



ABERDEEN

CITY COUNCIL

Internal Audit Report

Education and Children's Services

Payment Controls in Children's Social Work

Issued to:

Angela Scott, Chief Executive
Gayle Gorman, Director of Education and Children's Services
Richard Ellis, Director of Corporate Governance
Bernadette Oxley, Head of Children's Social Work
Craig Innes, Head of Procurement
Steven Whyte, Head of Finance
Graeme Simpson, Children's Services Manager
Anne Donaldson, Service Manager
Kay Dunn, Performance and Delivery Manager
Anne MacDonald, Audit Scotland

EXECUTIVE SUMMARY

Children's Social Work provides statutory services to children, families and young people in need of care and protection. This includes, child protection, family supports, respite services, residential care, fostering, adoption and kinship care. Some of these are delivered by the Service while others are purchased from external providers.

To complement diagnostic work being taken forward by the Service, Internal Audit was asked to review the effectiveness of contracting and payment controls within Children's Social Work. The Service has developed an action plan and has mapped out existing processes. A future business model will incorporate improvements identified by the Service and Internal Audit, to be taken forward via a programme managed approach.

The historic absence of formal contractual arrangements, combined with the lack of a commissioning strategy and procurement plan for child care services has impacted on the Service's ability to demonstrate best value and its control over the quality and cost of care provision by external organisations. This has been recognised by the Service which is developing a strategy and intends to employ additional resources to put contractual agreements in place and have them recorded appropriately so that compliance can be monitored in the course of their term and new arrangements can be put in place when the contract term ends.

The CareFirst system is key to managing records of service users' needs and the care provided in order to meet them. Although assistance and summaries of data held within the system were provided on request, Internal Audit testing has been restricted to a degree as a result of concerns raised by the CareFirst system owner in relation to data protection, resulting in restricted access to CareFirst data. This matter has been discussed with Service Management and Legal staff in a bid to ensure Internal Audit has access in future to all information in accordance with Standing Orders.

Improvement is required in the way staff collaborate in terms of procurement and in respect of the input to CareFirst of service user care packages and provider costs. When up to date and accurate, CareFirst can provide effective control over invoice payments, however for various reasons not all invoices can be processed via CareFirst. The Service has agreed that the number of care invoices which bypass the system, and over which authorisation checks and controls provide less assurance, could be reduced.

Although CareFirst can provide adequate payment control, the ability to vary monthly package cost in order to accommodate invoice differences increases the risk of incorrect payments being processed. The procedures and authorisation measures which govern these are not always complied with, and variances require ongoing monitoring. The Service has agreed to incorporate a review of these areas into its action plan.

1. INTRODUCTION

- 1.1 Children's Social Work provides statutory services to children, families and young people in need of care and protection. This includes child protection investigation and assessment, disability services, family support, respite care, residential care, fostering, adoption and kinship care. Some of these are delivered by the Service while others are purchased from external providers.
- 1.2 In response to concerns raised by the Service in respect of contracts in place and payment controls within Children's Social Work, Internal Audit has been asked to review the effectiveness of controls in this area. In this report, the term 'contracts' may include arrangements where there is no actual contract document, but where ongoing receipt of services implies a contractual arrangement with the care provider.
- 1.3 Previous audits of Social Care Contract Arrangements (November 2011) and the Care First System (February 2015) have already highlighted some of the issues discussed in this report. The Service has commenced a Care Management Transformation Project which it intends to complete by 31 March 2016, which will address these issues.
- 1.4 Although assistance and summaries of data held within the system were provided on request, Internal Audit testing has been restricted to a degree as a result of concerns raised by the CareFirst Team in respect of potential data protection issues regarding access to data held on the CareFirst system. This matter has been discussed with Service Management and Legal staff in a bid to ensure Internal Audit has access in future to all information in accordance with Standing Orders.
- 1.5 In the course of the review, the Service has developed an action plan and has suggested that the area be audited again in both 2016 and 2017. It has mapped out existing processes and a future business model is to incorporate improvements identified by both Internal Audit and the Service itself. Further detail of this action plan is given throughout this report and in the Service's responses.
- 1.6 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Bernadette Oxley, Head of Children's Social Work; Craig Innes, Head of Procurement; and Steve Whyte, Head of Finance.

2. FINDINGS AND RECOMMENDATIONS

2.1 Contracts and Procurement

- 2.1.1 In October 2014 Social Work officers responsible for commissioning and contracts were transferred from the Service into Commercial and Procurement Services (C&PS), in order to ensure consistent management of procurement related activities across the Council.
- 2.1.2 The Service has not tendered contracts or frameworks for Children's Services for some time. Since 1 April 2014 only one tender exercise has been completed, and no others have been commenced. Although Contracts and Procurement Standing Orders allow for the Director of Social Care and Wellbeing, subject to the agreement of the Head of Legal and Democratic Services, to certify a purchase as being unsuitable for tendering, due either to the nature of the services required or the timescales involved, there is no formal record which shows where this option has been applied. There is therefore a significant risk that Best Value is not being demonstrated through existing arrangements.
- 2.1.3 Scottish Government guidance on the procurement of care and support services published in 2010 states that Services should have long term commissioning strategies, accompanied by more detailed tendering plans which cover a 3-5 year period. There is currently no commissioning strategy in place for Children's Social Work, and no record of existing services and contracts from which to draft a 3-5 year procurement plan which could begin to support such a strategy. The Service has noted that it has begun to develop a strategy through Public Services Partnership work being undertaken with the third sector.
- 2.1.4 The Service has started work with C&PS to risk assess and prioritise contracts with high operational risks. This includes identifying contracts which require an urgent review and those which can be decommissioned at relatively short notice. Work has also commenced to review areas of expenditure in which savings might be made. However, without longer term strategic plans, it will be difficult to prioritise, schedule, and allocate responsibility for procurement between and within the Service and C&PS, in order to meet the Council's and national procurement regulations. Plans need to be developed by the Service in response to its identified needs, in support of its wider strategic intentions, and cannot be developed by C&PS in isolation.

Recommendation

The Service, in conjunction with C&PS, should ensure commissioning strategies are developed for Children's Social Work.

The Service, in conjunction with C&PS, should ensure procurement plans are developed for Children's Social Work.

Service Response / Action

Agreed. In line with the Service action plan the service will perform a needs assessment and develop a commissioning strategy and procurement plan for the period August 2016 to March 2019 in conjunction with C&PS.

Implementation Date

August 2016

Responsible Officer

Performance and Delivery
Manager (Kay Dunn);
Social Care Procurement
Manager (Alison Macleod)

Grading

Major at a Service level

- 2.1.5 The Service does not currently know if contracts are in place for all areas of recurring expenditure. Review of a sample of 43 payments identified that there were only contracts or national framework agreements in place for 7 of these. C&PS was aware of and progressing arrangements in respect of 19, but was unaware of a further 17.
- 2.1.6 In accordance with section 35 of the Procurement Reform (Scotland) Act 2014 all contracting authorities must keep and maintain a register of any contracts entered into as a result of a regulated procurement. The Council's contracts register should include all Social Care contracts, however the corporate register is still being developed by C&PS.
- 2.1.7 Spend data has been issued to Budget Holders with the request that they advise C&PS whether spend is on or off contract and provide a copy of the contract where one exists. The Service has stated that although work had been done on this by the Service, resources initially anticipated from C&PS by the Service were not available. As a result due to the demands of the task fewer than half of Social Work Budget Holders had been able to respond with the required detail. Without complete information, C&PS cannot demonstrate that it has a clear understanding of contract coverage. It will also be unable to demonstrate compliance with legislation which requires a register to be in place by April 2016.

Recommendation

The Service should ensure Budget Holders provide C&PS with sufficient and timely detail to complete the contracts register.

Service Response / Action

Agreed. An urgent notice was issued to 33 budget holders. A further notice was issued in respect of 15 returns still outstanding. The Service is waiting for a further update from C&PS.

Implementation Date

September 2016

Responsible Officers

Performance and Delivery
Manager (Kay Dunn);
Social Care Procurement
Manager (Alison Macleod)

Grading

Major at a Service level

- 2.1.8 Once a contracts register is in place, and strategies identified, the Service can begin to work towards planning tendering activity in order to ensure all contracts remain up to date or are re-let at appropriate intervals. It will need to ensure that appropriate supporting arrangements are in place to do so, including timely access to financial, legal and procurement related data and advice. Historically this has not always been planned sufficiently in advance to ensure resources are available at the point they are required.

Recommendation

The Service, C&PS, Legal and Finance Services should work together to support the Service's procurement plans.

Service Response / Action

Agreed. Project teams will be established for each procurement exercise with clear allocation of responsibilities and requirements and a timetable showing where input is required to ensure efficient delivery of the procurement plan.

Implementation Date

September 2016.
The procurement plan is
contingent on the

Responsible Officer

Social Care Procurement
Manager (Alison Macleod);

Grading

Important within audited
area

commissioning strategy being in place.	Performance and Delivery Manager (Kay Dunn)
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- 2.1.9 Although providers of social care and support are required to be registered, and are reviewed by the Care Inspectorate on a regular basis, this only gives assurance over the quality of care: not contract compliance. Social Workers will also routinely carry out reviews to ensure that individual clients' needs are being met in accordance with their GIRFEC Child Plan, though again this will not provide assurance over contracts and agreed costs.
- 2.1.10 There is currently limited contract monitoring in place, and the responsibilities between Social Workers, lead budget holders in Children's Services and C&PS are not clearly delineated. Without clear contracts in place, contract management will be limited in its effectiveness.
- 2.1.11 The number of service providers is significant, and although each will need to be reviewed over the course of contracts put in place, it will be necessary to prioritise these reviews. A risk based system, as used for other areas by C&PS could be put in place to determine the required frequency of monitoring exercises for each provider. This could be weighted to include factors such as cost, volume and Care Inspectorate ratings.

Recommendation

The Service, in conjunction with C&PS, should determine their respective roles and responsibilities for care contract management and monitoring, and ensure rolling risk based plans are in place for monitoring all providers.

Service Response / Action

Agreed. A specific action will be added to the Service Action Plan to ensure that contract management and monitoring roles are clarified. Going forward these duties will be fulfilled in accordance with a risk based monitoring programme.

Implementation Date

December 2016.
This is contingent on the completion of the Future State Model.

Responsible Officer

Performance and Delivery Manager (Kay Dunn);
Social Care Procurement Manager (Alison Macleod)

Grading

Significant within audited area

- 2.1.12 The Service utilises the CareFirst system for case management, and to provide controls over care and support packages' authorisation and payments. The Service has noted that a Contracts module for the CareFirst system was purchased, but was not taken forward following the transfer of contracts staff and responsibilities to C&PS. C&PS has subsequently identified and procured alternative options for contract management.

2.2 Payment Controls

- 2.2.1 Contracts and Procurement Standing Orders require that a contract is in place for all supplies and services. Under no circumstances may any officer of the Council accept that supplier's or contractor's own Terms & Conditions of Contract without first having referred those Terms & Conditions of Contract to the Head of Legal and Democratic Services for review and approval. Without appropriate, tendered, agreed contracts in place the Service effectively has no control over the services delivered and the level of payments made, and a significant level of trust is placed on the supplier to provide services and charge appropriately.

- 2.2.2 The absence of contracts also limits the ability of the service to obtain clear schedules of rates, restrict the ability of providers to vary charges, and set invoicing methods, frequency, descriptions, and periods. This impacts on the level of assurance management can have over the accuracy and consistency of the payment process, and increases the number of variations required in invoice processing. Recommendations have been made in section 2.1 above in respect of developing and implementing contracts.
- 2.2.3 Financial Regulations state that Orders must be issued for all work, goods or services, or such other expenditure as the Head of Finance may approve. For care services, following a needs assessment and production of a Child Plan by the Social Worker a service agreement will be set up on CareFirst, and authorised by a Team Manager. A form of the agreement is sent to the care provider to identify the needs which should be met, and in effect this is the Order.
- 2.2.4 In some cases there will be an agreed rate derived from e.g. national procurement framework agreements, however this is not always the case, or there may be components of the service package which are not covered by the relevant pricing structure. In the absence of overarching contracts or framework agreements with the providers which specify the rates for each type or part of the services provided, it is important that costs are agreed in advance of service delivery. Without such agreement, the Service may be obliged to pay more than necessary for the services delivered.

Recommendation

The Service should ensure that in the absence of overarching contracts service agreements with providers clearly specify the agreed costs of the service.

Service Response / Action

Agreed. In accordance with the Service Action Plan, a provider briefing will be prepared in respect of the requirement to establish interim contracts where there is no overarching contract. Interim agreements will detail agreed costs for the service provided and conditions on which these may vary within limits. C&PS are already working towards implementing a recovery plan, including discussion with providers and updating agreements. New agreements will include relevant criteria.

Implementation Date

April 2017

Responsible Officer

Social Care Procurement Manager (Alison Macleod);
Performance and Delivery Manager (Kay Dunn);
Lead Budget Holders

Grading

Significant within audited area

- 2.2.5 When services have been delivered, suppliers will provide an invoice. Prior to making payment, the Service must ensure these match the agreed services for the client held on CareFirst. Only once this has been recorded can invoices be processed via CareFirst to the financial system for payment. Payments for care are processed by the Social Work finance team in Corporate Governance.
- 2.2.6 However, not all payments made by the Service are matched to specific service agreements on CareFirst. Financial ledger data was downloaded from eFinancials, which showed that of £14.6 million payments processed during 2015/16 to 29 October 2015, only £4.7 million had been processed through CareFirst. The remaining £9.9 million of payments had been processed through either Infosmart – the corporate invoice processing system for non-care invoices, or the foster payments database.

- 2.2.7 Payments via Infosmart are processed by the payments team within C&PS. Review of these payments highlighted that of the total processed via Infosmart, an estimated £6.5 million was paid to suppliers which provide care services, and is therefore likely to relate to care provision.
- 2.2.8 Whilst invoices which are not for the care provision of a specific client cannot be matched in CareFirst and should be processed through Infosmart, there is a risk that some which can may bypass CareFirst and be paid via Infosmart. In such cases if the care is not matched off as paid, it could be paid again if invoices are subsequently submitted for processing via CareFirst. There is also a risk that, if it is identified by Social Workers or the CareFirst Team that payments have not been matched, the Service might believe that care provision received has not been paid for, and therefore request a further invoice.
- 2.2.9 Further review of a sample of 22 invoices from care providers which were processed via Infosmart showed that 4 were for fostering agencies, 4 were block funding arrangements for specified services, and 8 were funding non-specific service provision. 6 were for client specific care provision, and should therefore have been matched against care packages in CareFirst, if they had been available. Of these, 3 were processed through Infosmart due to service agreements not being up to date on CareFirst. The remaining 3 had appropriate packages set up on CareFirst, and therefore Infosmart should not have been used.
- 2.2.10 There are no controls to prevent care invoices being paid by the payments team within C&PS through Infosmart. How invoices are processed is largely determined by to whom / to which office they are sent by the supplier. In the absence of contracts which specify where invoices should be sent, the Service and C&PS will need to implement administrative controls to ensure care payments are only made via CareFirst.

Recommendation

The Service, in conjunction with C&PS should implement controls to ensure all care payments are processed via CareFirst.

Service Response / Action

Agreed. A development workshop took place in November 2015 and the 'future state' model should be established by February 2016. This will determine the action and timescales for implementation. Payment types are varied and complex, but the Service aims to process as many payments as possible through Care First in future. The Financial Services payments team will continue to pass payments without a purchase order back to requisitioners to process via CareFirst where appropriate, and is supporting services to ensure the invoice process is understood and adequate processes are in place.

Implementation Date

September 2016.

Responsible Officer

Performance and Delivery
Manager (Kay Dunn);
Financial Services
Manager (Garry Stevens)

Grading

Major at a Service Level

- 2.2.11 If there is an authorised purchase order, invoices are automatically matched and paid via Infosmart, otherwise they are sent to a manager within the relevant Service for approval. Variations were evident between post and authorisation levels. For example, staff who had formerly been in an 'acting up' role to cover the Head of Service have continued to hold an unlimited approval level. Authorisation levels have not been set in CareFirst, although approval of care packages is restricted to Senior Social Workers and above. The

Service does not have a list of delegated approval levels which staff and managers can consult in order to ensure authorisations are applied consistently.

Recommendation

The Service should ensure that appropriate, consistent authorisation levels are established for approval of care packages and invoices, that officers are aware of them and that they are imposed by relevant systems.

Service Response / Action

Agreed. A report detailing a number of interim actions will be presented to the Process Workstream on 1 February 2016. If these actions are agreed the service will review the current authorisation controls, including a list of lead managers and authorisation levels.

A call has been raised with OLM to determine whether they can adapt the CareFirst system to allow multiple authorisation levels, as the system will currently only allow one level of authorisation. OLM are developing their next platform, which may take account of this request, although this is not yet available.

<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
September 2016: Contingent on Future State Model work.	Business Manager – Children’s Services (Kate Mackay) Performance and Delivery Manager (Kay Dunn).	Important within audited area
July 2017 (Dependent on OLM)	Business Manager – Children’s Services (Kate Mackay).	

- 2.2.12 The financial system has controls built in to prevent duplicate payments – the same invoice number cannot be used twice for the same supplier. Whilst there is still a risk that processing staff may erroneously change the invoice number to allow the invoice to be processed, the chances of duplicate payments are reduced. The payments team within C&PS also run AP Forensics software reports and investigate entries which look to be possible duplicate invoice payments. This is done before the BACS run takes place and covers all transactions including those interfaced to e-financials.
- 2.2.13 In February 2015, the Care First Audit report highlighted a duplicate payment of £140,000 which was paid in error and had to be recovered. Out of the sample of 43 payments reviewed as part of the current audit, two potential duplicate payments were identified for a value of almost £190,000. These had been processed via Infosmart, and authorised, but were corrected prior to payment being made.
- 2.2.14 However, due to limitations in the interface from CareFirst, invoice numbers are not transferred in full: only the last 12 digits are interfaced. As a result, e-Financials would not automatically highlight and prevent duplicate invoices where there are more than 12 characters. There is also an increased risk that payments team checks would not highlight such errors, particularly given care invoices are filed separately and narrative and other data transferred is mixed in terms of content and quality. For example, not all care invoices processed through Infosmart will include a client reference and period.

Recommendation

The Service, in conjunction with Finance, should review the interface from CareFirst to ensure full invoice numbers are transferred to the financial system.

The Service, in conjunction with Finance and C&PS, should review how invoice data input to the financial system, including narrative descriptions, can be standardised.

Service Response / Action

Agreed. A call has been logged with OLM to increase the invoice length size within CareFirst.

Agreed. The Service will discuss with finance colleagues, as part of the Process Workstream, how they ensure a greater standardisation of invoice data.

Implementation Date

September 2016:
contingent on Future State
Model work

Responsible Officer

Business Manager –
Children’s Services (Kate
Mackay

Grading

Significant within audited
area

- 2.2.15 Two duplicate suppliers were identified within the random sample of 43 payments. There is an increased risk in these cases, particularly where there are separate feeder systems and interfaces, of duplicate payments. One of the potential duplicate payments noted above at 2.2.13 was against a duplicate supplier.

Recommendation

Financial services should review and rationalise supplier numbers to ensure there are no duplicates.

Service Response / Action

Agreed. AP Forensics can report on Master Supplier Data and potential duplicates within eFinancials. A planned new upgrade of software early in the next financial year is anticipated to provide more reporting tools to look at this area.

Implementation Date

June 2016

Responsible Officer

Financial Services
Manager (Garry Stevens)

Grading

Important within audited
area

- 2.2.16 The Social Work finance team are authorised to process invoices which exceed the authorised agreement on CareFirst by up to 10%, without further approval. This enables staff to accommodate variances resulting from minor changes within a particular week for example, or due to differences in standard invoice periods. Where care provision invoiced for a period is less than that agreed, invoices can be processed regardless of the degree of variance. Where there are continual variances however, between agreed and actual care provision, care packages should be reviewed in order to ensure that commitment reports from the system provide data which enables expenditure to be forecast accurately.

- 2.2.17 The systems and controls in place for invoice variations, and variations relating to 11 Clients’ packages were reviewed and the following matters were identified:

- There are no CareFirst system controls which enforce the need for a higher authority to approve payment of invoices where the variance exceeds 10%.
- Invoices which exceed 110% of the agreed cost are frequently processed without further approval being sought.

- There is a lack of guidance regarding what constitutes an appropriate variance, adequate verification and suitable higher approval and when this is necessary.
- The narrative input to explain the cause and therefore validate the variance has no consistency and is frequently recorded in different fields.
- Reports which show this narrative may not therefore provide for proper monitoring and control of variations.
- There is a lack of evidence to demonstrate that variance monitoring reports are regularly reviewed and appropriate action is taken to justify and demonstrate approval of all variances processed on a consistent and timely basis.

Recommendation

The Service should discuss the potential for invoice variation controls in the Care First System with software providers OLM.

The Service should review existing policy, practice and monitoring for invoice variations processed in CareFirst to ensure that management has adequate assurance over CareFirst data and invoice payments.

Service Response / Action

Agreed. A call has been logged with OLM to request greater control over authorisation and variation limits as above. In the meantime Business Objects reports will be used to monitor variation activity.

Agreed. A review of the procedure and practice relating to CareFirst invoice payment variations will be undertaken as part of a larger piece of work remodeling the way in which care packages are recorded, monitored and paid for.

Implementation Date

April 2016

Responsible Officer

Business Manager –
Children’s Services (Kate
Mackay)

Grading

Significant within audited
area

2.2.18 CareFirst is not always being kept up to date, meaning that payment of invoices may be delayed. The CareFirst team identified that where new packages or changes have not been set up and authorised, or rate adjustments not notified, there will be delays pending the changes being applied on the system – as payments cannot be matched and processed until this happens. Data accuracy was also highlighted in the previous Care First internal audit report in February 2015. Children’s Services has commenced the implementation of Reclaiming Social Work (RSW) which aims to resolve the issue by clarifying the role of Social Work and the Unit Coordinator to input packages and the Children’s Services Manager to authorise payment.

2.2.19 In a sample of 14 CareFirst payments reviewed, 13 had an up to date, authorised service agreement recorded on CareFirst. In one case however the agreement was not up to date. This means there is a lack of evidence to support the payments made, and to demonstrate that clients’ needs are being appropriately met.

2.2.20 It was noted that Social Workers often add to or append new agreements rather than replace existing service agreements on the system, which complicates the audit trail and increases the risk of CareFirst data being out of date and renders commitment reports inaccurate. In two cases there was an overlap between care package start and finish dates.

- 2.2.21 In the event of a new provider being used, there can be additional delays whilst the supplier is reviewed by C&PS, then set up on the payments system by Finance, before it can be set up on CareFirst. Whilst there are important controls applied in this process, there is an increased risk of the payment and matching controls not being applied in the meantime.
- 2.2.22 Failure to make a payment within 30 days of receipt of the invoice can result in the Council having to pay late payment interest and potentially having to reimburse the recovery costs of the creditor in accordance with the Late Payments of Commercial Debts (Interest) Act 1988 as amended. Moreover, regular late payment can have a negative impact not only on the Council's Performance Indicators but also on the Council's business relationships with the suppliers.
- 2.2.23 This could lead to pressure being placed on the payments teams to process care invoices through Infosmart, or to apply variations to CareFirst agreements, without waiting for approval from Social Workers. Inappropriate payments may result.

Recommendation

The Service should establish a process which ensures provider details, care details, and care costs are passed to the CareFirst Team by Social Workers in advance of or within a set period following a child's placement.

The Service, in conjunction with Finance and C&PS should explore options for rationalising the process for setting up new suppliers in CareFirst.

Service Response / Action

Agreed. The Service in implementing RSW will ensure additional training and guidance is available for Unit's to reinforce the criticality of Carefirst being kept up to date and for the Carefirst team to be notified within 2 workings if a new supplier is being used.

Agreed. A review of this process will be included in the development work currently ongoing to review financial systems and processes in children's social work.

Implementation Date

March 2017, following implementation of RSW

Responsible Officer

Lead Service Manager
Graeme Simpson;
Business Manager –
Children's Services (Kate
Mackay)

Grading

Significant within audited area

- 2.2.24 There are a number of block-funded agreements, where the Service pays for a specified level of capacity rather than actual care provided to specific clients. For example the supplier may offer a number of rooms or beds, and keep these open for the Service to use at short notice, rather than charging per room or bed actually occupied. In the absence of known contracts for this funding, it is difficult to demonstrate that value is being received under these agreements, or whether the Service might be able to request a refund for services paid for and not utilised.
- 2.2.25 The CareFirst Team noted that where agreements can be recorded on CareFirst there is some variation in how this is done. In some cases the cost of block-funded care provision will be divided between the current number of clients in receipt of the service – which may vary between periods; in other cases 'dummy clients' may be set up and costs allocated between these and real clients recorded in the system – which ensures the same cost is recorded against each client every period. The Team noted that there can be difficulties applying a consistent method due to the way payments are structured – e.g. a per-room

charge may be split if there is multiple occupancy, therefore there may not be a standard per-client charge.

2.2.26 The variable cost per client method can cause difficulties as it requires regular variations to be processed on CareFirst in order to allow care packages to be matched and invoices paid. There is a risk that such routine variations might mask problems with the level and cost of care provided under these agreements.

2.2.27 Although the ‘dummy client’ option is administratively convenient, it means that there are fictitious records on the system. There is a risk that this could result in overpayments in the event that the supplier incorrectly charges for both capacity and specific clients.

Recommendation

The Service should review whether block-funded arrangements are necessary and appropriate. Where there are alternative spot purchase arrangements, these should be explored.

The Service should review controls over payments for block-funded care.

Service Response / Action

Agreed. The Service in conjunction with CareFirst will utilise the contracts provision of CareFirst and review the appropriateness of “block funded contracts” via the review of all contracts.

Implementation Date

August 2016

Responsible Officer

Lead Service Managers
(Graeme Simpson and
Anne Donaldson)

Grading

Significant within audited
area

2.2.28 Not all Children’s care costs are administered and paid through CareFirst. Fostering and some Children’s residential services are managed outwith the system. Fostering and Adoption payments to individual carers are controlled using an Access database. Invoice payments are made by the Social Work finance team from this database via an interface to the eFinancials system.

2.2.29 Payments for foster care being provided by external foster agencies are not administered through CareFirst, nor the Access database. The Service stated that agencies apply a cost and volume discount to the number of children placed with them. This adds complication to payments and the ability to process them through CareFirst. Payments for these and other child services are verified by the service manager to the Weekly Resource Bulletin and / or monitored by Finance against anticipated spend commitments. This is an administrative resource intensive exercise due to variations in invoice narrative processed via Infosmart – the Assistant Accountant has to manually check a significant proportion of invoices every month to ensure all payments have been made appropriately. Data quality has been discussed at 2.2.14 above.

2.2.30 In terms of cost, checks are retrospective – i.e. the payments have already been made by the point Finance checks them. If these payments were recorded on and paid through CareFirst, subject to the implementation of recommendations discussed in the rest of this Internal Audit report, it would provide better and more consistent control over them.

Recommendation

The Service should set up service agreements and pay invoices for all Fostering and Residential Care through CareFirst.

The Service should review options for improving control and assurance over payments to fostering agencies.

Service Response / Action

Agreed. The Service intends to implement the Care Pay module of the CareFirst system during 2016 and intends that all fostering, adoption and kinship payments are made through this system by April 2017, except those relating to independent fostering agencies.

Agreed. The Service in conjunction with CareFirst will further review the processing of payments to independent fostering agencies via Carefirst.

Implementation Date

April 2017

Responsible Officer

Lead Service Manager
(Graeme Simpson);
Business Manager –
Children’s Services (Kate
Mackay)

Grading

Significant within audited
area

AUDITORS: D Hughes
C Harvey
P Smith

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 Council.
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.