

Classification: UNCLASSIFIED

Final Internal Audit Report

DIRECT PAYMENTS

To: Melissa Wise, Deputy Director of Commissioning & Transformation
Sunny Mehmi, Assistant Director of Operations, Adult Social Care
Lara Fromings, Head of Commissioning
Claire Gavagan, Strategic Business Partner
Stephen Saunders, Principal Personal Budget Support Officer



From: Robert Dunford, Senior Auditor

Limited Assurance

Date: 28/02/2023

EXECUTIVE SUMMARY

1. BACKGROUND

- 1.1 The purpose of a direct payment is to provide eligible people with the flexibility and freedom to decide how their care needs should be met. The rules for qualifying, establishing, and monitoring direct payments are set out under The Care and Support (Direct Payments) Regulations 2014.
- 1.2 Regulations require local authorities to ensure that the direct payment resource is appropriate to needs and that it is used to meet the care and support needs set out in the plan and have systems in place to proportionally monitor direct payment usage to ensure effective use of public money.
- 1.3 The council pays and monitors 'direct payments' for approximately 266 people costing £6.6m per year. Resource allocation funds are paid either using the pre-payment card method, a managed bank account in conjunction with the social services, or directly via the client's bank account.

2. OBJECTIVES & SCOPE OF THE AUDIT

2.1 The review encompassed the following areas:

- Confirmation that payment setup procedures were robust and there were no conflicts of interest
- Separation of duties between the setup, payment, and monitoring of direct payments were in place
- The monitoring and evaluation of the fraud and misuse risk.
- Account reconciliations and recovery of surplus funds.

- 2.2 This audit (and report) was undertaken in accordance with the Public Sector Internal Audit Standards ([PSIAS](#)).
- 2.3 This report is confidential and has been prepared solely for use by officers named on the distribution list and if requested, the Council's External Auditor and its Audit and Governance Committee to meet legal and professional obligations. It would therefore not be appropriate for this report, or extracts from it, to be made available to third parties before it has entered the public domain. It must not be used in response to FOI or data protection enquiries without the written consent of the Head of Internal Audit. We accept no responsibility to any third party who may receive this report, in whole or in part, for the reliance that they may place on it.

3 CONCLUSIONS

- 3.1 Weaknesses were identified in all procedures within the direct payment process, from payment account setups not being authorised and checked, to the monitoring of those user accounts. On this basis, we have issued a 'limited assurance' opinion.
- 3.2 It was found to be possible to set up and make direct payments without ERRG authorisation, and without a signed direct payment agreement with the service user.
- 3.3 Client accounts are reviewed on a risk basis, but around 47% of accounts were either due or overdue at the time of the audit. Furthermore, the outcome of the risk assessment is not recorded to substantiate the reason individual accounts are selected, and neither is a summary of the review itself.
- 3.4 Although our testing found some inflationary uplifts have not been applied to the direct payment since 2017, we found a high number of occurrences where funds have been recuperated, which highlights the difficulties in ensuring the payment allocations remain appropriate to needs e.g. surplus balances are being recovered at a rate of circa £200k per year over the last five years, which in itself raises further questions. In addition, during 2022/23 the Corporate Investigation Team identified surplus balances of £229k from a sample of 25 accounts.
- 3.5 Responsible staff are not requested to declare if they have a conflict of interest with a direct payment claimant on a case-by-case basis, which would provide a higher level of due diligence and help mitigate the risk of fraud.
- 3.6 We were pleased to find there had been a strengthening in the separation of duties between setting up and monitoring accounts, but there were some poor procedural practices and compliance issues in the completion of system documentation that should be improved to strengthen this further and to provide an audit trail.
- 3.8 A total of 7 recommendations have been made in respect of this review, of which one is considered high priority. The recommendations and corresponding management action plan are attached in Appendix 1.

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
PAYMENT SET-UP PROCEDURES' DECLARATIONS OF INTERESTS & SEPARATION OF DUTIES					
<i>RISK: Staff could commit fraud by creating false client accounts.</i>					
1	<p>The procedures, processes, and templates for reviewing and setting up direct payment applications should be reviewed annually to ensure these remain effective, efficient, and secure. The following areas require attention:-</p> <ul style="list-style-type: none"> Ensuring there are no conflicts of interest between officers advocating, approving, and monitoring and the people receiving a direct payment. Ensuring all payment setups are checked and authorised by ERRG prior to payment. Ensure a Mosaic Purchase Order is raised. Ensuring a signed direct payment agreement is held for all payments. 	Priority 2	<p>A review is underway of procedures, processes and templates related to Direct Payment set up. All procedures will be documented as part of this review. The review will ensure the separation of duties identified in this audit. A review of monitoring processes will follow.</p> <p>Declarations of interest will be completed by all Direct Payment staff.</p> <p>A new Direct Payments function is in the process of being set up, which will separate the setting up of a direct payment from monitoring.</p> <p>Regular audits to be in place to check that ERRG approve all direct payments, that purchase orders are being raised & a signed direct payment agreement is held.</p>	<p>Principal Personal Budget Support Officer,</p> <p>Personal Budget Support Officer,</p> <p>Senior Personal Budget Support Officer</p>	30/04/2023
2	<p>A review of all current direct payment authorisations and agreements should be undertaken to ensure payments are valid and to ensure that the proper sign-offs and documentations are in place.</p>	Priority 1	<p>A review of all current direct payment authorisations and agreements will be undertaken. Retrospective action will be taken if authorisations are not in place.</p>	Principal Personal Budget Support Officer	28/02/2023

3	<p>Validation checking and system exception report controls should be introduced to ensure information or complete and accurate e.g., making sure officers are identified in relation to their role.</p> <ul style="list-style-type: none"> This will help improve transparency in demonstrating separations of duties and declarations of interests. 	Priority 2	<p>Declarations of interest will be completed by all Direct Payment staff, requiring Officers to state both name and role on forms.</p> <p>The new Direct Payment setup function role will also ensure a separation of duties.</p> <p>Separations of duty will be checked in regular audits.</p> <p>System exception report controls will be explored with the Mosaic team.</p>	<p>Principal Personal Budget Support Officer,</p> <p>Personal Budget Support Officer,</p> <p>Senior Personal Budget Support Officer</p>	31/01/2023
---	--	------------	---	---	------------

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date
PAYMENT & EXPENDITURE REVIEWS					
<i>RISK: The audit approach and focus are insufficiently balanced to help direct payment clients or detect inappropriate internal behaviour.</i>					
4	<p>Policy and procedure confirmation is required on how inflationary uplifts should be communicated and applied to the 'care' and 'non-care' aspects of the direct payment scheme, to ensure the DP payment remains appropriate to needs</p>	Priority 2	<p>A procedural note for direct payment inflationary uplifts will be written. Direct payment inflation is agreed by the DMT on an annual basis and applied to relevant accounts.</p>	<p>Personal Budget Support Officer</p>	01/05/2023

<p>5</p>	<p>The payment expenditure audit approach and procedures for carrying out and providing assurance on direct payment expenditure should be reviewed annually by the Adult Social Care directorate. E.g., It has been suggested to the Principal PBS Officer that the service could carry out themed reviews to either support or direct the current approach: -</p> <ul style="list-style-type: none"> • Balance of funds (why aren't these being used?) • Confirmation of direct payment agreement & approval of key controls • Duration between reviews • Risk identified from the previous review <p>The findings of these expenditure reviews should be summarised to provide a clear status overview and to inform the approach of future reviews and the Annual Governance Statement.</p>	<p>Priority 2</p>	<p>An annual review will be carried out by the Principal Officer to report on: Balance of funds, personal budget agreements, key controls, reviews, risks. This review will then be made available to the DMT.</p> <p>It is not unusual for a Direct Payment user to have a surplus balance where a service is temporarily suspended, for example when an individual is admitted to hospital or family members/carers have taken on the caring role for a short period. A 4 week contingency is considered appropriate to allow short term increases in care, which may result from a change in need e.g. discharge from hospital after a period of inpatient stay.</p> <p>In some cases this may indicate a change in need, which can be referred to a care worker to review with the individual and carers.</p> <p>Following the pandemic a number of Direct Payment users have also chosen alternative options and changed behaviours that have meant a reduction in some services. For example, older people have chosen in some instances not to return to Older People Day Services for fear of COVID and have found alternatives to meet social isolation and food nutritional needs.</p> <p>The Direct Payment team monitors accounts to identify excessive surplus accounts. The majority of Direct Payment accounts are Pre-Paid Card accounts and managed bank accounts that the Council has access to balance information. Direct Payment users have been encouraged over time to transition to these new methods as they provide a more robust monitoring of accounts.</p> <p>However, under the Care Act 2014 individuals must be given the option to maintain their own bank account (separate from their normal bank account) to manage a Direct Payment. These accounts are now the smallest proportion of Direct Payment users but take up the most monitoring as the Council is reliant on their compliance and managing their account efficiently. A review of monitoring and compliance procedures will be part of the review of procedures.</p> <p>The additional setup function within the team will allow improved frequency of monitoring reviews for both managed and directly</p>	<p>Principal Personal Budget Support Officer</p>	<p>01/05/2023</p>
----------	--	-------------------	--	--	-------------------

			managed cash accounts. A new Risk Stratification matrix will be developed to manage the frequency of these reviews.		
--	--	--	---	--	--

Management Action Plan					
Ref	Recommendation	Rec	Management Response	Responsible Officer(s)	Target Date

RECOVERY OF SURPLUS FUNDS

RISK: There are risks that direct payment clients could be carrying unnecessarily high levels of funds that could otherwise be used by the Council or are having trouble accessing care.

6	<p>The reasons for unspent balances should be obtained and recorded on the Monitoring spreadsheet so that this can be discussed with the client's care worker to decide if they need assistance, reassessment, or if funds should be recovered, or stalled on Fusion were paid directly.</p> <p>These decisions should be reviewed and approved.</p>	Priority 2	<p>Reasons for unspent balances will be recorded on the DP Monitoring workstep in Mosaic, along with confirmation of having reported this to the appropriate ASC operational worker/team.</p> <p>These decisions will be reviewed and approved by the senior DP monitoring officer.</p>	Senior Personal Budget Support Officer	15/02/2023
7	<p>Investigate the use of Allpay and Paycoll summary reports to obtain an overview of the total value of used and unused funds throughout the financial year.</p>	Priority 2	<p>Allpay have submitted this request to their development team. An interim workaround is being used to generate this report.</p> <p>Payroll companies will be asked what functionality they have for summary reporting.</p>	<p>Principal Personal Budget Support Officer</p> <p>Senior Personal Budget Support Officer</p>	01/05/2023

8	A cost-benefit analysis should be carried out to establish if it would be beneficial to increase the resource of the DP Support Team to help: - <ul style="list-style-type: none">• Recuperate funds• Inform the allocation of funds	Priority 2	Analysis to be carried out - resource to complete this to be identified. Additional resource to be sought if a subsequent business case demonstrates the need.	Principal Personal Budget Support Officer	01/08/2023
---	---	------------	--	---	------------

APPENDIX 2

4.0 FINDINGS

4.1 PAYMENT SETUP PROCEDURES

4.1.1 General information is made available to the public on the Council's website to help explain the purpose of a direct payment (DP), and how to apply. Although applicants may approach the Council about receiving a direct payment so that they can take responsibility for their care, we were informed care coordinators have a key role in providing advice and assessing their suitability.

4.1.2 Although under review currently, standard operating procedures for setting up a direct payment on Mosaic have been documented, which are updated on a rolling basis and made available to staff on the Council's intranet to explain the requirements for each stage of the process. It was explained by the Senior Financial Support Officer that the Direct Payment team had provided a supporting role to the Adult Social Care (ASC) workers, but this had distracted them from their monitoring role, highlighting ASC workers require training and/or dedicated support which will be provided by the Personal Assistant Team (PAT) in future. (See Rec 1).

4.1.3 As a minor observation, consideration should be given to documenting the supporting functions and the wider operational responsibilities of all teams involved in the direct payment process (See Rec 1). It should be noted that having different teams involved in the process does promote a separation of duties, with coordination and oversight being provided by the Principal Personal Budget Support Officer (See Rec1). However, but these could be strengthened, as follows: -

- Although the DP Support Team has been responsible for setting up the direct payment facility on Mosaic and monitoring, a new Senior DP Officer post has been created within the DP Support Team with the specific responsibilities of setting up direct payments. We understand the existing Senior DP Officer will remain responsible for monitoring expenditure.
- There are no secondary checks or authorisations to ensure 'fraudulent' accounts or pre-paid cards have not been created (See Rec 2).
- The Financial, Assessment, and Benefits Team (FAB) is responsible for reviewing an applicant's financial status and contribution.

4.2 DECLARATIONS OF INTEREST

4.2.1 Declarations of interest are not being effectively managed in accordance with the Council's Code of Conduct (Section 2)¹, to ensure staff can formally confirm that they do not have any conflict of interest with a direct payment application. Although employees are required to declare any potential conflicts of interest at the start of their employment, reliance is placed upon the employee to notify their manager which subsequently absolves them of the responsibility (See Rec 1).

4.3 SEPARATION OF DUTIES

4.3.1 The Service has recognised that there were poor separations of duties between the setting up of the payment schedule on Mosaic and the monitoring of expenditure, as both these duties were undertaken by the Direct Payment Support Team. This has since been rectified, as the setup responsibilities were transferred to the Senior DP Officer during the course of this audit.

4.3.2 On examining Mosaic processes we did identify inconsistencies in the completion of key documentation, (See Recs 2). An examination of the 13² payments in October 2022 and ERRG Task system reports found: -

Eligibility Risk and Review Group

- The ERRG decision document, which records the basis and outcome of the application, requires the identification of the officer advocating the application. However, tests and examination of documents found that the officer presenting/ advocating the application had only been recorded for 7 out of 13 (54%) applications. These were either left blank or were recorded on a departmental name basis.
- We are satisfied Mosaic ERRG Task report names the officers for the 'Task Request Last Updated By Worker' or 'Assign WFSWorker' fields and their respective teams to demonstrate the input and scrutiny from multiple officers. However, the ERRG Task report records that between 1/4/2019 and 4/11/22 the name of the advocate for a direct payment could only be identified for 79% of casework.
- An ERRG decision could only be found for 9 out of 13 (69%) payments, and where a decision had been made, the pre-ERRG review had only been completed for 6 (67%) people. This highlights the risk that the ERRG procedure has been bypassed (See Rec 2).

¹ SECTION 2: CODE OF CONDUCT FOR EMPLOYEES 1.1 A number of the provisions in the code require employees to make declarations of interests. When declarations are necessary, employees should ensure that their managers are informed of this interest. A copy of the declaration should be held on the employee's personal file and registered in a log maintained by the service/directorate.

² Test Sample: those DP clients who were paid their direct payment entitlement directly into a personal bank account instead of through the 'managed bank account' or 'pre-paid card' options.

Identification of Allocated and Co-Workers on Mosaic

It is our understanding that each client should be assigned an allocated and a co-worker to provide a level of independent support and scrutiny. However, a named officer was recorded as the allocated officer for only 2 out of 13 (15%) payments. The remainder of the allocations were assigned to the department, which assigned the responsibility to a named establishment list. Despite this, the ERRG Task report records that a WFS Worker had been allocated for every direct client.

- Except for the Deputies Office, all co-workers were identified by their name and department (See Rec 1,3 & 4).
-

4.4 PAYMENTS

4.4.1 Although there are good audit trails in place between the ERRG authorisations on Mosaic and payments made on Oracle Fusion, it is important to note that the Mosaic system allows payments to be made without an ERRG approval or a direct payment agreement being in place. A sample examination of the payments made on 25/9/2022 (pay run number139) identified the following: -

- We were able to satisfactorily reconcile the Oracle Fusion payments against the Mosaic 'Payment Run' report, and we found there were good references and descriptions to help identify the payee.
- Where found, the weekly payment rate approved by the ERRG had been correctly calculated by Mosaic and reported on the 'Payment Run' report and the DP Support Team's 'Master DP Spreadsheet'. However, importantly, testing found there was no ERRG approval held on Mosaic for 4 payments, of which 3 didn't have a DP agreement as required. A lack of a DP agreement is an existing issue recognised by the DP Support Team, as these missing records are indicated on the 'Master DP Clients Record' spreadsheet. (See Recs 1, 2).
- Although we have been informed that inflationary increases are applied in line with the Council's annual provider framework rate increase, where the use of a personal assistant is known, our tests found the current weekly rates have remained the same since their original approval, dating back to 2017. The DP Support Team has highlighted inflation is applied to the care element of the DP where known, but this needs to be balanced against the level of surpluses that are recuperated (See Rec 3).
- We are satisfied that Mosaic records a purchase order reference for each payment and that the purchase order value could be reconciled to the payment on Fusion. However, we were only able to locate the order documents for 6 out of 13 purchase orders, and we noted that the sign off

description only recorded the name of the officer on some occasions. (See Rec 1).

4.5 MONITORING OF DIRECT PAYMENTS

4.5.1 Procedures for monitoring direct payments carried out by the DP Support Team have been documented.

4.5.2 The approach for monitoring direct payments covers the review of expenditure, insurance cover, and the disclosure and barring check of personal assistants. The frequency of these reviews should be informed by risk using the proportional monitoring matrix, however, we note that neither the matrix score nor the review outcomes are recorded, quantified, or summarised on the 'Master DP Client Record' spreadsheet to support the importance why certain direct payments have been selected over others. Importantly, the review outcomes are not summarised to provide 'global' oversight of the findings. A summary would help quantify the outcomes of the reviews for senior management to help provide an assurance opinion on direct payment control.

4.5.3 The 'Master DP Clients Record' spreadsheet has been produced to provide a supplementary tool for managing the service's reviews of DP expenditure. There is a need to review the approach for reviewing direct payments and reporting procedures on an annual basis to ensure that they remain appropriate (See Rec 4). Our analysis of the records as of 4/10/22 found:

- The responsibility of the DP Support team includes the review for adults and children. Internal Audit's review was focused on adult payments which were paid directly to the direct payment client.
- Although not verified, to ensure completeness, we received assurance from the Principal Personal Budget Support Officer that the spreadsheet is reconciled against Mosaic every two weeks.
- The risk profile considerations which determine the selection of the expenditure reviews are informed by the a) type of payment, b) confirmation of an agreement, b) value of the weekly payment, c) if respite or a one-off payment, d) if/what there are third party arrangements, and e) the date of the last review. We noted that client outcomes from the expenditure reviews are not summarised or quantified to understand or demonstrate issues or the materiality of risks found (See Rec 4).
- Several independent reviews carried out by the Corporate Investigation Team (CIT) during 2022 highlighted there is insufficient monitoring or explanation of the level of surplus balances held by DP clients. We were informed that a review of the surplus balances for the 25 clients totalling £229k will be undertaken to ensure the surpluses are recovered where appropriate (See Recs 4, 6 & 7).

- Our analysis shows that expenditure reviews have been carried out across all three payment methods. 65 out of 263 adult direct payment reviews had been carried out for adult social care since 1/4/2022. A breakdown shows that 48% (29) of the reviews were focused on pre-paid cards, 38% (25) on managed bank accounts, and 17% (11) were focused on payments that were paid directly into the client's bank account.
 - There is no summary of findings to provide management oversight of the review status. Our analysis of the DP spreadsheet found that out of 263 current ASC DP payments, 125 reviews are either due or overdue. The spreadsheet records that 42% (53) of expenditure reviews are overdue by 1 year, 21% (26) are overdue by 2 years, and 4% (5) are overdue by 3 years (See Rec 4).
-

4.6 RECOVERY OF SURPLUS BALANCES

4.6.1 Identified surplus balances for the pre-paid cards and managed bank accounts are recouped via the Allpay and Paycoll systems and credited to Oracle Fusion, and the Council's debtor system must be used to recuperate those surpluses held directly by the client. Surpluses are identified from the direct payment expenditure reviews; however, the following should be noted: -

- Clients are permitted to retain a balance as a contingency equal to eight weeks of the care and support plan, albeit this should be as per the sum approved by ERRG and the agreement.
- The 'direct payment monitoring' spreadsheet satisfactorily accounts for the client's contribution to ensuring the recuperation is correct. The scope and feedback on the spreadsheet were found to be comprehensive, with the exception of any inquiry into why there is a surplus (See Rec 5).

4.6.2 The debtor's module on Oracle Fusion is unable to classify surplus recuperation from other DP debts. As of 30/9/2022, the Council's 'Aged Debtor Report' records there are 44 outstanding recoveries, tagged as direct payments, which account for 1.61% (£95,022) of the outstanding debt totalling £5,918,041: -

- 44% (£41,375) of the total sum of DP debt is 5 years plus old. It is important to note that the analysis shows that the level of debt is due to 2 legacy debts relating to DP clients who carry an arrear of £30,582 between them.
- 93% (41) of people have debts below £5,000.

4.6.3 Although the Council has access to the Allpay and Paycoll systems to interrogate client transactions, it does not have access to produce a summary report of all balances. The Principal DP Support Officer agreed that he would investigate this further as this would assist with determining the expenditure review approach and

help if a themed or targeted review was required. Importantly, as public money, this would provide greater oversight and assist the Council to assess the total proportion of funds used and unspent at any period (See Rec 6).

4.6.4 An analysis of Fusion for the last 5- years shows that ASC recuperated approximately £210,683³ per year (See Rec 7).

Financial Year	Net -Annual	Monthly Average
2018/19	£ 202,268.22	£ 16,855.69
2019/20	£ 73,986.29	£ 6,165.52
2020/21	£ 281,884.91	£ 23,490.41
2021/22	£ 169,886.11	£ 14,157.18
2022/23	£ 237,605.14	£ 33,943.59
	£ 965,630.67	£ 17,556.92

³ £17,556.93 x 12 months = £210,683.04