

**READING BOROUGH COUNCIL
EXECUTIVE DIRECTOR OF RESOURCES**

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	30 January 2020		
TITLE:	INTERNAL AUDIT QUARTERLY PROGRESS REPORT		
LEAD COUNCILLOR:	COUNCILLOR EMBERSON	PORTFOLIO:	CORPORATE AND CONSUMER SERVICES
SERVICE:	AUDIT & INVESTIGATIONS	WARDS:	N/A
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1. PURPOSE OF THE REPORT

1.1 This report provides the Audit & Governance Committee with an update on key findings emanating from Internal Audit reports issued since the last quarterly progress report in September 2019.

1.2 The report:

- Provides assurance, commensurate with the control environment evidenced by audits conducted in the last quarter.
- Advises on significant issues where controls need to improve to effectively manage risks.
- Tracks progress on the response to audit reports and the implementation of agreed audit recommendations.
- Where limited opinions have been given, the full internal audit report is appended to this report.

1.3 The following documents are appended:

Appendix 1 - VAT Controls

Appendix 2 - Adult Care Contributions

2. RECOMMENDATION

2.1 The Audit & Governance Committee is requested to consider the report.

3. ASSURANCE FRAMEWORK

3.1 Each Internal Audit report provides a clear audit assurance opinion. The opinion provides an objective assessment of the current and expected level of control over the subject audited. It is a statement of the audit view based on the work undertaken in relation to the terms of reference agreed at the start of the audit; it is not a statement of fact. The audit assurance opinion framework is as follows:

Opinion	Explanation
No Assurance	Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives.
Limited	Significant weakness (es) identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
Reasonable	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
Substantial	A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified.

3.2 The assurance opinion is based upon the initial risk factor allocated to the subject under review and the number and type of recommendations we make.

3.3 It is management's responsibility to ensure that effective controls operate within their service areas. Follow up work is undertaken on audits providing **limited** or '**no**' assurance to ensure that agreed recommendations have been implemented in a timely manner.

4.0 HIGH LEVEL SUMMARY OF AUDIT FINDINGS

		Recs			Assurance
4.1	VAT Controls	0	5	0	Limited
4.1.1	The Assistant Director of Finance asked internal audit to review the procedure for completing monthly VAT returns and the process controls around VAT returns in general.				
4.1.2	VAT is a tax on transactions affecting most entries in the Council's accounting system. It is the Council's responsibility to make correct VAT returns to HMRC detailing input and output tax.				
4.1.3	On reviewing documents it was evident that there has been an inconsistent application of controls with respect to the monthly VAT returns. Based upon interviews with Finance staff it was found that the composition, structure and controls within the monthly VAT return are not clearly understood. This possesses a significant risk especially in the absence of any documented procedure, setting out processes to be followed.				
4.1.4	In the financial years 2019/2020 and 2018/2019 there have been two instances where monthly returns had not been made by the submission due date, although we were informed that this occurred in order to address errors in the submission and in obtaining authorisation. A review of the working papers to support VAT returns identified that there was an inconsistent approach followed in the filing of working papers. This made it difficult to establish that returns had been made promptly. Where the Council is unable to demonstrate that it has robust procedures in place there is an increased risk that it will face financial penalties or reputational harm.				
4.1.5	A revised draft of the manual has now been prepared and at the time of our audit it was awaiting issue, although prior to the preparation of this revised draft, the VAT Manual had not been updated since 2011 and did not reflect current HMRC guidance.				
4.1.6	As well as the manual the general day-to-day processes have not been documented and therefore knowledge is not passed on to the new incumbent when someone leaves. In the absence of documented procedures we are unable to provide assurance that the composition, structure and controls are understood or applied consistently.				

		Recs			Assurance
4.2	Oracle Fusion - RBC/BfFC Segregation and access arrangements	0	2	1	Reasonable

- 4.2.1 Oracle Fusion is the Council's primary system for ordering and paying for goods and services. As a ledger system, Fusion records all of the payments in and out of the Council. As well as the RBC structure and span of control, Brighter Futures for Children (BfFC) currently makes use of Oracle Fusion with the company structure built onto Fusion separately. Our audit reviewed the company structure on Fusion, to ensure structures are fit for purpose, the hierarchy and coding structure is working properly and users have appropriate access.
- 4.2.2 BfFC exists as a separate legal entity and business unit to RBC on Oracle Fusion, although both organisations share a ledger and chart of accounts. The Financial Systems Manager has advised that the establishment of RBC and BfFC entities are in line with Oracle's designed parameters of use.
- 4.2.3 It has also been identified that changes to the original intention of BfFC using Fusion with respect to schools, resulted in circumstances whereby there was insufficient or inadequate separation of access rights for some officers in respect of some BfFC and RBC codes. A solution has since been identified and proposed by the Financial Systems Manager, namely a revised coding structure and new security rules following the completion of the first BfFC external audit and accounts closure.
- 4.2.4 The RBC Financial Systems Manager has known that the hierarchy within Fusion for both RBC and BfFC had been in need of maintenance work for some time, as over time the hierarchies had become ragged¹. This is important in the context of Oracle Fusion because a ragged hierarchy can impact upon the financial reports and queries that can be run.
- 2.2.1 In the case of RBC it is also necessary to resolve this in order that improvements can be made to the appropriateness of the settings of users' access. With this in mind the RBC Financial Systems Manager has advised that the BfFC structure was transitioned to a more flat bottomed structure in July 2019 and has also prepared a proposal for revised access based on the new hierarchy structure model for BfFC, which should resolve the issue that has developed with some BfFC staff having access to RBC codes.

¹ A **ragged hierarchy** is a user-defined **hierarchy** that has an uneven number of levels. ... A **ragged hierarchy** is different in that the logical parent of at least one member is not in the level immediately above the member. When this occurs, the **hierarchy** descends to different levels for different drilldown paths

2.2.2 The Financial Systems Manager has evidenced a proposal to adopt a new model of security rules which will allow the RBC/BFfC Fusion instance to go from having in excess of 1,000 security rules to just 13. The intention is that this will simplify access permissions from a more granular approach (whereby permissions are individualised) to role based permissions approach. This should simplify the user set up for the Financial Systems Team and provide greater clarity for users on the data they should expect to be able to and can access.

2.2.3 Provided this positive direction of travel is sustained a reasonable assurance is offered.

		Recs			Assurance
2.3	Parks Investigation	0	2	2	Reasonable

2.3.1 The review requested by the then Interim Assistant Director, to examine working practices around recording of work and whether it was possible to ascertain if work had been completed according to schedule. There were already concerns around working practices that were in the process of being tackled by the parks management team.

2.3.2 There was evidence for a relatively small sample of potential misbehaviour for the period reviewed in respect of normal and overtime work, but no evidence found that there was significant abuse of the system.

2.3.3 Although reasonable assurances were given over the control environment, improvement in the administration of work scheduling is required.

2.3.4 There was substantial amount of flexibility in comparing the time worked to the schedules so it was difficult to establish a baseline for expected time to do the work. Some of the hours claimed for work were not reflected in the times that the vans started from and returned to the council yard which would indicate that resources may not be fully utilised within existing work schedules.

2.3.5 The administration of the whole area is not clear and transparent with performance data and resource allocation all stored in separate data silos. This is the same for overtime and weekend working. The nature of the paperwork completed for work done and the use of schedules did not give a clear indication of how resources were being used leaving a substantial risk that abuse could occur.

2.3.6 It is not clear what the distinction between some vehicles being allowed to park at the residence of the employee and others being stored at the yard is.

2.3.7 The service plans to research costs and feasibility of using a mobile works scheduling software package with a view to preparing a business case for improving the deployment of resources.

		Recs			Assurance
2.4	Secure Communications	0	2	1	Reasonable

2.4.1 Security of electronic communications is essential to ensure that confidential information is not compromised and that the provision of email systems is robust.

2.4.2 The Audit reviewed the Council's adoption and configuration of the "Secure Email Blueprint Standard" set by the Digital Cabinet Office, where all of the Public Sector was set a target to have adopted the standard by 31.03.19 prior to the retirement of secure GCSX/PSN email. The Standard breaks down into 2 parts - the first prevents third parties "spoofing" emails as if they were that organisation, the second (and smaller element) provides a mechanism for ensuring the secure transmission of email across the Internet.

2.4.3 Our audit concluded that the Council has complied with the requirements for secure email communication. Both the Council and Northgate have spent a lot of time getting the technical specifications right to successfully meet the government requirements for a secure network. However, for this to be effective, both the sender and receivers email systems need to be properly configured. Compliance with these requirements alongside the removal of GCSX has not guaranteed secure communication being established, because the adoption of the standard is not mandatory. Therefore whilst a standard for secure email communication has been set, potential misconfiguration of the standard across the sector still carries the risk that email may not be sent or received securely.

		Recs			Assurance
2.5	Food Hygiene Inspections	0	2	3	Reasonable

- 2.5.1 The Council has a statutory duty to enforce food law, overseen and audited by the Food Standards Agency (FSA). Reading Borough Council's Food Safety team is responsible for inspections of all food businesses in the Borough and gives businesses a Food Hygiene Rating Score (FHRS) of zero to five after an inspection of the premises. The food hygiene rating scheme is regulated by the FSA and is set in law under The Food Law Code of Practice (FLCoP) which gives instructions that local authorities must consider when enforcing food law. Our review examined the Food and Safety Team's record keeping arrangements, frequency of food premises interventions, along with the organisation and management for the internal monitoring of food hygiene law enforcement activities.
- 2.5.2 Our review found well-established processes and documented procedures in place, overseen by experienced staff.
- 2.5.3 There are approximately 1,500 food premises across Reading. The Service uses the Civica APP² to record and report on food premises. Reports from Civica can be generated on food premises and their relevant inspection dates and scores. Our testing found some minor inconsistencies in detail between the documents completed on inspections and information help in Civica. Although these were not significant, we advised that more care is taken to ensure the consistency and accuracy of records.
- 2.5.4 Food Hygiene inspections are completed in line with Food Law Code of Practice (FLCoP) minimum intervention frequency guidelines, however the service is behind in the inspection of new food premises. New businesses should expect an initial visit within 28 days of the food premises opening; however at the time of our audit it was found that only 16% had been achieved within this timeframe and the majority of inspections completed within 100 days. Although this audit did not attribute reasons for differences of records and issues with not meeting inspection targets, we were informed that the service has experienced some staff absences, which have been compounded with a national shortage of appropriately qualified staff to cover long periods of leave and available vacancies.

² Regulatory services case management system

2.5.5 Following the audit in December 2017 by the Food Standards Agency a recommendation was made that the Council ‘Develop and implement a documented system of internal monitoring to ensure that it includes risk based arrangements for the monitoring of all relevant food law enforcement activities carried out by the Service at appropriate frequencies’. Although a new procedure was put in place in January 2019, we did note a lack of consistency being applied in some areas and recommended that the Internal Monitoring procedure kept under review to ensure it remains fit for purpose and monitoring activities are carried as described in the Internal Monitoring Procedure.

		Recs			Assurance
2.6	Adult Care Contributions	1	1	4	Limited

2.6.1 The needs of people requiring care and support services are ascertained and costed. People are then financially assessed to establish the financial responsibilities of the council and person seeking care in order to meet those needs. Depending upon the person’s financial circumstances they could be required to make a financial contribution or pay a ‘top up fee’ to reimburse the council where it has agreed to help finance their care arrangements on the basis it will be reimbursed.

2.6.2 Reimbursement of these finances to the Council is administered by either potentially placing a charge against a property (deferred payment scheme) or by obtaining immediate recovery of the financial obligation from the person (current contribution). This audit focused on the payment of current contributions, with a separate review to be undertaken of deferred payments.

2.6.3 The financial resources of all service users should be assessed annually. As at July 2019, Mosaic recorded 429 service users in residential and nursing care, and of these 185 (45%) the financial assessments were outstanding for more than a year.

2.6.4 A service user may receive more than one category of care support. Care packages are categorised as learning disability support, memory and cognitive support (acquired), mental health support, physical support (acquired or lifelong) and social support. At the time of our audit there were 907 care packages in place on Mosaic, of which 135 (15%) and 218 (24%) required a financial contribution from the client for nursing and residential care respectively³.

³ These are recorded as a CRAG contribution Mosaic: Charging for Residential Accommodation Guide. CRAG rules were replaced in 2014 by the Care Act 2014.

- 2.6.5 Academy recorded the total debt for Adult Social Care as at May 2019 as £5.9m. £2m (34%) was arrears relating to unpaid care home charges⁴. Our own analysis showed that although 15% of charges are paid for within 30 days, 77% of the total care home charge debt is more than 150 days old.
- 2.6.6 The highest priority risk identified related to the lack of supporting financial information and the need to improve audit trails to confirm financial records have been checked.

⁴ Ref: Academy invoice type SP2: Care home charges.

5.0 AUDIT REVIEWS 2019/2020

5.1 The table below details those audit reviews in progress and the reviews planned for the next quarter. Any amendments to the plan to reflect new and emerging issues or changes in timing have been highlighted.

Audit reviews carried over from 2018/2019

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Section 106 Agreements (follow up)	●				Mar-19	Apr-19	May-19	0	0	0	Reasonable
Business Rates	●				Feb-19	Apr-19	May-19	0	0	5	Substantial
Payroll	●				Feb-19	Jun-19	Jun-19	1	1	2	Reasonable
Corporate Buildings H&S Statutory Compliance Regimes	●				Feb-19	May-19	Jul-19	0	6	6	Reasonable

Audit reviews scheduled for 2019/2020

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Car Parks (off street)	●				Postponed due to pending service review						
VAT*	●				Jun-19	Aug-18	Sep-19	0	6	0	Limited
Eligibility, Risk and Review Group	●				Jun-19	Aug-18	Aug-18	0	2	2	Reasonable
Parks*	●				Jun-19	Aug-19	Sep-19	0	2	2	Reasonable
General Ledger (journal testing Debtors/Creditors)*	●				Apr-19	Jun-19	Jun-19	0	0	0	n/a
Food Hygiene Inspections	●				May-19	Sep-19	Sep-19	0	2	3	Reasonable
Cemeteries & Crematorium	●				May-19	Jun-19	Jul-19	0	1	3	Substantial
Pre-employment verification (DBS)	●				Jun-19	Jan-20					
Freedom of Information*	●				Jun-19	Jul-19	Aug-19	2	3	4	Limited
Client Contributions (Adult Care)	●				May-19	Aug-19		1	1	4	Limited
Cedar Court*	●				Jul-19	Aug-19	Aug-19	2	0	1	No Assurance
Rent Accounting		●			Oct-19	Jan-20					
BfFC Fusion Cost Centre Analysis		●			Sep-19	Dec-19	Jan-20	0	2	1	Reasonable
Cash collection - web payments		●			Sep-19	Jan-20					
Secure communications		●			Sep-19	Oct-19	Oct-19	0	2	1	Reasonable

Audit Title	Timing				Start Date	Draft Report	Final Report	Res			Assurance
	Q1	Q2	Q3	Q4				P1	P2	P3	
Purchasing cards		●			Cancelled due to vacancy - to be rescheduled						
Travel and Subsistence (inc mileage)		●			Cancelled due to vacancy - to be rescheduled						
Learning & Development and Mental Health Placements		●			Nov-19						
Local Transport Plan Capital Settlement (Grant Certification)		●			Aug-19	Sep-19	Sep-19	0	0	0	Substantial
Bus Subsidy Grant		●			Sep-19	Sep-19	Sep-19	0	0	0	Substantial
General Ledger (Journal Testing Q2)		●			Aug-19	Sep-19	Sep-19	0	0	0	Substantial
Contract Management		●			Sep-19						
General Ledger (journal testing Debtors/Creditors)*	●				Apr-19	Jun-19	Jun-19	0	0	0	n/a
Residents Parking (follow up)			●								
Bank & Cash Rec inc control account reconciliations			●		Dec-19						
Accounts Payable			●		Jan-20						
Reading Buses			●								
Investment Properties			●								
Continuing Health Care (CHC)- Follow up review			●								
Additional Payments (Follow Up)			●		Delayed until process is transferred to itrent - to be rescheduled						
Delayed Transfer of Care - Follow up review				●							
Freedom of Information - Follow up*				●							
CT Support				●							
Data Storage (follow up)				●							
Sundry Debtors				●	Oct-19	Jan-20					
Business Rates				●	Oct-19	Jan-20					
Client Contributions Adult Care				●	May-19	Aug-19	Sep-19	1	1	4	Limited
Deferred Income				●	Cancelled due to vacancy - to be rescheduled						
Commissioning & Contract Management (Adults)				●	Cancelled due to vacancy - to be rescheduled						
General Ledger (Journal Testing)				●							
Commercialisation				●	Cancelled due to vacancy - to be rescheduled						

*added following in year request

6.0 INVESTIGATIONS (APRIL - AUG 19)

6.1 Housing Benefit and Council Tax Support Investigations

- 6.1.1 The team have been undertaking joint working for benefit related investigations with central Government investigators at the Department for Work and Pensions (DWP). The process went live in May 2019. To date seven joint investigations are in progress, all related to potential Council Tax fraud. No outcomes in the area have been recorded to date.

6.2 Single Person Discount

- 6.2.1 Following a second data matching exercise, matching over 22,000 address records against tracing and occupier databases, investigations officers are working with Council Tax to review the matches. To date approximately £208,000 has been identified for CTAX recovery.

6.3 Housing Tenancy Investigations

- 6.3.1 Since 1st April 2019 there has been 85 cases of alleged tenancy fraud investigated, 11 cases are still ongoing. Five properties have been returned to stock to date. The notional saving is £465,000 adopting the notional savings multiplier used by the Cabinet Office in their National Fraud Initiative report. As part of ongoing joint work with Housing services the team also undertake a front end checking service on all accession and succession applications received. Since April 2019 we have checked a total of ten such applications with two applications subsequently refused as a result of our verification work. Using the same notional savings formulae the savings on these two properties is a further £186,000. The team also assist the Housing service by weekly cross-checking new housing applications. Since April 2019 414 new housing applications have been verified, leading to CTAX investigations in 27 instances and £4,135 placed into recovery.

6.4 Right To Buy (RTB)

- 6.4.1 Since 1 April 2019 the team have been asked to check 33 RTB applications and as a result of investigations, eight applications did not proceed any further. The property transaction in all instances would have been the maximum of £80,900 (x8). We have added to this the income from rent on all 8 properties, which if sold would have been a loss to RBC as the joint income was £44,524.00

6.5 Social Care Fraud & Investigations

- 6.5.1 The team are working with BFfC on a complex referral which was received in May 2019. The investigation is ongoing. The team also have a case with BFfC linked to potential duplication of direct payments to a provider. The referral was received in December 2019.

6.6 Disabled Persons Parking Badges (Blue Badges)

- 6.6.1 Since the 1st April 2019 the team have received 50 referrals, which have been investigated fully, all with regards to the potential misuse of a Blue Badge. Of these, 4 cases have been heard in court, with 3 guilty pleas and one formal Caution being issued. There are 3 cases listed to be heard within the next two months and a further 12 cases currently with RBC criminal lawyers pending charges re the misuse of a Blue Badges. Also 5 Badges have been destroyed or taken out of current use.

7. CONTRIBUTION TO STRATEGIC AIMS

- 7.1 Audit Services aims to assist in the achievement of the strategic aims of the Council set out in the Corporate Plan by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. In particular audit work is likely to contribute to the priority of remaining financially sustainable to deliver our service priorities.

8. COMMUNITY ENGAGEMENT AND INFORMATION

- 8.1 N/A

9. LEGAL IMPLICATIONS

- 9.1.1 Legislation dictates the objectives and purpose of the internal audit service the requirement for an internal audit function is either explicit or implied in the relevant local government legislation.
- 9.1.2 Section 151 of the Local Government act 1972 requires every local authority to “make arrangements for the proper administration of its financial affairs” and to ensure that one of the officers has responsibility for the administration of those affairs.
- 9.1.3 In England, more specific requirements are detailed in the Accounts and Audit Regulations in that authorities must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices”.

10. FINANCIAL IMPLICATIONS

- 10.1 N/A

11. BACKGROUND PAPERS

- 11.1 N/A

Internal Audit Report - Final VAT Internal Controls

To: Jacqueline Yates - Executive Director of Resources
Matthew Davis - Assistant Director of Finance
Mike Hirst - Chief Accountant
Karen Ind - Financial Planning & Analysis Lead



Limited
Assurance

From: Amondeep Basra, Senior Auditor

Date: 30/09/19 Ref: 10/19

1 Purpose and Scope of Review

1.1 The Council, as a 'taxable person' must ensure that VAT is correctly charged on the supply of goods & services; if supplies are treated incorrectly then penalties could be applicable.

1.2 S33 of Value Added Tax Act 1994 sets out special VAT rules for 'public bodies', including Local Authorities, in relation to the recovery of VAT incurred on expenditure relating to 'non-business' activities and on exempt business activities.

1.3 The purpose of this review was to ensure the high level controls are in place and are operating effectively. These are:-

- Roles and delegated responsibilities are documented in policies and procedures and are operating well in practice.
- Policies and procedures are aligned to relevant legislation and all required documentation is accurately and fully maintained in line with HMRC requirements.
- Where manual processes represent an increased risk of error there is evidence of effective controls in operation.
- Returns and payments are made promptly.
- Sufficient documentation / audit trail exists which supports compliance with policies, procedures, relevant legislation and supports VAT claims. All required documentation is accurately and fully maintained in line with requirements, including with respect to feeder processes and the clearance of items from suspense accounts.

2 Main Conclusions

- 2.1 This review has found that the Accountancy team has identified a number of weaknesses with respect to the controls in place for the completion of the monthly VAT return. Where the Accountancy team has introduced controls there is a risk that in the absence of documented policies and procedures that they will be applied inconsistently by officers. In reviewing documents held over a number of financial years it has been evidenced that there has been an inconsistent application of controls with respect to the monthly VAT returns.
- 2.2 It has been found that the Council's VAT manual has not been regularly updated and maintained in order to reflect the most recent HMRC guidance. A revised draft of the manual has now been prepared and is awaiting issue, although prior to the preparation of this revised draft the VAT Manual had last been issued in 2011. Based upon interviews with key members of staff there was concern that the composition, structure and controls within the monthly VAT return was not clearly understood which poses a significant risk especially in the absence of documented procedure notes.
- 2.3 As highlighted above manual processes have been identified as a key risk of error with the completion of the monthly VAT return it has been identified by the VAT and Tax Accountant that the reliance upon self-reporting means that there is a risk that whilst new controls and checks have been introduced not all information will be captured.
- 2.4 In the financial years 19/20 and 18/19 there have been identified 2 instances where monthly returns have not been made by the submission due date, although it has been advised that this occurred in order to address errors and with appropriate authorisation. A review of the working papers held has identified that the inconsistent approach, in previous financial years, to the filing of working papers makes it difficult to establish that regular returns have been made promptly. Where the Council is unable to demonstrate that it has robust procedures in place there is an increased risk that it will face financial penalties or reputational harm.
- 2.5 A total of 6 recommendations have been raised in respect of this review, of which one has been considered a high priority. The full detail of these recommendations and the corresponding management action plan are attached to this report as Appendix 1.

3 Summary of Findings

3.1 Roles and delegated responsibilities are documented in policies and procedures and are operating well in practice.

3.1.1 The only available documentation setting out the roles and responsibilities that it has been possible to evidence is the VAT Manual. The VAT Manual was last updated in 2011 although a revised draft version has been prepared by the current VAT and Tax Accountant and has been presented to the Chief Accountant for review as of 14/02/19. The VAT Manual, in current and draft forms, sets out the broad responsibilities of the following groups:

- Budget holders and managers
- The role of the Directorate Finance team
- The Technical Team in accountancy
- Internal Audit.

It is noted however that the current, 2011, VAT Manual sets out a number of responsibilities that have not been met and does not reflect guidance issued by HMRC since 2011. (R1)

3.1.2 However it has not been possible to evidence the presence of a documented policy and procedure document that sets out the entirety of the Councils processes with respect to VAT. For example there is no evidence that there is documented mapping of the relevant personnel or sources of information within RBC that are relevant to the production of the monthly return. There is also no evidence that individual roles and responsibilities, of officer's involved in the VAT process, have been documented outside of the VAT Manual and it is noted that this is not current, and personal job specifications.

3.1.3 It has not been possible to identify a document setting out the processes, procedures or individual roles. At the request of HMRC the Financial Planning and Analysis Lead has developed a review sheet to accompany the completion of the monthly return. The review sheets contains a series of checks to be performed and a requirement for multiple levels of sign off and review prior to the submission of a return.

3.1.4 As a part of this review the VAT and Tax Accountant and the Technical Accountant were interviewed and presented with Internal Control Questionnaire's (ICQ's). It is not possible to provide a high level of assurance that the composition, structure and controls within the working paper and check sheet are understood or applied consistently in the absence of documented processes. (R2)

3.1.5 It is noted that the Financial Planning and Analysis Lead Officer identified in December 2018 that there was an issue with the clearance of items from suspense and the application of VAT codes. The Financial Planning and Analysis Lead Officer identified the need for the production of a guide setting

out the process of clearing suspense, and it had been evidenced that this has now been completed.

3.2 Policies and procedures are aligned to relevant legislation and all required documentation is accurately and fully maintained in line with HMRC requirements.

3.2.1 A revised draft VAT manual has been prepared and was presented for review and approval to the Chief Accountant on 14/02/19. Prior to the preparation of this revised document the Councils most recent VAT manual had last been prepared in 2011. The document as prepared in 2011 did not reflect the current guidance from HMRC and had at a minimum not been updated to reflect VAT Notice 749.

3.2.2 It has also been advised that the previous VAT Accountant provided, to the current VAT Accountant, walk-through training and observed the completion of the preparation of a monthly VAT return. The procedure notes that have been available for review do not set out the controls within the process and the responsibility for ensuring the accuracy and completeness of the return and how the officer is to discharge this responsibility.

3.2.3 It was noted that the VAT and Tax Accountant has delivered 2 lunch time sessions of training to primarily accountancy staff with respect to the treatment of VAT. The training sessions took place on 07/08/18 and 15/11/18. The evidenced training sessions show that the training concerned the general principles of VAT rather than the internal processes within the Council.

3.3 Where manual processes represent an increased risk of error there is evidence of effective controls in operation.

3.3.1 The Financial Analysis and Planning Lead Officer has introduced a checklist to be completed as a part of the monthly return. The checklist was produced at the request of HMRC and has also been provided to the HMRC VAT Tax Specialist that Council officers have been in correspondence with. The controls within the checklist include:

- Comparison to figures produced in the prior month and in the same month in the previous year.
- Automated calculation of the Output Tax as a proportion of Sales, where any figure in excess of 20% is automatically highlighted as being an error.
- Automated calculation of the Input Tax as a proportion of the Purchases, where a figure in excess of 20% is again highlighted as being an error.

- Text field in which an entry can be made to record whether any changes to VAT coding in Oracle Fusion or Civica have been made in the month.
- A hyperlink to a sample of invoices raised in the month that have been checked to ensure the correct VAT treatment.
- With respect to Purchases - Input Tax, a check of the top 10 invoices (by value) paid in the month to ensure that they have been processed correctly for VAT.
- A record of the journals that have been processed in the month which have transactions on the VAT codes, with a comment to confirm that they have been reviewed.
- A link to a document containing the items that have been cleared from the suspense account to ensure correct VAT treatment and a comment on a test sample of the suspense items.
- A list of manual adjustments that have been made in the month and a comment on the manual adjustments that have been made with respect to VAT.
- A comment on the manual adjustments that have been made to the VAT.
- Review and sign off recording: in particular who has prepared the VAT return, Level 1 Review (RG9 grade or above) stating that the preparations of the VAT Return has been checked and that they are satisfied that it is correct, Level 2 Review (Chief Accountant or Head of Finance) stating that they have checked the preparation of the return and are satisfied that it is correct as presented.

3.3.2 The operation of the check sheet and the controls contained within were discussed with the VAT and Tax Accountant in order to ascertain the detailed nature of their operation. The VAT and Tax Accountant has advised that they were not involved in the design of the checks and that there was no documented procedure as to the operation of the controls or the review to be performed of the working paper. The VAT and Tax Accountant has advised that the controls within the check sheet set out to record manual adjustments are based on information that is provided by officers within the Council and as such there is a risk that in the absence of the VAT and Tax Accountant being informed of a manual adjustment, an error may go undetected. It has been advised that it is a core part of the VAT Accountant' role in the preparing and checking of the VAT return that officers have used the correct VAT treatment when for example paying an invoice, clearing a holding code or clearing suspense. (R3)

3.3.3 In discussion with the VAT and Tax Accountant it was noted that the May 19/20 VAT return contains a check sheet where it states that "The documents

saved in the shared holder of journal supporting documentation shows only the VAT code /the amount and have no details of services/ goods provided. Unable to verify if the codes are correctly used." This section of the check sheet does not record whether there was a resolution to the issue noted. The working paper, within other worksheets, does refer to discussions with the Chief Accountant and Technical Accountant as well as screenshots of emails. It cannot be determined however that this additional information resolves the issue noted on the check sheet. It has been advised by the VAT and Tax Accountant that the resolution of issues will often be based upon the advice received by the Chief Accountant. (R4)

3.4 Returns and payments are made promptly.

- 3.4.1 Evidence that returns and payments had been made promptly was reviewed within the VAT return files held on the Councils network. Currently the practice within the Council is to retain within the folder containing the monthly working paper a PDF copy of the HMRC system generated document that shows the date on which the Council has submitted a return and the figures that it has provided to HMRC. The HMRC system generated record of submission also records the return due date if it is to be paid electronically. The HMRC online portal allows for the VAT return for a given period to be made by the 7th day 2 months following the period in question.
- 3.4.2 Having reviewed the financial years (FY) 19/20 and 18/19 it was noted that within the FY year 19/20 in April and the FY 18/19 March the submissions were submitted after the 7th of the month in which they were due. It has been advised, by the VAT and Tax Accountant, that this was due to the decision of the Chief Accountant to delay the submission until errors could be corrected. Between July 2018 and February 2019 the VAT returns were submitted on or prior to the deadline. Between April 2018 and June 2018 the PDF document recording the date of submission was not saved to the working folder and the date of submission could not be determined from the working folder.
- 3.4.3 Having reviewed the financial years 2013/14 - 2017/18 there were 59 months reviewed across 5 financial years. During this period based upon a review of the documents held it was not the practice to retain a HMRC system generated record of the submission, although there was an intermittent practice of saving the VAT working paper for a given month as a PDF which would be signed and the upload date recorded. There were a total of 46 instances where there was no scanned copy of the monthly return with a stated submission date manually recorded or in which the scanned return omitted to record a submission date. For those where the submission date had been recorded, 14 instances, they had largely been submitted in excess of 2 months after the period in question on the 7th of that month. (R5)

- 3.5 **Sufficient documentation / audit trail exists which supports compliance with policies, procedures and relevant legislation and support VAT claims. All required documentation is accurately and fully maintained in line with, including with respect to feeder processes and the clearance of items from suspense accounts.**
- 3.5.1 The Council holds electronic working papers with respect to monthly returns on a networked drive for the financial years spanning 1999/2000 to 2019/2020. As a part of this audit a check was performed on the information held for the financial years 13/14 to 19/20.
- 3.5.2 For returns due on 07/07/19 and 07/05/19 the returns were made after the due date on 28/06/19 and 10/05/19 respectively. The finding was discussed with the VAT and Tax Accountant who has advised that the decision was made by the Chief Accountant in order to investigate variances. The working folders for April / May / June 18/19 do not contain a PDF copy of the VAT return, generated by HMRC, submitted in that month.
- 3.5.3 The working papers for the financial years reviewed contain inconsistently saved PDF scans of the working paper that have been signed and dated. These documents sometimes contain a signature to show that the document is accurate and sometimes record the date of the upload. These PDF's are an internal RBC document and are not receipts produced by the HMRC. Where present the documents contain a single signature alongside a field marked for the approver, however it does not identify who the signature belongs to or whether they were also the preparer and reviewer.

Financial Year 2017/18

- 3.5.4 For the financial year 2017/18 there are no PDF documents in the working folder that record the workings for the monthly return alongside a signature to show that they were considered to be accurate and the date on which they were uploaded.

Financial Year 2016/17

- 3.5.5 For the financial year 2016/17 in 7 instances there was no signed reconciliation in place (July / October / November / December / January / February / March. The September return was signed, with a date accompanying the signature, but did not include the date on which it was uploaded. The August return was neither signed or dated, nor does it record the upload date. The PDF documents do not identify whether the signatory is the reviewer or preparer.

Financial Year 2015/16

- 3.5.6 For the financial year 15/16 there were 3 signed pdf records of upload (April / May / June) where the upload date is not recorded. The PDF documents do not identify whether the signatory is the reviewer or preparer.

Financial Year 2014/15

- 3.5.7 For the financial year 14/15 in the case of 11 of the PDF records of upload there was no statement as to the date on which it was uploaded (April / May / June / July / August / September / October / November / December / February / March) only the January document contained an upload date. The PDF's do not identify whether the signatory is the reviewer or preparer.

Financial Year 2013/14

- 3.5.8 For the financial year 13/14 there were two instances (August / December) where there was no signed PDF to show what information had been uploaded or the date on which they had been uploaded. The PDF's do not identify whether the signatory is the reviewer or preparer. In 2 instances the PDF record of upload (September / February) are not signed, signature dated or record the date of upload. There was one instance (March) where the PDF document had been signed but had not been signature dated and the upload date was not recorded.
- 3.5.9 At the request of HMRC the Financial Planning and Analysis Lead has developed a control sheet where it is recorded who prepared the return, who reviewed the return and who performed the secondary senior review and sign off on the return.
- 3.5.10 For the financial year 18/19 there was no record in place to record who had prepared the working paper / return and who had reviewed for the following months (April - December). For the following periods the documents contain within them (in electronic form not scanned signatures) a record of who prepared and who reviewed: January to March 18/19 and April to May 19/20. In all instances the return / working paper was prepared by VAT and Tax Accountant. In all instances the secondary senior review was performed by the Chief Accountant, and in January 18/19 there was an additional review performed by Assistant Director of Finance.
- 3.5.11 In 18/19 (December / February / March) the first review was performed by Financial Planning and Analysis Lead. In 19/20 (April) the first review was performed by the Technical Accountant. In 19/20 (May) there was no first review performed and the working paper records that it was prepared by VAT and Tax Accountant and then moved directly to the Senior Sign off by Chief Accountant. It has been advised by the Financial Planning and Analysis lead that the responsibility for arranging meetings to review and sign-off the monthly VAT return rests with the VAT and Tax Accountant. **(R6)**

Appendix A - Report Distribution

Staff Interviewed

- Karen Ind, Financial Planning & Analysis Lead
- Ayaka Inaba, VAT and Tax Accountant
- Wai Lok, Technical Accountant

Draft Report Distribution

- Jacqueline Yates, Executive Director of Resources
- Matthew Davis, Assistant Director of Finance
- Mike Hirst, Chief Accountant
- Karen Ind, Financial Planning & Analysis Lead

Final Report Distribution

- Jacqueline Yates, Executive Director of Resources
- Matthew Davis, Assistant Director of Finance
- Mike Hirst, Chief Accountant
- Karen Ind, Financial Planning & Analysis Lead

Auditor Contact Details

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For further details on our assurance opinions please [click this link](#)

Audit Management Action Plan RES 0115 VAT Internal Controls

Ref	Risk	Recommendation	Priority	Management Response	Responsible Officer(s)	Target Date
1	Where the Councils VAT Manual has not been regularly, reviewed and re-issued to staff there is an increased risk that staff will be unaware of their responsibilities and appropriate processes and procedures.	The VAT Manual should be reviewed and approved on at least an annual basis and a notification made to staff if updates and amendments have been made.	Priority 2	The Chief Accountant will review the VAT Manual that has been drafted by the current VAT and Tax Accountant and get it published on the intranet by 30th September. The Chief Accountant will set up a process to ensure the VAT manual is reviewed and updated annually.	Mike Hirst, Chief Accountant	30/09/2019
2	Where the processes and procedures required for the completion of the monthly VAT return are not documented and made available to key staff there is an increased risk that: - controls designed to address risk will not operate effectively - there will be inconsistency in the way in which the returns are completed and information held	The processes and procedures for the completion of the monthly VAT return should be fully documented: - the control design should be documented and the requirements upon officers set out	Priority 2	The VAT and Tax Accountant will agree the processes and procedures for completion the monthly VAT return with the Chief Accountant and then document it with responsibilities set out.	Ayaka Inaba, VAT and Tax Accountant	30/09/2019
3	Where the accountability and responsibility for the operation of controls are not clearly delineated and accepted there is an increased risk that they will not operate effectively.	The responsibility for the completion of all elements of the monthly VAT return should be set out, documented and monitored in order to ensure that the process is followed.	Priority 2	The Chief Accountant will review and sign off the document above (R2) and then monitor that the processes are followed each month.	Mike Hirst, Chief Accountant	30/09/2019

4	<p>Where the resolution of issues detected with respect to the completion of a monthly VAT return are not clearly documented there is an increased risk that the transfer of information may be impeded due to staff changes.</p> <p>Where the completion of the monthly VAT return places regular reliance upon the knowledge and skill of the Chief Accountant there is an increased risk of the loss of institutional knowledge in the event of staff changes.</p>	<p>The VAT Accountant / Chief Accountant should set out within working papers the detailed rationale for the treatment of errors.</p> <p>The Accountancy team should ensure that there are knowledge transfer arrangements in place in the event that key staff leave the organisation.</p>	Priority 2	<p>The VAT and Tax Accountant will include an action plan for resolution of errors within the working papers and this will be part of the sign off by the Chief Accountant each month.</p>	Ayaka Inaba, VAT and Tax Accountant	30/09/2019
5	<p>Where filing and document retention requirements for the completion of the monthly VAT return are not documented there is an increased risk that there will be inconsistency of treatment.</p>	<p>The VAT Accountant / Chief Accountant should document information, format and structure to be held within the working folders of the monthly VAT return.</p>	Priority 2	<p>The VAT and Tax Accountant will agree the filing structure and document retention schedule with the Chief Accountant and include this as part of the process document mentioned in R2 above.</p>	Ayaka Inaba, VAT and Tax Accountant	30/09/2019
6	<p>Where the completion of the monthly VAT return is to require multiple levels of review and sign off prior to the submission to HMRC there is a risk that where the mitigations in place to accommodate the absence of staff have not been documented the staff may be unable to demonstrate that they have followed established procedure.</p>	<p>(a) The checks to be performed, by the reviewers, of the monthly VAT return and the arrangements that are in place when staff are absent should be documented.</p> <p>(b) The VAT and Tax Accountant should ensure that meetings are organised in a sufficiently timely fashion to ensure that there is opportunity for appropriate officers to review the completed return.</p>	Priority 2	<p>The checks to be performed will be included in the process document mentioned in R2 above. This will be monitored by the Chief Accountant.</p> <p>The VAT and Tax Accountant will arrange initial review meetings by 24th of the month and final review by 1st of the following month.</p>	Ayaka Inaba, VAT and Tax Accountant	30/09/2019

NB: Your management response is your commitment to treat the risk identified as part of the review. The standard response time to draft recommendations is 15 working days; any failure to meet this target could be reported to the Audit & Governance Committee.

The management response to recommendations will be reported to both CMT & The Audit & Governance Committee as part of our quarterly monitoring arrangements. Audit recommendations and agreed actions will be followed up during the year, where deemed appropriate by the Audit Management Team. All outstanding recommendations will also be reported through CMT as part of the Council's monthly performance monitoring.

Internal Audit Report

Adult Residential & Nursing Care Contributions

To: Joanne Purser - Locality Manager, DACHS
Nick Penny - Strategic Business Partner, DACHS
Jon Dickinson - Deputy Director of Adult Care, DACHS
Seona Douglas - Executive Director of Social Care & Health



Limited
Assurance

From: Robert Dunford, Senior Internal Auditor

Date: 23/9/2019

Ref: 9/19

1 Background

- 1.1 The review of 'Adult Residential & Nursing Service Use' contributions was undertaken as part of the programmed work specified in the 2019/20 Internal Audit Plan.
- 1.2 The needs of people requiring care and support services are ascertained and costed. People are then financially assessed to establish the financial responsibilities of the council and person seeking care in order to meet those needs. Depending upon the person's financial circumstances they could be required to make a financial contribution or pay a 'top up fee' to reimburse the council where it has agreed to help finance their care arrangements on the basis it will be reimbursed.
- 1.3 Reimbursement of these finances to the Council is administered by either potentially placing a charge against a property (deferred payment scheme) or by obtaining immediate recovery of the financial obligation from the person (current contribution). This audit will cover the payment of current contributions and a separate review will be undertaken of deferred payments.

2 Audit Scope & Objective

- 2.1 The purpose of this audit was to confirm there are effective and efficient procedures in place to ensure service users are assessed to ascertain whether a financial contribution towards care costs is due, and that this is recovered on a timely basis in accordance with the Council's 'Care and Support Charging and Financial Assessment Framework'.
- 2.2 The focus of this report was on service user contributions for residential and nursing care.

3 Summary of Findings

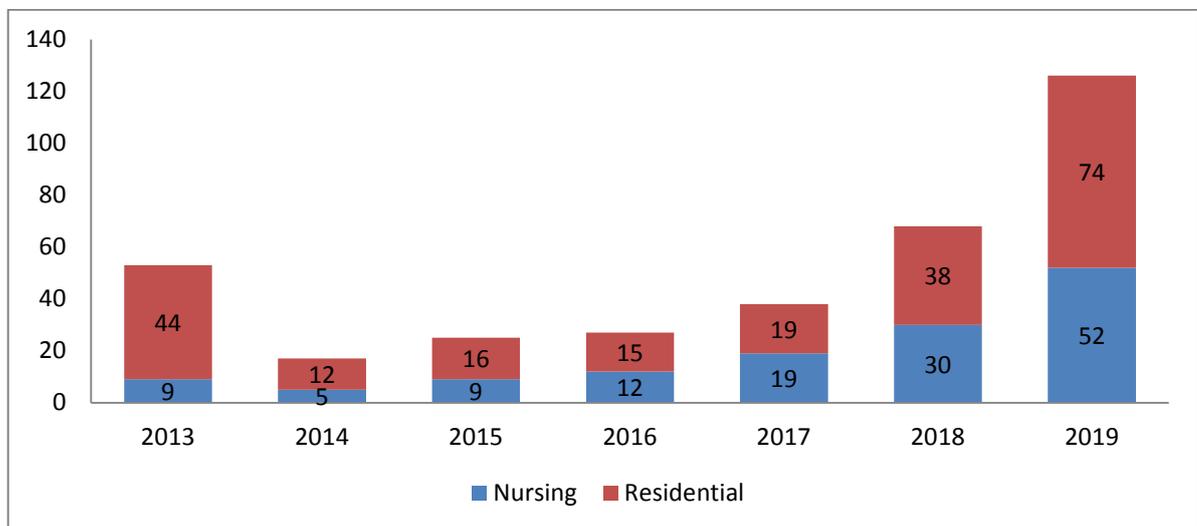
- 3.1 Although there are satisfactory controls in place to ensure an invoice is raised to recover those financial contributions determined from the financial assessment in Mosaic, currently there are a lack of audit trails and documentations to support the verification of financial information used for the assessment in accordance with the 'Care and Support Charging and Financial Assessment Framework'.
- 3.2 Updates arising from the Council's review of its 'Care and Supporting Charging and Financial Assessment Framework' (2017-19) were published in March 2019.
- 3.3 There are satisfactory controls in place to ensure the rates and threshold parameters defined in the Framework are correctly applied on Mosaic to calculate financial charges. There are good separations of duties in place between the system administrations for Mosaic and the financial assessment operations.
- 3.4 Although FAB staff are proactive in notifying management of any potential conflicts of interests, staff should be required to provide a certified return annually irrespective of whether this is negative or not, otherwise is a potential risk of fraud due to turning a blind eye or understating a friends financial information so that a reduced or nil contribution is determined.
- 3.5 Although a new financial assessment document is created for each person at the start of each financial year in Mosaic, we found the majority of contribution calculations are based upon historic financial information that has been rolled over from previous years. The verification of personal accounts and record keeping require strengthening in order to ensure the contribution remains accurate and relevant to the financial year and care services to be received e.g. bank statements should be seen and certified as confirmation savings and capital do not exceed the £23,250 threshold instead of relying upon verbal confirmations. Importantly this will ensure that both the person and the Council understand and pay their financial liabilities.
- 3.6 We are satisfied that the contributions determined from the financial assessment are correctly accounted for in the care package model within Mosaic, the sundry debtor system and the general ledger systems. Where service users choose to pay the carer directly, we are satisfied their contribution has been deducted from the carer provider's invoice. However where the council has paid the contribution on the service user's behalf, direct debit arrangements need to be put into place to prevent arrears occurring as our analysis shows there are significant legacy debt issues in relation to care home charges, which account for 77% of all adult social services debt, which it is actively seeking to reduce.
- 3.7 We are satisfied those third parties supporting a care package on behalf a service user are also financially assessed and that a signed agreement is held on Mosaic and that the service user's current home remains relevant to the agreement and upon which the contribution had been assessed.
- 3.8 A total of 6 recommendations have been raised in respect of this review, of which 1 is considered to be high priority. The full detail of these recommendations and the corresponding management action plan are attached to this report as Appendix 1.

4. Detailed of Findings

4.1 Profile

- 4.1.1 As at 15/7/19, Mosaic recorded 429 service users in residential and nursing care, and of these 185 (45%) the financial assessments were older than a year.
- 4.1.2 A service user may receive more than one category of care support. Care packages are categorised as learning disability support, memory and cognitive support (acquired), mental health support, physical support (acquired or lifelong) and social support. Mosaic records there are 907 care packages in place, of which 135 (15%) and 218 (24%) require a financial contribution from the client for nursing and residential care respectively¹.
- 4.1.3 Academy records the total debt for Adult Social Care for May 2019 as £5.9m. £2m (34%) is arrears relating to unpaid care home charges². Our analysis shows that although 15% of charges are paid for within 30 days, 77% of the total care home charge debt is more than 150 days old.
- 4.1.4 Table 1 shows the current number of nursing and residential care packages and the start dates of their care as at June 2019³

Table 1: Profile of Start Dates of Current Packages



¹ These are recorded as a CRAG contribution Mosaic: Charging for Residential Accommodation Guide. CRAG rules were replaced in 2014 by the Care Act 2014.

² Ref: Academy invoice type SP2: Care home charges.

³ Ref: Performance & Data Team

4.2 Procedures

- 4.2.1 We can confirm the Council's 'Care and Supporting Charging and Financial Framework (2017 - 2019)' was approved by the Adult Social Care, Children's Service and Education Committee on 20/3/2017 and that a memorandum of revision was published to notify the addendums of those key changes to the framework applicable to financial year 2019/20⁴. The Committee is required to satisfy itself that the Framework follows the Care and Support Regulations and Statutory Guidance issued by the Government under the Care Act 2014, which is tested by the Care Quality Commission.
- 4.2.2 We can confirm the Framework document is available to staff and the public on the Council website, together with supplementary policies and guidance notes to explain the Council's policies for charging for care and support.
- 4.2.3 The care requirements and costs of these, together with the determination of financial responsibilities of the Council and people obtaining care are administered and recorded on the Mosaic application. Mosaic is a secure workflow application that is enabled to confirm the completion of specific check control requirements and document retention facilities to substantiate each stage of the process.
- 4.2.4 The Financial Assessment and Benefit Team are responsible for determining what contribution is required. If a contribution is due, then this is either:-
- Recovered back directly from the service user on the basis the Council has paid the care costs in full, or:
 - Deducted from the care provider's invoice, so that the provider can recover the contribution from the service user.
- 4.2.5 In order to comply with the Council's 'declaration of interests' policy, staff are required to notify DACHS management of any potential conflicts of interests so that 'Mosaic Lockdown Policy⁵' can be electronically activated to restrict access to specific service user records. Although the Lockdown Policy is available on IRIS we were unable to find it on the Council's new website and discussions with the Senior FAB and Principle Personal Budget Support Officer found that instead of ensuring staff are asked annually to confirm there are no potential conflicts of interest, reliance is placed upon trusting staff to declare these (See Rec 1).

4.3 Financial Assessment System Parameters

- a) There are satisfactory controls in place for ensuring rates and threshold parameters on Mosaic for conducting financial assessments are correctly applied and there are good

⁴ The next revision date for the Framework is the 1/4/2020.

⁵ Mosaic Lockdown Policy: Reasons to lock down service user records include the client could be related to a member of staff, service user lives with or near a member of staff, service users records are closed due to government legislation (adoption records), where there is no legal duty or consent under GDPR or there is an ongoing investigation regarding safeguarding, council or provider practices.

separations of duties in place between the application and financial assessment operations:-

- Although these changes are instigated by the FAB Team, the actual system changes are applied by Northgate under the supervision of the FAB Technical Policy Officer.
- Records are held to substantiate the verification of the changes made and for notifying management that these have been carried out successfully.

4.4 Third Party Support

4.4.1 Third Party Agreements

- a) The Financial Framework requires there to be an agreement in place for all third party top up contributions to secure continual payment so that any service users care can continue, otherwise these could be placed at risk.
- b) As at 21/6/2019, Mosaic (Element Description Type field) identified there were 5 nursing and residential care packages that are supported by a third party contribution. Our observations regarding the agreements are as follows:-

- Testing confirmed that a signed copy of the 'Top Up Agreement' was satisfactorily found attached for all 5 people on Mosaic and that these had been signed and dated by the respective third party.
- Although there is no requirement to reissue the agreement annually to reconfirm if the financial commitment can still be met by the third party, we note the terms and conditions highlight the amount payable is subject to increase and any failure to meet the agreement could result in the person being cared for being relocated to another care home, i.e. 1 out of 5 agreements confirm the contribution.
- The FAB Team has highlighted there is a need to review the Third Party Top Up Agreement template to ensure this remains fit for purpose to prevent any legal dispute regarding any potential recovery of bad debts (See Rec 2).
- Testing found details of the residential and nursing homes recorded on Mosaic satisfactorily matched those addresses in the agreements confirming there have been no changes in a service user's residency since the agreements have been put into place. Nevertheless, the FAB Team have highlighted continual funding risks due to the possible changes of a contributor's financial circumstances.

4.4.2 Financial Assessment

- a) A new financial assessment document is produced at the start of each financial year and a copy of previous assessments is held as a secure document on Mosaic. Section 1 of the Financial Assessment confirms charges for the forthcoming year are based upon current financial information or a previous year. An examination of the Financial

Assessment for 2019/20 found contributions are substantiated on the basis of risk (holdings and means of income):-

- Although a 'Financial Assessment Document' for 2019/20 is produced in Mosaic, 185 financial assessments were at the time of testing more than a year old. We note some of the personal account details have not been reviewed since 2014. These need to be checked to confirm whether a third party contribution remains valid (See Rec 3).
- The Mosaic 'Reassessment Date' field which is used to record when the next financial assessment is due had not been completed for all 5 people (See Rec 3).
- A redacted copy of the bank statement is not held on Mosaic to substantiate funds held in the service user's personal accounts. Financial Assessor notes used to record the verification of funds require improvement as these were found to be incomplete or vague in some instances (See Rec 3).

b) We can confirm that in addition to the service user's financial assessment, a financial assessment was also carried out on the third party. An examination of third party assessments found:-

- Mosaic system notes confirmed that a financial assessor had inspected the personal account balances for all 5 third parties. However, the assessment dates for these were not recent (See Rec 3).
- We found evidence that 3 out of 5 had been approved by a team leader (See Rec 4).

4.4.3 Payment and Arrears

a) Following completion of a financial assessment, the appropriate charge notified are attributed to either a) the person in care, b) the third party and c) the council. Details of these are recorded in the 'care package details' in Mosaic. A monthly sales invoice is produced in Academy through an interface with Mosaic.

b) The payment and arrears status of contributions are managed through Academy and accounted for in Fusion using financial codes recorded in Mosaic. A cross examination of Mosaic, Academy and Fusion of service user and third party contributions as at May 2019 found:-

- The weekly contributions recorded in the 'Financial Assessment (Section 10)' matched the contributions recorded in the 'Care Package'. Section 10 of the Financial Assessment is used to record the 'Assessment Results' for both service user and third party contributions denoted in the 'Care Package Details' (Ref ASC).
- Although we found the (monthly) Care Package contribution matched the service user contributions posted to Fusion, we were only able to match 4 out of 5 account postings for third party contributions in Fusion, i.e. a contribution of

£30.95 per week (£123.80) was not recorded as a received credit transaction against Fusion codes 5773-8380.

- We found some third party invoices raised on Academy are raised in the name of the service user instead of the third party even though the 'Charging Framework' states that such charges should not be borne by the client. It was explained that this is due to a lack of functionality when the mosaic academy interface was set up with the primary address as only one primary address per service user is permitted. The service recognises the legal risks with this and that it requires rectification (See Rec 7).

4.5 Financial Contributions

4.5.1 Financial Assessment

- a) Service users are not eligible for financial support from the council if their savings and capital exceed £23,250. Capital below £14,250 is disregarded and capital between £14,251 and £23,250 is subject to verification. Contributions levels are reassessed annually by the FAB team on a risk basis in relation to a 'capital limits schedule' when the annual uplift of the thresholds takes place between February and March each year.
- b) A sample test of 20 service user files on Mosaic as at 21/6/19 to confirm the status and substantiation of financial assessments found:-
 - A financial assessment for 2019/20 was held on file for all 20 people, together with a copy of previous assessments. However, we noted the Mosaic 'Reassessment Date' field which should have been used to record when the next financial assessment was due had not been completed for any person in the sample (See Rec 3).
 - Section 3 of the financial assessment requires the disclosure and verification of savings held in personal accounts. We noted a redacted copy of bank statements are not held on Mosaic to substantiate funds held in the service user's personnel accounts, and the Financial Assessor notes used to record the verification of funds require improvement as these were found to be incomplete or out of date, indeed some statements were dated 2013 (See Rec 3).
 - Testing confirmed the contributions determined in the financial assessment for 2019/20 were correctly recorded in the 'assessment notification letter' sent to the service user.
- c) A wider review⁶ of the Mosaic database found there were 22 service users who had not been financial assessed. The reasons for this were recorded on Mosaic as follows:-
 - 17 were exempt from financial assessment subject to Section 117 under the Care Act.
 - 1 was not subject to a financial assessment in accordance due to DWP rules.

⁶ Mosaic Report: Performance Team 16/7/19

- 4 remained eligible due to legal and court verifications i.e. financial deputy.
- d) Following our findings in 4.5.1 a), a wider examination of the Mosaic 'verification field' for those personal accounts completed by officers found these to be generally incomplete. The FAB team confirmed that accounts between £14,250 and £23,250 are checked even if the details in the verifications were left blank but were recorded in the 'case notes'.
- e) As at July 2019, Mosaic recorded there were 238 (2019/20) personal accounts listed for persons in residential care, whereas a system report showed a 52% (125) error margin in the confirmation of contributions (See Rec 3):-
- 5 were recorded as not "not verified"
 - 27 were recorded as "unverified-verbally notified"
 - 72 were recorded as "blank" (no information recorded)
 - 21 were recorded as "yes, other"

4.5.2 Payment & Arrears

- a) Following the completion of a financial assessment, the appropriate costs are attributed to a) the person in care, b) the third party and/or c) the council are recorded in the 'care package details' in Mosaic. A monthly sales invoice is produced in Academy through an interface with Mosaic.
- b) The payment and arrears status of contributions are managed through Academy and accounted for in Fusion as specified by those financial codes recorded in Mosaic. A cross examination of Mosaic, Academy and Fusion of service user and third party contributions as at May 2019 found the contribution values that had been correctly determined in April had been satisfactorily charged and accounted for:-
- The contributions recorded in the financial assessments and the care packages (ASC) in Mosaic were the same for all 20 service users.
 - Where the council had met the full cost of nursing or residential placement (16 out of 20), we can confirm a sales invoice was satisfactorily raised for the correct value in Academy and there were no financial arrears for the sample examined. We are also satisfied that the respective costs were correctly accounted for in Fusion in accordance with the financial code totals specified in Mosaic.
 - Where it had been agreed that the service users (4 out of 20) would pay the contribution to the home, we were able to confirm the contribution had been deducted from the care provider's charge but this was not fully transparent because the deduction is not recorded on the on the payment remittance as this is made as a 'background adjustment'. The remittance slip of the reduced charge is held on Mosaic (See Rec 6).
- b) Any outstanding contributions for care are accounted for and monitored on Academy as part of the general DACHS review of adult social care debt. Monthly monitoring meetings are held between the Locality Manager, Finance, FAB and the Corporate

Debtor teams in order to appraise the risk status of arrears (See 4.1.3) and to formulate approaches to prevent and reduce bad debts. Senior Management has also informed us that the performance of this monitoring group to deliver the debt strategy is further monitored by the Director on a quarterly basis. (See Rec 5)

Appendix A - Report Distribution

Staff Interviewed

Tracey Maskell - Senior Entitlement & Assessment Officer, FAB
Stephen Saunders - Principle Personal Budget Support Officer, FAB
Sarah Stockle - Technical Policy Officer, FAB
Sarah Crees-Jones - Performance & Data Team, DACHS
Anil Mehan - Accountant, Finance
Chris Neale - Entitlement & Assessment Officer
Rory McVeigh - Entitlement & Assessment Officer

Draft Report Distribution

Joanne Purser - Locality Manager, DACHS
Nick Penny - Strategic Business Partner, DACHS
Jon Dickinson - Deputy Director of Adult Care, DACHS
Seona Douglas - Executive Director of DACHS

Final Report Distribution

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For further details on our assurance opinions please [click this link](#)

Audit Management Action Plan

Client Contribution, Adult Care - Report Ref 9/19

Ref	Risk	Recommendation	Priority	Management Response	Responsible Officer(s)	Target Date
1	<p>Although DACHS has a 'lockdown procedure' to prevent staff conducting financial assessments where there are conflicts of interest with service users, this is managed on trust.</p> <p>Although there will always be an inherent risk of fraud, the Council may not be able to recuperate any financial losses due to fraud from its insurers because it had failed to take every reasonable precaution.</p>	All staff should be required to complete a declaration of interest form annually to clarify the fact that they do not have any conflicts of interest.	3	This is included in the Staff Code of Conduct which they complete when they commence work at RBC. During the induction process a declaration will be added for staff members to sign and will be held on their personal file in relation to not working with people where there is a conflict of interest.	Jo Purser	30.9.2019
2	If the 'Third Party Top Up' agreement is not legally binding there is a risk that the Council could incur additional costs because it was unable to collect any contribution in arrears.	DACHS should reconfirm with Legal and the Corporate Debt Team whether the Third Party Top Up Contribution agreement remains fit for purpose.	3	The Senior Entitlement and Assessment Officer will review the current agreement to ensure it remains fit for purpose, including Legal and Debt Team	Tracey Maskell	30.9.2019

3	<p>There is a risk that the Council could be incurring unnecessary additional costs at the expense of those service users in care because there are insufficient resources in place to ensure the robust review of personal finances.</p> <p>No evidence exists to provide an audit trail to support the calculation of charges.</p>	<p>The FAB team should ensure audit trails of financial assessments remain upto date, evidenced and relevant to the service users' personal financial circumstances and those services received:-</p> <ul style="list-style-type: none"> * those financial documents reviewed should be physically substantiated rather than relying upon telephone confirmations made by the FAB team * the review comments by officers of such inspections should be complete and documented * in each case, the next financial assessment review date should be completed and monitored * regular reports on the completion status of financial assessments should be produced 	1	<p>The FAB team will, request hard copies of financial documents, these could be scanned and emailed, the worker will confirm that these are reviewed and appropriate through recording on mosaic, review dates will be added to mosaic to generate reminders to the team, monthly reports will be completed to evidence the number of financial assessments and the length of time taken.</p>	Tracey Maskell	31.10.2019
4	<p>Because quality and scrutiny controls are operating on a 'de minimis' basis, this means there are poor separations of duties in place to independently verify potentially high risk cases. i.e. no contribution is due.</p>	<p>Where the financial review has been carried out by a team leader, this should be certified as checked by an opposite person.</p> <p>We would also advise that this is carried out on a risk basis i.e. no contribution is due or the contribution is % lower than a defined maximum.</p>	3	<p>The Locality Manager reviews the financial assessments completed by the senior.</p>	Jo Purser	Ongoing
5	<p>The Council might be incurring additional costs because robust payment plans have not been put into place previously to recover those debts where contributions have been paid to carers by the Council on behalf of the service user.</p>	<p>The Council should ensure wherever possible direct debt facilities are put into place whenever a financial contribution is to be recovered or arrange for the service user to pay to carer(s) supplier directly. Where a direct debt cannot be put into place consideration should be given to offsetting the carers invoice so that the contribution is collected by the carer instead of the Council.</p>	2	<p>The team focus will ensure that direct debits are completed and commenced at point of receiving services, the process for offsetting invoices in order for the person to pay the contribution direct will be investigated to see in practice what is required.</p>	Tracey Maskell	31.10.2019
6	<p>Client contributions to be paid by the client to the carer are not shown as a deduction of the payment remittance although the adjustment has been made.</p>	<p>Where the client chooses to pay the contribution directly to the carer, this amount should be recorded on the carers remittance note held on Mosaic.</p>	3	<p>Worksteps will be reviewed to ensure that assessed contributions paid directly to the carers are recording thoroughly on Mosaic</p>	Tracey Maskell	31.10.2019

7	None recovery of debts.	Invoices raised for third party contributions should be addressed to the correct person.	3	FAB team to check that correct addresses are clearly recorded on mosaic for the person nominated to make third party contributions to ensure contributions are received.	Tracey Maskell Chris Beauchamp	Ongoing
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NB: Your management response is your commitment to treat the risk identified as part of the review. The standard response time to draft recommendations is 15 working days; any failure to meet this target could be reported to the Audit & Governance Committee.

The management response to recommendations will be reported to both CMT & The Audit & Governance Committee as part of our quarterly monitoring arrangements. Audit recommendations and agreed actions will be followed up during the year, where deemed appropriate by the Audit Management Team. All outstanding recommendations will also be reported through CMT as part of the Council's monthly performance monitoring.