low service provision risk. Monitoring is based on template returns, containing key performance information, obtained from the supplier.

2.2.4 All contracts on the list had been risk assessed and assigned a monitoring level.

2.2.5 The procedures, effective as of 1 April 2019, state that all contracts should be subject to an annual monitoring review. Internal Audit had planned to obtain assurance that this was the case by examining records held by the Service at the financial year-end (31 March 2020). However, on 17 March 2020 the Chief Officer - Commercial & Procurement Shared Service suspended all contract monitoring reviews to allow for resources to be directed to more urgent activities due to the Covid-19 pandemic.

2.2.6 Information provided to Internal Audit on 13 February 2020 indicated that only 34 of the 183 suppliers had been subject to contract monitoring at the time. The Service had stated an intention to ensure that a substantial number of contracts would be monitored before the financial year-end but acknowledged that this was unlikely to be the full number. There

is no indication in the list that monitoring is being scheduled in advance. While suppliers are subject to ongoing scrutiny in respect of visits from the Care Inspectorate (where registered and required) and Care Managers are in touch with them on a regular basis, without timely monitoring there is a risk of not identifying any underlying financial or service issues.

<u>Recommendation</u>		
The Service should ensure that Suppliers are subject to annual monitoring in line with guidance.		
<u>Service Response / Action</u>		
Agreed. When routine contract monitoring activity resumes (post Covid19) a review of the revised contract monitoring procedures will be undertaken to consider where improvements can be made		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2021	Strategic Procurement Manager (Social Care)	Significant within audited area

2.3 Individual Monitoring

2.3.1 A random sample of six suppliers for which the list of contracts subject to monitoring indicated reports had been completed was selected to ensure these contained the information stipulated in the Service’s written procedures. Where follow up action was required in relation to any non-compliant aspect, assurance was sought that the Service had followed up with the supplier to ensure that appropriate actions had been undertaken.

2.3.2 Whilst the majority of the required information was present there were five instances where elements required by the procedures and template had been omitted or not fully completed. This included details of whether quarterly reports had been returned timeously, or at all from suppliers, overall contract values, and whether or not there were any issues with invoicing and payments. All information should be included in order to demonstrate that all aspects have been given adequate consideration, and any issues escalated appropriately.

<u>Recommendation</u>		
The Service should ensure all information is included in monitoring reports as per the written procedures.		
<u>Service Response / Action</u>		
Agreed. This will be covered in the planned review.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2021	Strategic Procurement Manager (Social Care)	Important within audited area

2.3.3 Section 2 of the standard monitoring report should contain information which is provided to the Service by suppliers on a quarterly basis. The detail required is largely explained in this section of the template, and the Service was able to provide a further spreadsheet showing the information which should be included. Most of this is clear, although one section marked ‘other’ is meant to include information in respect of Fire Safety Risk Assessments, Business Continuity Plans, Community Benefits and Insurance. Information relating to these four categories was not present in most cases.

2.3.4 The Service explained that Fire Safety Risk Assessments should only be filled out for Suppliers providing residential services; Business Continuity Plans should only be sought

for Suppliers deemed as providing 'critical services' (which is not defined); evidence of completion of Community Benefits should only be sought where this is included in the contract (currently there are no contracts with this stipulation); and Insurance is only required to be submitted when specifically requested (the requirements are not defined). It would provide greater clarity if these explanations were incorporated into the written guidance, along with a link to the spreadsheet showing required information in section 2 of the monitoring template.

2.3.5 In the quarterly returns, in the fields which report details of training undertaken, some Suppliers were entering percentages of staff that had undertaken training in the current year, while others were entering percentages of staff that had undertaken training that quarter. It would be beneficial for the Service to provide clarity for providers to ensure consistent reporting.

<u>Recommendation</u>		
The Service should clarify the required content and format of data in written procedures and associated paperwork.		
<u>Service Response / Action</u>		
We have no evidence that the reporting requirement is unclear, however, will agree to include this point in the planned review.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2021	Strategic Procurement Manager (Social Care)	Important within audited area

2.3.6 In one instance no monitoring report had been produced, though the database noted that the supplier had been graded as compliant. This was queried with the Service which confirmed that the supplier had not yet signed the contract as they were unhappy with elements of it. The Officer assigned the contract had thought that all contracts being entered on to the system had to have a grading allocated and had chosen 'compliant' in the absence of contradictory information. The Service has confirmed that this will be rectified and it will review records to ensure there are no further similar cases.

<u>Recommendation</u>		
The Service should ensure that contracts are not awarded grades where a monitoring review has not been carried out.		
<u>Service Response / Action</u>		
Agreed. Contract managers have been reminded of this.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
Implemented	Strategic Procurement Manager (Social Care)	Important within audited area

2.3.7 Whilst there may be implications for service provision, services should not be procured from suppliers for which there is no signed contract in place. Whilst there are exceptions from the application of some procurement regulations for certain social care contracts, there is still a requirement to procure them appropriately. The absence of a signed contract is an indicator that procurement may not have followed the correct route. Terms should be set out in a service specification set out by the HSCP, with support from the Service, before seeking potential sources of supply. If the terms have not been agreed, there is a greater risk to service delivery, service users, and to the level of assurance the Service can obtain through contract monitoring – as it may be more difficult to enforce the contract.

Recommendation

The Service should ensure the HSCP is aware of the risks of continuing to purchase services from suppliers with whom there is no valid contract in place.

Service Response / Action

Agreed. The HSCP is aware of this risk and we will continue to reinforce this point through discussion with the Lead Commissioner and Lead Social Worker.

Implementation Date

Implemented

Responsible Officer

Strategic Procurement
Manager (Social Care)

Grading

Significant within audited
area

- 2.3.8 Grades of either 'compliant', 'areas of non-compliance' or 'non-compliant' should be based on a combination of service observations, information from internal sources such as Care Managers and external sources such as the Care Inspectorate.
- 2.3.9 Triggers for a 'non-compliant' grading include where there is evidence of risk to a client's safety or wellbeing, serious financial risk, where the Care Inspectorate either awards or gives indication of intention to award grades of less than 3 (adequate) across assessed areas, frequent negative feedback from more than one source, serious concerns raised in relation to adult / child protection issues, and serious or multiple upheld complaints. The Service has a non-compliance process to follow to ensure these are addressed consistently.
- 2.3.10 One monitoring report awarded an overall grade of 'areas of non-compliance'. It noted several concerns raised by Care Managers in respect of care provision in the previous six months, a current large-scale investigation as part of the Adult Support and Protection process and a separate Police investigation. Five weeks after the report was produced the Care Inspectorate assessed the supplier and awarded grades of 2 (weak) across all assessed areas. While the Service was quick to respond thereafter in producing a 'non-compliant' report, and followed the associated process, it is unclear why this had not been the case when the first report was produced. The Service has stated that there is no scientific way to determine when a situation escalates to the next level of concern. There are significant wide ranging implications for having contracts in formal non-compliance. The preferred option is always to support the provider to improve.
- 2.3.11 Another monitoring report which was marked as 'compliant' noted that 'real time logins' for staff were only at 35%. This means that staff are not logging in while onsite providing care for clients, rather in the majority of cases times were being entered retrospectively. The Service noted in the summary that this means the supplier cannot adequately evidence they are providing care services when they are supposed to be. Statistics were also obtained which appear to show not all staff had completed required training. The supplier noted that all staff were in the process of applying for Scottish Social Services Council (SSSC) registration, however it was not followed up on whether or not all staff obtained this. The Service commented in the report that a recent report by the Care Inspectorate had awarded a grade of 5 (very good) in a recent inspection, however the Service's findings, which indicated areas of non-compliance, were not reflected in the monitoring report grading.

Recommendation

The Service should ensure that it can demonstrate that gradings awarded are reflective of the supporting information.

Service Response / Action

Agreed. This will be covered in the planned review.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2021	Strategic Procurement Manager (Social Care)	Significant within audited area

- 2.3.12 In the case of the Supplier discussed above at 2.3.10, the non-compliance process was initiated, meetings were held with the Supplier, and new placements were suspended pending agreed improvements. The Service confirmed that following discussion and evidence of improved service provision that the non-compliance process was ended. While this is not unreasonable, it is in contradiction to the Service's procedures which state that the suspension of placements with a Supplier should not be lifted until the Care Inspectorate has awarded grades of 3 (adequate) or above across all grades. The Care Inspectorate had not re-assessed the Supplier prior to the suspension being lifted.

<u>Recommendation</u>		
The Service should ensure any flexibility in the application of the non-compliance procedure is included in the written guidance, recorded and applied consistently.		
<u>Service Response / Action</u>		
Agreed. This will be covered in the planned review.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2021	Strategic Procurement Manager (Social Care)	Significant within audited area

- 2.3.13 Financial monitoring is included as part of the overall monitoring assessment. The Service obtains and reviews accounts and credit reports for suppliers.

- 2.3.14 Concern over a relatively low credit rating was highlighted with one supplier, which stated that accounts were to be submitted to Companies House the following month and this was anticipated to improve their credit rating. The Service duly followed up on this by obtaining a copy of the accounts when they were submitted and thereafter performed a further credit check showing that the supplier's rating had improved, albeit minimally. The Service stated that the accounts had been discussed with the Supplier's Accountant and assurance had been taken from this. While this may have provided further insight into the accounts, financial advice should be taken from the Council's Finance team, as the supplier's Accountant will only represent the supplier's interests.

- 2.3.15 In one case a credit check was carried out on a parent company, rather than the subsidiary with which the contract was in place. Whilst the presence of a parent company provides some assurance, in the absence of written guarantees there is limited assurance that it would step in in the event of financial difficulties, placing services at risk. The Service's procedures do indicate this, but there was no evidence it had been applied.

<u>Recommendation</u>		
The Service should ensure that any financial concerns are discussed with the Council's Finance team.		
<u>Service Response / Action</u>		
Agreed. Contract Managers have been reminded of this.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
Implemented	Strategic Procurement Manager (Social Care)	Significant within audited area

2.4 Contingency Planning

- 2.4.1 Suppliers who are classed as providing services deemed as critical are asked to confirm via completion of a questionnaire that they have emergency response and business continuity plans in place. This includes a nominated main contact, and confirmation that plans are in place covering instances of or disruption to fuel shortages, staff, supply chains, telecommunications, records and corruption of digital equipment. Further confirmation is sought from suppliers of residential services in respect of evacuation procedures, alternative accommodation, failure of kitchen / laundry equipment and loss of power and heating. Confirmation is also sought that the plans are subject to testing, and that the Service would be notified in the event they are enacted.
- 2.4.2 The Service has stated that it does not have the resources to evaluate the plans and make recommendations where appropriate, and has limited contract management options in the event that plans are not in place. The failure or inability to check these areas presents a risk to the H&SCP. The Service has stated that the HSCP is aware of these risks, and that following the NCHC audit (see 2.1.1) a process was established by which the Partnership Manager with the lead for the Resilience workstream will call in contingency plans, on a sample basis, for analysis.
- 2.4.3 Two questionnaires were not available for review, having been archived on a previous contract management system. There were incomplete responses in each of the four questionnaires which were available, including one with an omitted section (which should have contained contact details, review and testing dates).
- 2.4.4 The need to inform key stakeholders where an emergency arises is key as this may potentially impact on a client's wellbeing. It may therefore be appropriate to ensure that this is a required element when contracts are renewed. While as discussed above it is not practical to review all plans to ensure that all declared elements are adequately covered, it should be possible to highlight the absence of complete responses to suppliers as part of routine contract monitoring.

Recommendation

The Service should ensure emergency response and business continuity plan questionnaires are fully completed by suppliers.

Service Response / Action

Agreed. This will be covered in the planned review.

Implementation Date

March 2021

Responsible Officer

Strategic Procurement
Manager (Social Care)

Grading

Significant within audited
area

AUDITORS: D Hughes
C Harvey
D Henderson

Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the organisation.
Major at a Service Level	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
Significant within audited area	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system's adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.