

## Appendix 3

# Final Internal Audit Investigation

## Late Invoice Payment for Social Care Invoices

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To: Jackie Yates - Deputy Chief Executive  
Darren Carter - Director of Finance  
Seona Douglas - Executive Director of Social Care & Health  
Melissa Wise - Deputy Director of Commissioning and Transformation  
Lara Fromings - Head of Commissioning



From: Anthony Kearns, Principal Auditor

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### EXECUTIVE SUMMARY

#### 1. BACKGROUND

- 1.1 A situation arose where, a provider of voluntary grant aided services, were unable to get prompt payment for a number of invoices that they submitted around July 2021. This left them with around £37k outstanding and considerable confusion as to why payment had not been made. Previously there had been delays in day care as ASC decided to pay a portion of day care payments on account and had had to wait to reorganise from paying for actual services which in turn was linked to government advice on what payments could be made in respect of providers impacted by covid.
- 1.2 The Provider initially contacted the Deputy Chief Executive on the 19 July 2021 regarding the non-payment of March 2021 invoices, having previously contacted Adult Social Care (ASC) and the Accounts Payable (AP) team. Those invoices were subsequently paid, and a request was made to put in processes to avoid any recurrence. In October the Provider contacted the Deputy Chief Executive again regarding a further bout of none payment. Hence internal audit was asked to establish what had happened and what could be done to prevent a reoccurrence.

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

- 2.1 Review the reasons for the delays in payment and get assurance that situation will not occur in the future.
- 2.2 This investigation (and report) was undertaken in accordance with the Public Sector Internal Audit Standards ([PSIAS](#)).

### 3. CONCLUSIONS

- 3.1 There were two distinct issues with the July delays. One related to the payment of grant monies against purchase orders originally raised by the Public Health Team but due to a reorganisation had been reassigned to the ASC Team. These invoices, which made up a large part of the £37k, were on hold awaiting certification by ASC who had been given responsibility for payment following the change in structure. A second tranche of invoices were for day care payments, some of these invoices had been incorrectly submitted due to misunderstandings about where to submit them, and some were caught up in general delays in processing by the AP Team due to volumes of work and staff illness. All of these issues came together at the same time.
- 3.2 There was no one single factor that caused the situation with the late payments rather there was a coming together of a number of factors that created confusion and delay for all parties involved. The matters identified in the findings run through both DACHS (Commissioning) and Accounts Payable and have been addressed in a separate audit report on Mosaic payments (payments to providers).
- 3.3 The issues with late payment of invoices has been faced by other similar voluntary organisations but with the same financial impact as experienced by the Provider.
- 3.2 The situation has now been resolved with respect of receipting invoices for the grant monies and for the invoices for day care (see above). Going forward the AP team and the Commissioning Team will monitor the situation regarding outstanding invoices to prevent a reoccurrence. The support team for adult commissioning has now assumed full responsibility for administering the grant payments for the Narrowing the Gap grant funding and has receipted and made payment where appropriate. Other voluntary body invoices have also been processed and are up to date.
- 3.3 Officers have communicated with the Provider and other voluntary organisations to make sure they understand how invoices need to be submitted. The situation regarding the future of Covid relief payments for day care is due to end but the final data is not available at this time.
- 3.4 The communications between the Provider and the Adult Commissioning Team need to be reset as any issues they have regarding outstanding payments in respect of invoices submitted should be dealt with by the Adult Commissioning Support Team in the first instance.
- 3.5 It should also be noted at this point, that many of the delays were caused by staff shortages in the Accounts Payable Team at the time, and it should be recognised that any prolonged absence in this area, could lead to a similar situation occurring in the future.

- 3.6 Paying invoices to suppliers on time is a high priority as it can have a significant impact on the financial viability of smaller organisations as well as a have a significant reputational impact on the Council. The Voluntary & Community Sector (VCS) are key partners in enabling the Council to address inequalities within the Borough and maintaining productive working relationships is important. Whilst some of the issues have now been addressed, we are unable to give any assurance that this will not happen again. The process is over reliant on a number of key individuals and in their absence, especially over a prolonged period, there is limited resilience or a shared understanding of the process. The process is also reliant on a high degree of manual intervention.
- 3.7 Rather than repeat recommendations, this report should be read in conjunction with the audit report on Mosaic payments which highlighted the lack of clear communications between providers and ASC (Rec7); the lack of clear communication between the AP Team and ASC (Rec11); the need for a performance framework (Rec15) is also applicable. In general recommendations around the performance uplift could have been applied to the earlier situation with regard to administering payments on account for day care services (rec 2 and 4 in the report on Mosaic payments).

Appendix 5

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
<b>HEADING/CONTROL OBJECTIVE - NEEDS TO BE LINKED TO THE HEADINGS IN THE FINDINGS</b>					
<i>RISK: Invoices remain unpaid and there is reputational damage to the Council.</i>					
1	There needs to be a clear communication pathway to prevent enquiries about non-payment of invoices being escalated in the first instance to Director level without the teams involved being aware of it. It is suggested that all enquiries should in the first instance be dealt with through Adult Social Care Commissioning. To ensure that issues are identified it is suggested that the AP team ensure that any issues with invoices being rejected are notified to the Commissioning Team when they occur. This process needs to be documented.	Priority 2	Recommendation Noted: There is agreement that communications need to be clear and documented and Providers notified of the communication pathways, this will be done within the timescale. However, we don't consider that the Adult Social Care Commissioning Team is the most appropriate point of contact in all instances as this has the potential to create unnecessary delay.	Deputy Director - Adult Social Care  Director of Finance	31/03/22
2	There needs to be prompt communication between the AP and Adult Commissioning Teams to ensure that anything that impacts the ability to effect prompt payment is highlighted and communicated to organisations awaiting payment. This process should be documented and clearly understood by both teams.	Priority 2	Recommendation Agreed: Arrangements will be put in place to ensure regular, communication between the Teams. This will supplement the work on Communication Pathways noted in Recommendation 1.	Deputy Director - Adult Social Care  Director of Finance	31/03/22

## 4. FINDINGS

### 4.1 ISSUES AROUND ACCOUNTS PAYABLE (AP) TEAM

- 4.1.1 There were backlogs in the AP processing due to staff shortages as a result illness and annual leave.
  - 4.1.2 The processing backlogs were also impacted by the incorrect submission of some invoices directly to the Fusion mailbox by the Provider which resulted in them being put on hold as there was no purchase order (PO) to allocate them. Each invoice submitted had to be manually removed (including the image of the invoice) and correctly resubmitted.
  - 4.1.3 There had previously been delays (March) due to the Covid pandemic necessitating new payment arrangements for voluntary day care payments being put in place, as the existing orders had to be replaced with orders that allowed for a percentage of the day care allowance to be paid despite the fact the service itself was not being provided.
  - 4.1.4 Additionally, there was a change in AP processing arrangements for the payment of invoices which resulted in the closure of an existing email inbox and the creation of a new email address for the submission of Oracle Fusion invoices for direct scanning and payment through Oracle Fusion. The arrangement for payment of Mosaic invoices and other invoices that could not directly be paid was also renamed. Unfortunately, this change was not immediately reflected in the remittance advice which was issued with the payments which still carried the old address for invoice submission to the AP team. This issue has subsequently been resolved. It was an issue as the Provider administrator and a couple of the other providers could not get a clear message on payment so followed the instructions on the existing remittances which was out of date.
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### 4.2 ISSUES AROUND ADULTS COMMISSIONING TEAM

- 4.2.1 The issues identified in 4.1.3 had a minor impact and was reflected in the need to raise a new PO and communicate the changes in payments (as well as adjustments around uplifts and inflation allowances) to external organisations who were not cognisant of internal RBC processes and procedures and were therefore more likely to become confused by the changes being made.
- 4.2.2 The Adult Commissioning Team and its support team were initially unaware of the impact of the confusion the remittance issue (4.1.4) was having on the Provider and potentially other suppliers. The Provider have invoices in respect of both Oracle Fusion POs (grant related monies) and Mosaic (day care client payments) which lead to confusion as to where invoices were to be submitted. Because there was no clear communication route and a lack of clarity of processes by officers advice offered by ASC and AP created confusion. AP and ASC were also not on the same page regarding advice.

- 4.2.3 The issue with the transfer from Public Health to ASC involved changing Fusion information on POs already created and changing financial responsibilities for processing so that ASC were able to receipt work commissioned by the PH Team.
- 4.2.4 The Provider had submitted invoices against POs raised in respect of grant monies and this process should have resulted in those invoices being paid through the Oracle Fusion route and not the Mosaic route. A significant number of those invoices had not been promptly receipted to allow for payment to be made. The problem for the Adult Commissioning Team and its support team was that the POs were raised as part of a 'Narrowing the Gap' programme that had originally been commissioned by the Public Health Team who had also raised the original POs. The support team had to arrange for the originators of the POs to be changed on the Oracle Fusion database so that a member of their team could then receipt the invoices for payment. The same team had also to acquire the evidence of what the grant monies were for and how performance was evidenced before they could be in a position to receipt and therefore approve payment. This process took a considerable time as it became part of a transition process that saw the restructure of the Public Health Team which included the departure of original creator of the POs and the transfer of the grant data and monies to the Adult Commissioning Team.
- 4.2.5 Communications between The Provider and the Adults Commissioning Team were problematic with a tendency for the Provider to focus their questions on when payment was to be expected and send those queries to the AP Team and then escalate them to the Finance Director and beyond if they did not get an answer. There are provisions for complaint and escalation routes for enquiries within the contracts that the Provider has with the Council but the delays they were experiencing led them to escalate outside the agreed routes leaving the Adults Commissioning Team unaware of their immediate issues.
- 4.2.6 The Provider had three levels of interaction with RBC. Their administrator who prepared and submitted the invoices; the bookkeeper who monitored what payments they had or had not received; and the CEO. Each tried in their own way to work out what was going on. Because the administrator was not clear on submission of invoices a number were submitted incorrectly and had to be reversed out and resubmitted (because they are Mosaic payments) at a time when the AP Team were short of staff due to illness. The Provider themselves were then confused as to where they were financially and what had or hadn't been paid. As there was no one point within RBC that had full information they got conflicting advice on how to resolve the issue. AP Team trying to resolve invoices, ASC trying to understand why invoices were being rejected. No clear explanation of the Public Health transfer was offered by ASC as ASC themselves weren't fully sure what they were doing.
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### 4.3 PROVIDER PERCEPTION

- 4.3.1 The Provider had difficulty in understanding the Council's processes for processing and paying invoices, especially given the issues around Covid payment for services and payment for grant monies (see 4.1.3 & 4.2.4). As a result, they seemed to perceive the problem to be a financial one that could be resolved by the AP team and if not by them then by someone more senior on the financial operation in the Council. The ASC team were not fully aware of the invoice issue and felt it could be resolved by the AP Team as the invoices had been submitted. The Public Health transfer which left invoices unpaid was not acknowledged as an issue by ASC as they themselves were trying to resolve how to deal with it.
  - 4.3.2 The Provider themselves incorrectly invoiced a small number of payments in respect of clients. This resulted from following out of date information on previous remittances that had not been changed after the AP Team had changed their processing instructions and closed the previously used inbox.
  - 4.3.3 The Provider escalated outside the contractual protocol for resolution of these issues before a proper resolution could be attempted by the ASC Team. There is a protocol within the contract with the Provider and other voluntary organisations that issues with service and payment should in the first instance be resolved with the ASC Team. The ASC Team felt that the Provider were too quick to escalate to the Deputy Chief Executive, but it is not easy to establish if the Provider and the ASC Team were clear on how that process would be triggered as The Provider were trying to get answers from the AP and ASC Teams. The lack of a single point for information resulted in a lack of clear instruction, as no one person in RBC had the full picture of what was going on and what was needed to resolve issues.
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#### 4.4 CURRENT SITUATION

- 4.4.1 The day care invoices are pretty much up to date. There may be one or two minor enquiries, but the bulk of invoices have been paid.
- 4.4.2 The grant invoices have now been receipted and the majority are in line to be paid or have been paid according to the Business Support Officer (Adults).
- 4.4.3 The termination of the current arrangement for day care Covid payments is still being clarified.
- 4.4.4 There is a better understanding of how unpaid or queried invoices will be dealt with between the AP and Adult Commissioning Team although there is still a need for formal process to ensure queries are prioritised and dealt with promptly (see Rec 1&2).
- 4.4.5 The situation regarding incorrect information on remittance advice has been corrected.