

## APPENDIX 3

# Internal Audit Report

## ADULT SOCIAL CARE - CONTRACTING

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**To:** Seona Douglas, Exec Director of Social Care and Health  
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**From:** Robert Dunford, Senior Auditor

**Date:** 9/9/21



**Limited Assurance**

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### EXECUTIVE SUMMARY

#### 1. BACKGROUND

- 1.1 Contract management is an integral part of the procurement and commissioning cycles. Although there are a broad range of contract management definitions, the purpose of contract management is to assist managers to properly manage contracts by addressing transition management, performance monitoring and by helping to ensure that both parties fulfil their commercial and contractual commitments. In recognition of this, the Council's 'Contract Procedure Rules' set out the rules that must be followed when the Council purchases the supplies, services and works it needs to deliver services, which go to clarify "effective and robust contract management is needed to ensure that value gained through a procurement is delivered from start to end of a contract and that the contract remains up to date, meeting the organisation and resident needs and ultimately the best overall value."<sup>1</sup>
- 1.3 The Council uses both block and spot contracts to support a wide range of services for adults covering residential homes, nursing homes, home care, day care, supported living, extra care housing, employment support and respite.

#### 2. OBJECTIVES & SCOPE OF THE AUDIT

- 2.1 As part of contracts and commissioning review, the purpose of this audit was to review contract management procedures within Adult Social Care (ASC) to ensure contracts are managed in accordance with the Council's Contract Procedure Rules and Local Government Association best practice.
- 2.2 The audit objectives for this review were to: -

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<sup>1</sup> Reading Borough Council's definition of contract management from Contract Management IRIS

- Ensure there is complete and proper monitoring and reporting of the contractual risk at both strategical and operational level.
- Ensure contract records are complete and up to date.

2.3 This audit (and report) was undertaken in accordance with the Public Sector Internal Audit Standards ([PSIAS](#)).

### 3 CONCLUSIONS

3.1 Although a limited assurance opinion has been given, we are satisfied that there is an aspiration by Adult Social Care to review and re-evaluate the contract management systems in order to comply with Contract Procedure 23 (6), as the focus on this control requirement has declined. However, it is our opinion that there are currently insufficient controls in place to determine if a contract is a success or otherwise.

3.2 Although we appreciate that ASC are currently reviewing their procedures and processes for managing approximately £33m on services per annum, the service needs to ensure that a key consideration should be the development of a Commissioning and Contracting Framework as this will support both the contract management and commissioning aspects to enable better monitoring of the market and individual provider outcomes, which will help inform future strategic and operational decisions.

3.3 These improvements to the control framework will require the full evaluation of the staff resources and computer system platforms to ensure these remain fit for purpose in meeting those requirements for administering and monitoring the contract risk status of its many social care providers as this will help inform and substantiate ASCs commissioning approach.

3.4 As ASC confirmed that a complete review of all block and spot contract documentation is required and is in progress Internal Audit did not look at this area in detail although we found the file structure on the Shared Drives and audit trails for the contract files to be poor. Given this, we have recommended that a reconciliation of provider information held on the Mosaic system should be carried out with other relevant data records, as the completeness of the existing contract register requires both consolidating and updating to ensure there is complete oversight of risk.

3.5 A total of 4 recommendations have been made in respect of this review, of which 2 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
<b>CONTRACT REGISTER &amp; RECORDS</b>					
<i>RISK: In addition to undermining decisions, there is a risk that a provider could be excluded from any contractual or service performance monitoring if information is incomplete or inaccurate.</i>					
2	<p>An integrated contract register, and workflow/document management system should be considered to account for all contracts. This will help provide more effective and efficient control, and secure contract management and monitoring platforms for monitoring all ASC contracts and suppliers.</p> <p>As a minimum, reconciliation controls against Mosaic and Fusion should be established to ensure the completeness of information of provider records held on the contract register, especially where the term of the provision is £5k or more.</p>	Priority 1	<p>ASC Commissioning presently make use of a number of systems and approaches for managing contract information. This includes an internal team Contracts Register, the corporate Intend system, shared drives and signed hard copies of information. The use of multiple systems leads to inefficiency.</p> <p>In order to streamline processes, create greater efficiency, avoid duplication and avoid gaps, the following actions will be implemented:</p> <ol style="list-style-type: none"> <li>3. Following an options appraisal to determine the most effective approach with advice from the Contracts &amp; Procurement Hub, the ASC Commissioning Service will implement a unified approach for tracking and managing contracts and related contract documentation.</li> <li>4. Details of contracts will continue to be recorded on the Intend system to support the Council in meeting its Transparency obligations and wider Council policies.</li> <li>5. A baseline reconciliation check will be carried out against Mosaic and Fusion to identify whether contract information relating to ASC commissioned resources is appropriately recorded and documentation is in place.</li> <li>6. If it is identified that contract documentation and/or records are not in place, an action plan will be developed to address this. This action plan will take into account the scale of the work to be delivered and adhere to the unified approach determined above.</li> </ol>	<p>Lara Fromings - Head of Commissioning</p> <p>Lara Fromings - Head of Commissioning</p> <p>Lara Fromings - Head of Commissioning</p> <p>Lara Fromings - Head of Commissioning</p>	<p>31<sup>st</sup> December 2021</p> <p>Ongoing</p> <p>Initial Baseline check by 30<sup>th</sup> September 2021</p> <p>To be confirmed</p>



## 4 FINDINGS

### 4.1 CONTRACT MANAGEMENT FRAMEWORK

4.1.1 Contract Procedure Rule 23, Contract Monitoring and Management (6) requires “Service areas shall ensure that contracts are appropriately managed and monitored to ensure continued Best Value in accordance with Contract Management guidance on the Council’s Intranet”.

4.1.2 Although the ‘Contract and Quality Monitoring Procedures for Adult Care’ (CQMPAC) are currently being reviewed to ensure the control framework is fit for purpose for managing the risk of contract life cycle, the review should be more frequent to instil continuous improvement as these procedures were last reviewed in 2016. Management have informed us they will: -

- Complete the draft Contract Management Framework document which will encompass supporting third sector commissions and develop better access and dissemination of information and guidance.
- Identify and ensure training is provided.
- Carry out regular surveys to ascertain if resources are being accessed and used and/ or if different/ additional guidance is needed.

4.1.3 The CQMPAC currently defines and clarifies the approaches for commissioning and monitoring the efficacy of those providers contracted to provide adult social care within the borough. The distinctions and relationship between quality and contract monitoring are driven by best practice and legislation, and involve there being sound infrastructure, policies and procedures of the provider to ensure that these are as follows: -

- Quality Monitoring involves evaluating the quality of services being delivered, reviewing positive outcomes for service users and promoting good practice.
- Contract Monitoring means evaluating the delivery of services, evaluating the volume of service being delivered, promoting value for money and contract novation, guided by joint work with providers and NHS colleagues.

**See Recommendation 1**

### 4.2 CONTRACT REGISTER

4.2.1 Corporate Contract Procedure Rules require all contracts where the full-term value is £5,000 or more, to be recorded on the contracts register<sup>2</sup>. Although Intend<sup>3</sup> has been established to record home care and supported living contracts, secondary contract registers have been created as a supplement for monitoring the quality and contract risks which also cover residential and nursing care. Management have informed us: -

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<sup>2</sup> 23 (7) The Council will maintain a database of all contracts to facilitate the publication of contract information as required by the Public Contracts Regulations 2015 and the Local Government Transparency Code.

<sup>3</sup> Intend is an integrated tendering, contract register and contract management system

- As the council has invested in the Intend system, it is recognised that all contracts need to be stored in one central system which can flag issues of concern and be analysed. A separate Contracts Register is in use by the Commissioning Team which is still under development (also see section 4.3 Provider Usage).
- Training is needed to embed use and confidence of the Commissioning Team in the Intend system.
- Resources are required to support the Commissioning Team with updating the risk matrix and contracts register.

4.2.2 As at June 2021, Contracts and Commissioning have confirmed the compilation of the contract register held on Intend of adult social care providers is work in progress.

4.2.3 The ASC Contracts and Commissioning Team report the identification and contract management of the third sector is complex. For information, we noted Mosaic records the placement of 331 care packages within the voluntary/third sector costing £1.8m during 2020/21.

4.2.4 Until a common contract register or integrated database can be used, there is a need to develop a reconciliation procedure to confirm the completeness and accuracy of all records held on the Intend Contract Register (See Recs 1 & 2). Audit's reconciliation of the number of providers and payment records between Fusion, Mosaic and Intend for 2020/21 found Intend only accounts for 31% (or 116) of providers, which equates to 68% of costs (£31.8m<sup>4</sup>) according to the information held on Fusion<sup>5</sup>. We found: -

- Although not paid, the Intend system records the financial provisions for 40 providers valued at £4.3m suggesting the information held on Intend is out of date.
- A financial reconciliation between Fusion and Mosaic which records the net cost, is difficult because the Fusion spend excludes the client's contribution debt which is administered through the Fusion Debtor System.
- Although Home Care and Supported Living providers are listed on Intend no records are held for residential and nursing care providers.
- There are a few recording inconsistencies where the locality has been recorded in place of the company's name.

**See Recommendation 2**

### 4.3 PROVIDER USAGE

4.3.1 For background information, Mosaic records planned spend in ASC of £32.9m on 15,178 care packages with 274 providers during 2021/22, include 9 block contracts covering 68 care packages, highlighting that care is mostly procured on a spot basis (See Table 1). However, in comparison, the Intend system only records a total of

<sup>4</sup> Intend - Sum of Estimated Spend for 2020/21

<sup>5</sup> Fusion records £46.8m was spent on purchased care, enhanced purchased care and day care purchases before any recuperation of any contributions, within ASC during 2020/21 across 379 providers.

238 providers for the same 2021/22 period. We noted the Nursing Dementia and Block Contract report dated 22/10/20 (submitted to the Adult Social Care, Children's Services and Education Committee to obtain permission to procure a new block contract) highlighted the Council's strategic need to secure placements within the Reading area to meet demand<sup>6</sup>.

Package Type	Sum Planned This Year (2021/22)	Count Provider Packages (2021/22)
ASC - Basic/Pre-assessment Care Package	£ 7,483	1,650
ASC - Block Contracts	£ 3,304,739	68
ASC - Carer Services Care Package	£ 8,797	51
ASC - Hospital Discharge Scheme 2	£ 128,548	691
ASC - Immediate Care Package	£ 24,468	143
ASC - Non-Personal Budget Care Package	£ 19,059,259	2,031
ASC - OLA or Self-funder Care Package	£ 112,994	141
ASC - Personal Budget Care Package	£ 10,286,541	8,119
ASC - Reablement Care Package	£ -	2,230
ASC - Shared Lives Carers	£ -	27
FAB - Deferred & Interim Admin/Interest Charging	£ -	27
<b>Grand Total</b>	<b>£ 32,932,830</b>	<b>15,178</b>

- 4.3.2 Excel registers, which are manually updated and held by the ASC Commissioning Team, record the number and prices of bids submitted, and successful awards made for Home Care and Supported Living packages from April 2020. We have not been made aware of any comparable records existing for Residential and Nursing Care.
- 4.3.3 Although the Corporate Contracts & Procurement team has highlighted that better consideration is needed for monitoring the status and understanding the reasons for rolling contracts and the open-ended supply arrangements with providers, the Commissioning Team have emphasised these provisions are mainly driven by the needs of the care plan which formulate the packages for each client. As a measure<sup>7</sup>, our analysis of the contract term for 238 providers spanning 49 contract arrangement types shows 20% of contracts had been placed on a fixed term.
- 4.3.4 The Home Care & Support Framework and Supported Living Framework started in 2020 and accounts for 37 out of 238 providers. Commissioning have highlighted that due to a loss of capacity within the provider frameworks due to Covid-19 infection and shortage of staff, the Council has had to make placements with providers outside of these frameworks.
- 4.3.5 Controls to ensure the completeness of contract records held on file are weak. We noted the contract matrix records the start and end date of each contract these had all lapsed. The dates of the visit were unreadable due to poor excel formatting.

<sup>6</sup> ASCCSEC Report dated 22/10/2020 states "Placement trends from the past three financial years evidences that demand for these types of nursing home placements exceeds the capacity of both blocks, highlighting continued demand. In addition, financial analysis demonstrates that even with a higher rate per bed than is currently charged, new block contracts would generate cost avoidances compared to purchasing (non-block) spot placements from the market."

<sup>7</sup> Intend only accounts for Home Care and Supported contracts and excludes Residential, Dementia and Nursing Homes.



### See Recommendation 3

#### 4.4 MONITORING

4.4.1 Contract and Quality Monitoring Procedures (CQMP) set out the methodology for monitoring the level of qualitative and contractual risks for determining the approach for monitoring the efficacy of its contracted providers. Discussion with Commissioning has highlighted that during 2020/21, Covid-19 had prevented many on site monitoring visits from happening. Nevertheless, management have identified: -

- That the monitoring process needs to be reviewed within the Commissioning Team to ensure it reflects changes post-COVID, that providers are demonstrating continued value for money and delivering the outcomes as well as meeting quality requirements. The level of monitoring will need to consider the level of risk (as identified by the risk matrix) and available resources.
- The tracker used by management for monitoring the annual quality assessments completed for home care and supported living services, are held on the network.
- Although ASC are confident there is sufficient scrutiny and open liaison between the commissioning team, operational staff and the Procurement and Contracts Hub to ensure there are no business or personal conflicts of interests between staff and providers whilst at the same ensuring there is open and effective cross agency and provider dialogue, documentations and training will be reviewed to ensure standards are consistent and compliant with corporate requirements.
- Contract documents are being drafted to put in place with those providers that don't currently have a contract document e.g. spot contract.
- The risk matrix will be relaunched.
- Strategies and needs analysis should be completed and regularly reviewed annually.

4.4.2 CQMP Section 7 requires the Quality & Performance Monitoring Board to review provider performance compiled by the Quality Team on a 6-week basis. We note the board minutes show 4 meetings were held infrequently during 2021 and only relate to quality issues and excluded anything contractual related.

4.4.3 Although we appreciate the risk matrix used for monitoring the quality care and contractual risk it was noted: -

- There is a variance count of 1 contract between the contract and quality matrices.
- Although both the matrices record the providers Intend contract reference, they exclude any confirmations of completeness against Mosaic or Fusion.
- Although the use of KPIs is under review, we were informed key performance indicators are not currently used as required under Sections 1.5 and 1.6 of CQMP as their purpose and usefulness are considered problematic given the

services resources. The last recorded KPI information held on file is dated 2016.

- Quality care visits covering 254 providers were suspended during 2020/21 due to the Covid-19 health and safety risk(s). The matrix records that 79 quality care visits were made between 13/9/2019 and the 27/2/2020 by 6 officers.

**See Recommendation 4**

APPENDIX 3