

Appendix 2

Internal Audit Report

MOSAIC PAYMENT CONTROLS

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Limited Assurance

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EXECUTIVE SUMMARY

1. BACKGROUND

- 1.1 The Care Act is the most significant piece of legislation that informs and forms the foundation of adult social care in England. It includes the duty to provide comprehensive advice and information to allow people to make the right decisions about their care and support so that they have more choice and control over their care and support, provides clarification as to what to expect from the care system, as well as promoting independence and wellbeing.
- 1.2 Mosaic is the Council's workflow-based case management system used to record and process social care data. Service users assessed needs and services are recorded, together with cost, and authorised on Mosaic. Once a provider has been agreed to deliver the service, a purchase order is generated and invoices (where appropriate) matched against this. This then assists in the subsequent payment process.
- 1.3 The last Mosaic audit was conducted in 2016, although it focused on a different area to this one, looking at whether expenditure was appropriately accounted for in the year-end accounts and that accruals were fairly stated, and was followed up the following year.
- 1.4 This audit was conducted during the coronavirus pandemic, with reference being made to this throughout the report. A number of changes have resulted due to the pandemic and are ongoing to address the changing situation.

2. OBJECTIVES & SCOPE OF THE AUDIT

- 2.1 The purpose of the audit was to ensure that there were appropriate controls in place around the Mosaic payment process.
- 2.2 The review encompassed the following areas:
- Ensuring that users' needs and service requirements were assessed, and appropriate authorisation obtained
 - Ensuring that the service was input onto Mosaic and appropriate authorisation was received
 - Ensuring that providers were sourced, and confirmation of the selected provider(s) was/were received
 - Ensuring that purchase orders were generated, and the relevant invoice(s) matched to them (where appropriate)
 - Ensuring that service reviews were conducted, and annual supplier increases were applied
 - Ensuring the timely and accurate transfer of relevant information from Mosaic to Fusion
 - Ensuring that supplier payments were made on a timely basis
 - Follow up of 2017 report audit recommendations
- 2.3 This audit (and report) was undertaken in accordance with the Public Sector Internal Audit Standards ([PSIAS](#)).

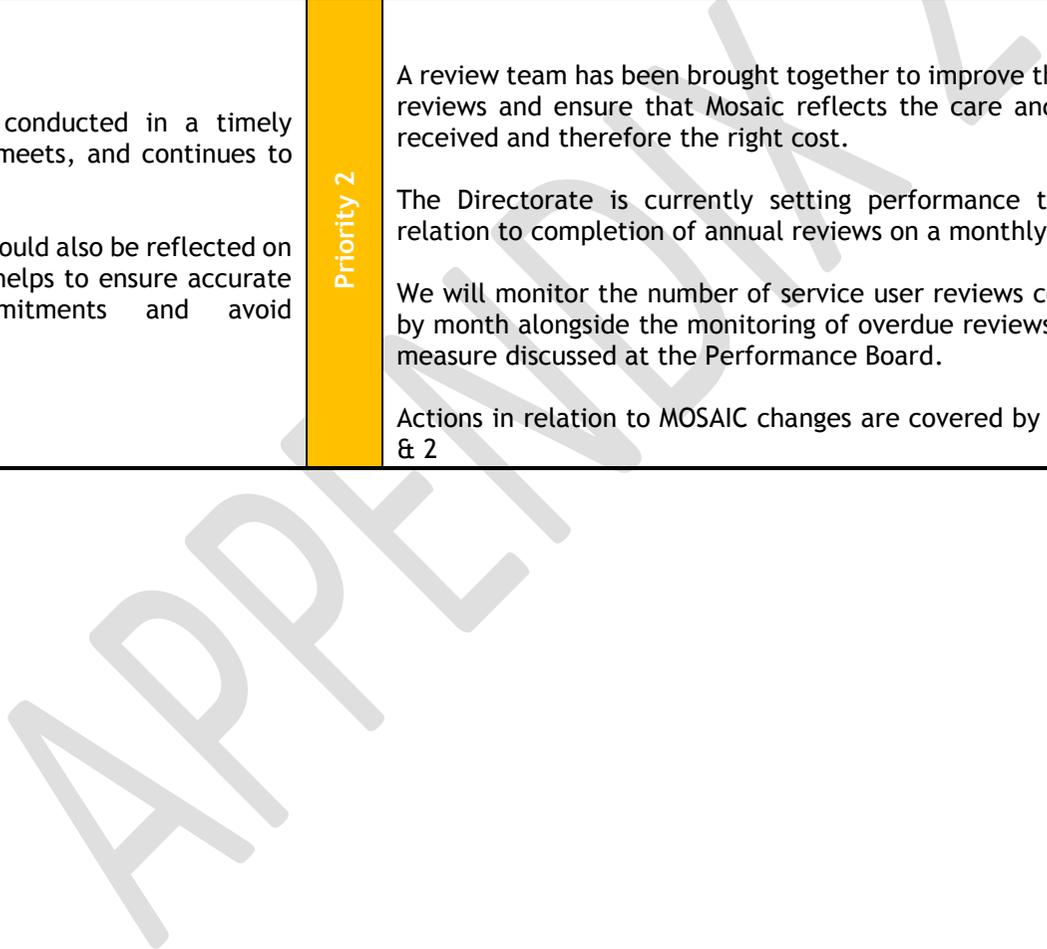
3. CONCLUSIONS

- 3.1 The audit has flagged several areas of significant concern that need appropriate consideration and attention, decisions and implementation to be undertaken, to ensure that the Council is adequately responding to and addressing the various risks in this area.
- 3.2 Generally, supplier payments have been made in a timely manner. Payments have changed since the start of the pandemic in line with government guidelines and to support providers. However, it resulted in the introduction of some manual processes which increased the risk of fraud. Of most concern, however, was the significant balance on supplier prepayments, which amounted to circa £2.8m at the start of March 2021. No evidence was found to specifically indicate unauthorised payments had been made, but the precise reasons for this need to be established and discussion with the interim Adults Finance Strategic Business Partner identified that this is seen as a priority task to be achieved.
- 3.3 Service users' needs should be documented and signed off in a timely manner, but this was not always observed to be the case. Similarly, service requirements were not always entered onto Mosaic in a timely manner, although the authorisation process was observed to be timely.

- 3.4 Relevant information, such as service users' needs assessments, purchase orders and service start dates, are usually shared with planned suppliers.
- 3.5 Purchase orders were not always raised on Mosaic in a timely manner with delays ranging from a few weeks to several months which meant that financial commitments were not accurately reflected. Whilst supplier invoices were received, input onto Mosaic and matched to the relevant purchase order, in the majority of cases they had not been attached to the relevant transaction in Oracle Fusion.
- 3.6 Service users' care (package) reviews were being conducted; however, these were not always carried out in a timely manner, which meant that services may not have been continuing to be appropriate or meet users' requirements.
- 3.7 Invoices were included on the relevant payment cycle on Mosaic, certified and then transferred to Oracle Fusion. After details of the transfer were checked, invoices were either added to the relevant BACs run or offset against a prepayment.
- 3.8 A number of recommendations from the previous Mosaic audit and associated follow up were still outstanding and needed to be addressed and as a consequence these are repeated in this report. Briefly these concern the following and are detailed further in in section 4.8 of this report:
- the year-end reconciliation between Oracle Fusion and Mosaic and associated accruals process has still not been documented;
 - services were not always being set up and associated purchase orders being raised in a timely manner on Mosaic
 - not all invoices received post-year end relating to services delivered in the year were being tracked
- 3.9 A total of 9 recommendations have been made in respect of this review, of which 3 are considered high priority. The recommendations and corresponding management action plan are attached at Appendix 1.

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
USERS' NEEDS IDENTIFICATION AND AUTHORISATION					
<i>RISK: Appropriate support for service users is not in place, putting them at increased risk of harm</i>					
1	The Assessment and Planning Tool (APT) needs to be completed, authorised and signed off in a timely manner to ensure that appropriate services can be put in place.	Priority 2	There is an aim in ASC to achieve a target of 46 days to complete an APT in 70% of cases. Who have identified eligible care and support needs.	Locality Manager, Adult Care	April 2022
PURCHASE ORDER GENERATION AND INVOICE MATCHING					
<i>RISK: Commitments are not accurately reflected, or invoice evidence attached, leading to inaccurate management information and inadequate supporting evidence</i>					
2	All purchase orders should be raised in a timely manner on Mosaic to ensure commitments are accurately reflected, with invoices always attached to the relevant transaction in Oracle Fusion as supporting evidence. To assist in this process, the APT needs to be completed to allow the workflow to be generated in Mosaic.	Priority 1	<p>In order for purchase orders to be raised in a timely manner, APT's need to be completed, authorised and signed off by the manager (see Action 1)</p> <p>Post Covid we need to revert to previous instructions in line with to purchase to pay principles that PBST do not commission any care without a signed APT (see Action 1).</p> <p>Develop a mechanism to ensure that invoices are monitored, this will then allow the generation of purchase orders to be paid.</p>	<p>Deputy Director - Commissioning & Transformation</p> <p>Acting Accounts Payable and Accounts Receivable Manager</p>	<p>By 10th July 2021</p> <p>Ongoing</p>

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
SERVICE REVIEWS					
<i>RISK: Service provision is not meeting the service users' needs, leading to over/under dependency and possible excessive costs</i>					
3	<p>Service user reviews should be conducted in a timely manner to ensure that provision meets, and continues to meet, service users' needs.</p> <p>Any changes to service provision should also be reflected on Mosaic in a timely manner. This helps to ensure accurate reflection of financial commitments and avoid over/underpayment of providers.</p>	Priority 2	<p>A review team has been brought together to improve the rate of reviews and ensure that Mosaic reflects the care and support received and therefore the right cost.</p> <p>The Directorate is currently setting performance targets in relation to completion of annual reviews on a monthly basis.</p> <p>We will monitor the number of service user reviews completed by month alongside the monitoring of overdue reviews as a key measure discussed at the Performance Board.</p> <p>Actions in relation to MOSAIC changes are covered by Actions 1 & 2</p>	<p>Locality Manager, Adult Care</p>	<p>End of July 2021</p>



Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
SUPPLIER PAYMENTS					
<i>RISK: Providers not paid in a timely manner, leading to possible cash flow issues</i>					
4	As a priority, supplier prepayment balances due to Covid need to be reviewed to determine if they relate to services provided not yet invoiced, overpayment of suppliers or a combination of both. Where overpayment is identified, a documented arrangement needs to be put in place with the providers to recoup the additional amount paid.	Priority 1	Agreement with suppliers has been reached, whereby any agreed overpayment, where possible, will be offset against future invoices. Where that is not possible, any balance will be recovered over as short a time period as possible.	DACHS Strategic Business Partner	30 September 2021
5	The purchase order for discharge to assess provision for Covid related services needs to be amended to reflect the change in the number of beds provided and any overpayment resulting from the delay in amending the purchase order recovered. In addition, the description on the purchase order needs to be amended so that it clearly details what the provision relates to.	Priority 1	This service was set up during Covid and was used flexibly. However, the suggested system changes will be made.	Senior Commissioner, Commissioning and Improvement	30 June 2021
6	Payment needs to occur for the Infection Control Fund, if not already carried out. An agreement needs to be reached with a provider regarding repayment of infection control monies unable to be spent and all returned monies from providers repaid to central government.	Priority 3	Agreements are in place with Providers surrounding this Grant and future payments for this grant will be made promptly and any repayments made in line with Grant conditions.	DACHS Strategic Business Partner	30 June 2021

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
FOLLOW UP OF PREVIOUS AUDIT RECOMMENDATIONS					
7	There should be clearly documented policies and procedures for the year end reconciliation and associated accruals process. These should be available to all relevant individuals and reviewed and updated as necessary on a regular basis to reflect current practice.	Priority 2	Methodologies are in place to determine the level of accruals required as part of closure for all payment type. These need to be fully documented as part of year end processes.	DACHS Strategic Business Partner	30 September 2021
8	Continued emphasis needs to be placed on the importance of ensuring that data held within Mosaic is of an appropriate quality. This includes ensuring that placements are reflected in a timely manner (purchase orders created, amended and closed), so that commitments are accurately reflected, and discrepancies and missing invoices can be identified and addressed.	Priority 2	The Directorate expectation is that 5 audits per month are undertaken across teams to ensure mosaic work steps are completed and appropriate data held and that this has been completed and quality assured to be reported via the Care & Quality Board in a timely manner.	Locality Manager, Adult Care & Personal Budget Principal Officer	January 2022
9	Consideration needs to be given to matching invoices received post year-end relating to previous financial year to year-end accruals to ensure all previous year service delivery is accounted for and no significant over-accruing has occurred.	Priority 2	This recommendation repeats in part 7 above. Any accruals made at the end of the financial year are reconciled to invoices received in new financial year and are subject to External Audit review. Any reconciliation will confirm any over as well as under accrual.	DACHS Strategic Business Partner	On-going

4. FINDINGS

4.1 USERS' NEEDS IDENTIFICATION AND AUTHORISATION

- 4.1.1 Service users' needs and service requirements should be identified and documented on the Assessment and Planning Tool (APT). This was observed in all cases sampled, as well as the appropriate authorisation obtained and documented, in all but one case.
- 4.1.2 However, there was a lack of timely completion and sign off of the APT in half the cases sampled, with the tool being open since 2018 in one instance and only signed off in 2020, and several other instances where the assessment had not been carried out in a timely manner (Rec 1). Assessments should be conducted, documented and signed off prior to services commencing to evidence the need for them and their appropriate cost. However, it is noted that there are various circumstances which may delay and impact completion of the APT and instances where services are required to start before assessments are completed.
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4.2 SERVICE INPUT ONTO MOSAIC

- 4.2.1 In all cases sampled, a timely workflow was observed of service user needs and requirements before going to the Personal Budget Support Team (PBST), where appropriate.
- 4.2.2 However, there were delays observed in inputting service requirements onto Mosaic in approximately a third of cases sampled. Reasons for delays included awaiting confirmation of eligibility for funding for a depleted self-funder and awaiting confirmation from Continuing Healthcare as to their contribution towards the package. Management have advised that these are acceptable reasons for delays. Service requirements were observed to have been authorised in a timely manner though.
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4.3 PROVIDER SOURCING AND CONFIRMATION

- 4.3.1 Potential providers were sourced for the service needs identified. In the majority of cases sampled, service users did not identify their preferred provider; however, this was not relevant in most cases as they were either remaining with the existing supplier or there was only one option available.
- 4.3.2 Relevant information such as the service user's needs assessment, the purchase order and start date of the service was also observed to have been shared with the provider in the majority of cases sampled.
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4.4 PURCHASE ORDER GENERATION AND INVOICE MATCHING

- 4.4.1 Review of a sample of services identified that in half the cases, purchase orders were not raised in a timely manner, with delays ranging from a few weeks to several months (Rec 2). Purchase orders were generated once workflow had been completed on Mosaic, sent to PBST and care commissioned, therefore any delays were in the process before they reached PBST. Discussion identified that this often related to the APT not being completed. This is of concern as financial commitments were not then accurately reflected. However, purchase orders were observed to be fully detailing all the services to be provided.
- 4.4.2 Where relevant, supplier invoices were observed to have been received, input onto Mosaic and matched to the relevant purchase order or prepayment. However, it was noted that for the majority of services sampled, supplier invoices had not been attached to support the transaction in Oracle Fusion (Rec 2).
- 4.4.3 Supplier invoices were also matched to purchase orders in Mosaic, subject to agreed tolerances, with the invoiced amount agreeing to that detailed on the purchase order in all cases. There was one instance observed where the service amount had decreased part way through the service and had been backdated; however, discussion identified that the cost had been renegotiated down and backdated to the start of the provision.
- 4.4.4 The only rejected invoice observed was due to an inputting error relating to the start date; it had been re-raised with the correct information and authorised. No instances were observed where a purchase order was not in place. As is discussed later (section 4.7.4), where prepayments have been made to providers for services, invoices received subsequently for services have only been paid where the provision date fell outside the prepayment dates or the invoiced amount exceeded the prepaid amount.

4.5 SERVICE USER REVIEWS

- 4.5.1 Evidence of service user annual reviews being conducted was observed in all cases sampled, although in several cases, this was not always being carried out in a timely manner (Rec 3). In the audit sample of 10 people the reasons for this in one case were due to Covid 19, but in another there was no evidence that it had been completed. Where relevant, any increase in service requirements had evidence of appropriate review and authorisation, although changes were not always reflected in a timely manner on Mosaic (Rec 3), with two instances where changes were reflected approximately a month after the service changed.
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4.6 TRANSFER FROM MOSAIC TO FUSION

- 4.6.1 Once invoices have been matched to a purchase order, they were included on the relevant payment cycle, depending on when they were due for payment. Once the cycle was created, invoices were either certified or rejected; the sole rejected invoice observed was due to a change in service commencement date.
- 4.6.2 After certification, the payment cycle being tested was transferred overnight to Oracle Fusion, with the Fusion Support Team informed of the transfer. After transfer, the Fusion Support Team completed the invoice loading manually and a report produced providing details of the transfer, such as number of invoices and amounts transferred, which was checked by the Exchequer Manager. This was verified by observation of a test transfer. Invoices were then either added to the relevant BACs run for payment, when due or offset against the relevant prepayment(s) - see later for further details.
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4.7 SUPPLIER PAYMENTS

- 4.7.1 Review of a sample of payments to service providers identified that generally payments had been made in a timely manner, although there had been a couple of delays in payment to one provider prior to the pandemic, with delays of circa six weeks to two months between invoice date and payment observed.
- 4.7.2 Since the start of the pandemic, payments to service providers have changed in a number of instances to meet various government guidelines, which included ensuring that:
- contract portfolios were urgently reviewed and suppliers at risk identified and informed that they would continue to be paid as normal until at least the end of June.
 - the most appropriate payment measures were put in place to support supplier cash flow, such as forward ordering, payment in advance/prepayment, interim payments and payment on order (not receipt).
 - any contract which involved payment by results should be paid on the basis of previous invoices.
 - to qualify, suppliers should act on an open book basis, making cost data available to the contracting authority during this period and continuing to pay employees and ensure flow down funding to their subcontractors.
 - invoices submitted by suppliers were paid immediately on receipt in order to maintain cash flow in the supply chain and protect jobs.

- 4.7.3 Provider resilience payments of 3% were made to suppliers on top of normal payments to keep them running, based on previous weekly costs. Payments covered April to August 2020 inclusive. The percentage was decided on by the Council, with payment approved by Executive Director of Social Care and Health and also the Director of Resources. There were no specific conditions as to what these payments needed to be spent on apart from to support Providers with the additional Covid costs they were facing and no money needed to be returned, although providers were asked to keep a record of what the money was used for. This was in line with the approach of other Councils. Payments were initially made to Home Care, Extra Care, Supported Living, Residential and Nursing Care providers but not to day services as those had ceased to provide services (although they were later paid to support them). Payments in August were only made to residential and nursing care providers.
- 4.7.4 Payments to Home Care, Supported Living and Extra Care providers were switched from payments in arrears to payments in advance, based on commitment, for the period from April to November 2020 inclusive. When an invoice was received covering wholly or partly a period that had been prepaid, it was processed through Mosaic in the normal way and then put on hold. A daily report of invoices on hold was generated and each one reviewed to determine the appropriate course of action. If the invoice solely covered a prepayment period, it was offset against the prepayment for that period, unless all the prepayment was used, in which case the invoice was paid. If it covered multiple prepayment periods, it was allocated against the prepayments on a pro-rata basis or if it covered only part of the prepayment period, only part was allocated against it and the balance then paid. However, it was noted that the process of allocating invoices to prepayments was manual and therefore subject to error and possible fraud, in addition to being time-consuming.
- 4.7.5 Reconciliations between the amount prepaid to providers and invoiced had been conducted by Finance at the start of 2021. Review of the balance remaining on supplier prepayments by audit identified a balance of just over £3m as at 21st January 2021, with 15 providers having balances in excess of £60,000 and making up 69% of the total. The largest provider prepayment balance was just over £355,000. As of the start of March 2021, this balance was circa £2.77m, with 14 providers having balances in excess of £60,000 and making up 69% of the total. It was currently unclear whether balances related to services provided but not yet invoiced, overpayment of providers or a combination of both (Rec 4). In terms of risk mitigation agreements with Providers in relation to these pre payments, senior DACHS management have asserted they were very clear in terms of the expectation that monies over paid would be returned to the Council or equivalent amounts deducted from future payments.
- 4.7.6 In addition, residential and nursing providers payments were switched to ensure, where possible, that all were made in advance.

- 4.7.7 A discharge to assess service was set up at one location, whereby a number of beds were block booked with an isolation wing/infection control being set up so hospital patients with nursing or residential care needs could be discharged there. The number of beds booked had been decreased as a result of low demand, with the contract due to finish at the end of March 2021. However, discussion identified that this decrease had not been reflected on Mosaic, leading to overpayment of the provider (Rec 5). The description on the Mosaic purchase order also did not make it clear what the beds were booked for (Rec 5).
- 4.7.8 A 'care hotel' discharge service was also set up with a hotel provider, whereby a number of rooms were block booked and a care provider also block booked to provide care staff. Those patients returning to the community were discharged there until mid-June 2020, and the provision restarted in December 2020. It is noted that this service is being paid via purchase order on Oracle Fusion i.e. not reflected on Mosaic.
- 4.7.9 Infection control payments have also been made to providers. This is a government scheme with detailed eligibility and criteria that has to be met. There have been two tranches of payments to date, with money allocated to providers based on the number of care home beds. The majority of the money was allocated to registered care home providers using a capacity tracker, with spend required to meet specified criteria, with the remainder given to care home providers for infection control and to employ dedicated infection control nurse (the latter of which had not yet been paid) (Rec 6). Some monies had been returned by providers who were either unable to spend it or expenditure did not meet the necessary requirements. Repayment from one provider was yet to be agreed (Rec 6). These monies will need to be returned to central government (Rec 6).
- 4.7.10 Agreements have been put in place with providers detailing they would abide by the terms and conditions of the award. Where terms had not been met or money misspent, further money was withheld, and recovery of amounts instigated. Each tranche of money allocated to providers had an accompanying letter detailing the amount being paid, payment schedule and reporting requirements. Reliance has been placed on providers giving reports to provide assurance as to what monies have been spent on in line with the grant guidance.
- 4.7.11 Some ad hoc financial support payments have also been made to a few suppliers experiencing severe financial difficulties. Providers submitted a request and then various financial information was reviewed (audited accounts, bank statements and personal protective equipment (PPE) costs) before a decision was made alongside consideration of whether alternative funding streams e.g. Government grants could be used instead. Payments to the providers were agreed with the DACHS strategic business partner and approved by the Assistant Director for Commissioning, Transformation and Performance, which is in line with the Scheme of Delegation during emergencies and major incidents, which details that each CMT member and Head of Service has authority to take executive action to assign Council resources without prior Committee consent.

- 4.7.12 It was noted that two of the providers that have been given additional financial support had been identified as requiring improvement. They had action plans in place, with the Council monitoring their service quality. It was noted in discussion that both were improving and meeting targets.
- 4.7.13 Discussion identified that there was a clear exit strategy in place in relation to payments to providers, although this had been revised in some instances as a result of increased Covid infection rates at the end of 2020. The 3% provider resilience payments ceased, with the last payment being made in August 2020 and the last prepayments to providers were made jointly for October and November 2020. Infection control payments were a centrally funded government initiative and therefore controlled by government.
- 4.7.14 The discharge to assess service was set up for a year, but with a six-month break point. At that stage, the contract was reviewed, and the number of beds block booked decreased. The contract is due to finish at the end of March 2021. The 'care hotel' discharge service closed in June 2020 but restarted in December 2020.
- 4.7.15 Ad hoc support provided to a limited number of providers was given for a finite period and amount. The providers will need to review their long-term financial viability. However, it was noted that Reading was a very small market and the loss of a provider could lead to reliance on a sole supplier in some areas.
- 4.7.16 It was noted during testing that several invoices in the sample have been put on hold due to querying whether they were duplicate payments. However, it was identified that payments related to different service users in each case. Further discussion identified that there was a duplicate invoice checker in Oracle Fusion, which identified invoices with the same date and amount to supplier and put them on hold until they have been reviewed to check for example the invoice number/date was correct or related to different service users.

4.8 FOLLOW UP OF PREVIOUS AUDIT RECOMMENDATIONS

- 4.8.1 A follow-up audit was carried out in 2017 focusing on whether expenditure was appropriately accounted for in the year-end accounts and that accruals were fairly stated. A number of recommendations from the original audit were identified as still outstanding and have been reviewed as part of this audit.
- 4.8.2 Discussion identified that the year-end reconciliation between Oracle Fusion and Mosaic and associated accruals process has still not been documented, which could prove problematic in the event of loss of key staff members (Rec 7). However, it was understood there was a timetable for the year-end process and a post year-end review was also conducted (although the latter was also not documented). It was planned that documentation of the process would take place during this year's year-end process, facilitated by the finance apprentice.

- 4.8.3 Whilst data quality within Mosaic had improved, it was noted (as detailed earlier - sections 4.2.2, 4.4.1) that services were not always set up and associated purchase orders raised in a timely manner on Mosaic (Rec 8).
- 4.8.4 However, retention of supporting documentation has now much improved. The year-end accrual journal raised for community services was reviewed and observed to have a link to and match supporting documentation. In addition, journals now need to be independently authorised after being raised before they are posted.
- 4.8.5 Discussion identified that the main point of contact for adult services finance at the year-end relating to the accruals process was with the Personal Budget Support Team (PBST), who were asked to provide details of new service users and suppliers not yet set up on Mosaic. The Funding Panel had now become the Eligibility, Risk and Review Group (ERRG). This did not have a Finance representative in attendance, although Finance did receive a spreadsheet from the Performance Team detailing what had been agreed to at the panel, in addition to holding monthly budget monitoring meetings. It has been noted that ERRG's primary function is to agree eligibility and need for care and support and therefore a finance representative was not deemed necessary.
- 4.8.6 The year-end accruals process was based on commitment reflected in Mosaic, with an adjustment made for homecare to reflect some likely non-delivery of services. The journal process had been revised after previous audit recommendations to ensure that journals were reviewed and approved by a separate individual from the one raising it. However, it was noted that not all invoices received post-year end relating to services delivered in the year were tracked (Rec 9).
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