

***AUDIT COMMITTEE  
Regulatory Committee  
Agenda***

Date Thursday 11 January 2018

Time 6.00 pm

Venue Crompton Suite, Civic Centre, Oldham, West Street, Oldham, OL1 1NL

- Notes
1. DECLARATIONS OF INTEREST- If a Member requires any advice on any item involving a possible declaration of interest which could affect his/her ability to speak and/or vote he/she is advised to contact Paul Entwistle or in advance of the meeting.
  2. CONTACT OFFICER for this Agenda is Fabiola Fuschi Tel. 0161 770 5151 or email [faiola.fuschi@oldham.gov.uk](mailto:faiola.fuschi@oldham.gov.uk)
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MEMBERSHIP OF THE AUDIT COMMITTEE IS AS FOLLOWS:  
Councillors Ahmad, Ali, Brock, Dean, Harkness, Hewitt, Rehman, Salamat and Williams

Item No

6 Internal Control Matters in the Health and Wellbeing Directorate (Pages 1 - 38)



**Oldham**  
Council



## Report to Audit Committee

### Internal Control Matters in the Health and Wellbeing Directorate

**Portfolio Holder:** Councillor Abdul Jabbar MBE – Deputy Leader and Cabinet Member for Finance and HR

**Officer Contact:** Mark Stenson – Head of Corporate Governance

**Report Author:** Mark Stenson – Head of Corporate Governance

Ext. 4783

11<sup>th</sup> January 2018

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### Reason for Decision

This is the report by the Head of Corporate Governance to this Committee which summarises the internal control matters identified by the Audit and Counter Fraud Team since December 2016 for consideration by managers in the Health and Wellbeing Directorate.

### Executive Summary

The report details the work done by Internal Audit and Counter Fraud with an Executive Summary of the findings and the recommendations agreed with managers, as detailed in **Appendix 1**.

It is considered that improvements have been derived from the implementation of payment and invoicing cycles of the Mosaic system and from the programme of associated business change in the Directorate.

Recommendations for the two fundamental financial systems in the Directorate have been followed up and progress has been made on the implementation of these recommendations. Managers in the Directorate are implementing change in accordance with an agreed service plan and are incorporating the agreed Internal Audit actions into this plan of activity.

This report provides an update to Members of the Audit Committee and it provides an opportunity for Members to discuss any questions they may have relating to Internal Control matters with representatives of the Directorate.

### Recommendation

That Members note the content of the report.

## Internal Control Matters in the Health and Wellbeing Directorate

### 1 Background

- 1.1 This is the report by the Head of Corporate Governance to this Committee in 2017/18 which summarises the Internal Control Matters identified by the Audit and Counter Fraud Team in the Health and Wellbeing Directorate since December 2016.
- 1.2 The Audit and Counter Fraud Team have finalised the following types of audit reviews across the Health and Wellbeing Directorate during this time:
- Mosaic Upgrade Pre-implementation Assurance - Payment and Invoicing Cycles (**Section 4 of this report**);
  - Fundamental Financial System (FFS) audits (**Section 5 of this report**); and
  - Operational / Business audits (**Section 6 of this report**).
- 1.3 The Audit and Counter Fraud Team are also responsible for the audit of Personal Budgets/ Direct Payments to clients based in the Directorate. This is an area which has the potential risk for financial abuse by a minority of clients. (**Section 7**).
- 1.4 This report will provide Members of the Committee with an update of the agreed internal control issues and it also provides the opportunity to discuss potential issues they may have with a representative from the Directorate, who is present to respond to questions on the matters raised.

### 2. Health and Wellbeing Directorate

- 2.1 The Health and Wellbeing Directorate includes the following services:
- Adults Services: There are three broad strands of care management, provider services and community care.
  - Children's Social Care and Early Help: As required by Section 47 of the Children Act 1989.
  - Public Health (Client and Delivery): The Council has a range of public health commissioning responsibilities combined with overall responsibility for improving health across the borough.
  - Social Work/Care Management Services: This includes the safeguarding service which ensures the Council meets its statutory requirements, under the Children Act 1989, Section 17, as an Authority in respect of children and young peoples' welfare.
  - Community Services: This includes the District Executives and their teams.
- 2.2 The 2017/18 revised net budget for the Directorate was reported to the Council's Cabinet meeting on 18<sup>th</sup> December 2017, in the Month 6 Revenue Monitoring Report. **Table 1** overleaf records the reported forecast outturn at Quarter 2 to be an overspend of £2.774m. The main area of overspend for the Portfolio is within the Children's Social Care Directorate, which is reporting a pressure of £3.014m.

**Table 1 – Health and Wellbeing - Forecast Outturn**

	<b>Revised Budget £000</b>	<b>Forecast £000</b>	<b>Variance £000</b>	<b>Variance %</b>
Public Health (Client and Delivery)	30,448	30,448	<b>(0)</b>	<b>(0.00)</b>
Community Services	4,017	4,022	<b>5</b>	<b>0.13</b>
Children's Social Care	25,559	28,573	<b>3,014</b>	<b>11.79</b>
Adults Social Care	54,667	54,422	<b>(245)</b>	<b>(0.45)</b>
Health and Wellbeing Management	113	113	<b>(0)</b>	<b>(0.35)</b>
<b>Total Forecast Net Expenditure</b>	<b>114,804</b>	<b>117,578</b>	<b>2,774</b>	<b>2.41</b>

Source: Oldham Council Cabinet, 18<sup>th</sup> December 2017. Agenda item 11: Revenue Budget Monitoring Report 2017/18 – Quarter 2 (Annex 2, Table 5).

- 2.3 The Directorate faces a variety of challenges and opportunities. At the local level, new and innovative solutions to service provision are underway including the delivery of its services in partnership with local independent or arms-length organisations, including Oldham Community Leisure Ltd (providing sports and leisure services), the MioCare Group (providing adult social care services), and joint working between the Council and the NHS. It is understood that the Directorate organisational structure is currently being reviewed.
- 2.4 The Health and Wellbeing Operating Framework considers the issues to both improve the public health of the borough and the future integration of health and local authority provision as part of Greater Manchester plans for devolution.
- 2.5 The Council also operates District Executives comprising both elected Members and co-opted local representatives. These community services and local partnerships are supported by Council resources which are spent on local priorities.
- 2.6 The over-arching conclusion based on the “opinion” of the audit reviews conducted in the Directorate during the last year is that there are potential improvements to the control environment. Including the two main financial systems based in the Directorate.
- 2.7 Internal Audit are planning in the last quarter of the financial year to complete a review in Children’s Services, to review the processes of cash control to determine if there are sufficient controls around the administration of cash expenditure by the service. This has been assessed as high risk mainly due to the materiality level of cash throughput.

### **3. Adults Services**

- 3.1 During the year, the focus of Internal Audit resource has been allocated to Adults Services, this is based on the following risk assessments:
- the proportionately higher budgeted cost for the service relative to the other services; and
  - the responsibility for two of the Council’s key financial systems in this service; and
- the upgrade from the Framework-I system (FWi) to Mosaic in 2017/18.

3.2 In addition, in line with the prior year (2015/16), the 2016/17 Annual Governance Statement (AGS) reported the following issues for the attention of senior managers in the Directorate, together with planned management action to reduce the risk.

**Table 2: Oldham Council Annual Governance Statement - 2016/17 (in extract)**

<b>2016-17 Issues</b>	<b>Planned Management Action to Reduce Risk</b>
<p><i>The internal control environment on Adult Social Care systems improved in 2016/17 particularly on residential care. Issues were still identified from Internal Audit Work to improve the control environment on direct payments in 2017/18.</i></p>	<p><i>The joint work which has led to improvements between Adults and Finance to improve and strengthen financial processes continues in 2017/18 linked into improvements to Framework-I. This includes regular meetings of key staff responsible for the implementation of recommendations made by internal audit and assurance reviews with the Director of Finance to ensure the good.</i></p>

Source: 2016/17 Oldham Council “Annual Statement of Accounts”, Section 6.0 Annual Governance Statement 2016/17

3.3 In line with agreed monitoring arrangements, the Head of Corporate Governance continues to provide quarterly monitoring reports of items included in the AGS to Members of the Audit Committee and also identifies any emerging risks. In September 2017, the update to Members was that this issue was assessed as being “amber” and it was reported that:

- assurance work has also been undertaken at each stage of the FWi/Mosaic implementation to ensure improvements, when introduced, are sound from a control point of view in relation to the system, and the risks are understood by the Project Board. Improvements around financial processing are only agreed following the sign off by the Director of Finance;
- the conversion to the Mosaic platform went live over the weekend of 1st July 2017. The key task now is to link the manual input into record keeping at all levels of the service into continuing the improvement of records to better enhance decision making. A financial recovery group meets on a regular basis to improve process to support the implementation of Mosaic. A report has been produced on Direct Payments for consideration and is currently being implemented; and
- this risk was considered as part of the 2016/17 closure of accounts.

Adults Services Business Changes

3.4 To support the challenges faced by Adults Service (referred to, in part, in **section 3.1** above), the Directorate commenced a programme of business change, which is believed will have a positive impact on the overall control environment for the key financial systems and processes. The key changes include:

- The phased implementation of the Mosaic upgrade and the focus on the payment cycles to support effective data migration. Audit and Counter Fraud have professionally collaborated with service managers to review controls in the systems and processes. The outcome of this “pre-implementation” assurance review is discussed in **section 4** overleaf, supported by **Appendix 1**.

- Adults Service are in the process of a full service redesign to ensure appropriate skills in specific areas and key processes are being reviewed. Service managers continue to take a proactive stance to the audit process by identifying issues for audit consideration and potential solutions to improve internal control. This continues to be the case during the 2017/18 Interim reviews of the key financial systems.
- Whilst the 2017/18 Interim FFS audits are being finalised at the time of writing this report, there is an improvement in the implementation of previously agreed audit recommendations and, on balance, a reduction in the length of time taken to implement these actions. It is considered that the change to business structures and processes and the implementation of the Mosaic upgrade may have potentially led to an improvement in some key internal controls. The findings and conclusions from the 2017/18 interim financial systems audits are included in **section 5** overleaf, supported by **Appendix 1**.

#### 4. Mosaic Upgrade Pre-Implementation Assurance

4.1 The Mosaic system is an upgrade of the system from Framework-i (FWi) to the new Adult Social Care system (Mosaic). The system is reported to be “one solution, one platform”, and is therefore intended to provide a fully integrated solution for Adults, Children’s and financial case management on a single platform. Mosaic has been designed based on four areas:

- Improving decision making.
- Detailing the client’s history.
- Saving time for practitioners.
- Supporting collaboration with families and other agencies.

As part of this, Internal Audit liaised with the Agresso Finance Team to gain assurance around the interfaces between Mosaic and Agresso Financial System-Adults Payment and Billing Cycle and the Council’s Information Governance Team to discuss the assurances they obtained around potential data protection risks.

4.2 The outcomes of the pre-implementation assurance review is included in **Appendix 1**. In summary, the team had conducted a high level assurance review of implementation cycles (7 payment and 7 income cycles). The conclusions are:

- “reasonable assurance” has been concluded for all cycles;
- the service has responded positively to issues arising from the assurance reviews; and
- the business has agreed contingency arrangements for all cycles, which is to continue processing the data via the Agresso general ledger system.

4.3 This collaboration has worked really well and has led to positive business outcomes. The service developed the controls for Internal Audit review for subsequent formal sign-off by the Director of Finance.

4.4 Following the assurance work, any outstanding issues will continue to be monitored by Audit and Counter Fraud to provide support to the Director of Finance and to the business.

4.5 Key control matters will be reviewed as part of the regular reviews of the main financial systems and reported to managers accordingly.

## 5. Fundamental Financial Systems

- 5.1 The Health and Wellbeing Directorate directly manages two of the Council's Fundamental Financial Systems (FFS); the systems for payments for Personal Budgets / Community Home Care and the system to support Residential Home Care Payments. In line with the year-end reporting timetable, there are audit reviews of both of these financial systems.
- 5.2 The 2017/18 Interim Reviews are close to completion at the time of writing this report and the key conclusions from these reviews have been incorporated. This provides Members of the Audit Committee with the most up-to-date audit opinions.
- 5.3 In line with prior years, these systems are reviewed in two stages to support the 2017/18 final accounts assurance process in line with external audit guidelines, as follows:
- Interim (Stage 1) Audit commenced on 2<sup>nd</sup> October 2017: These audits reviewed the system controls, transactions up to the end of September 2017 and followed up progress against recommendations agreed as part of the 2016/17 reviews. Audit reports have been agreed with managers and finalised by 20<sup>th</sup> December 2017
  - Final (Stage 2) Audit will commence on 5<sup>th</sup> February 2018: These audits will review controls arising from any changes to the systems, transactions since 1<sup>st</sup> October 2017 and progress against the agreed recommendations.
- 5.4 The Final Audit opinions for the final Fundamental Financial System audits within the Health and Wellbeing Directorate since 2014/15 as set out below:

**Table 3: Adults Services – Financial Systems Audit Opinions since 2014/15**

Directorate Financial System	2014/15 Final Opinion	2015/16 Final Opinion	2016/17 Final Opinion	2017/18 Interim Opinion
Personal Budgets / Direct Payments	Inadequate	Inadequate	Inadequate	Inadequate
Residential Home Care Payments	Inadequate	Inadequate	Adequate	Adequate

- 5.5 The table demonstrates that, from the 2017/18 Audit work conducted to date, the audit opinion for the system for Residential Care Payments has continued to improve, since the implementation of the business change and the migration to FWI in November 2015 and subsequently to the Mosaic upgrade in May 2017. In addition, whilst the audit opinion of the systems for Personal Budgets and Direct Payments has not formally improved, there is clear evidence that managers are implementing change and incorporating the agreed Audit actions into their plans. The management response to the 2017/18 interim audits has been very positive, which is in line with other Directorate audits conducted during the year. The issues arising from these 2017/18 interim audits are reported in the sections to follow (**sections 5.6 to 5.10 and sections 5.11 to 5.14** respectively). The 2017/18 Audit Opinion will be finalised following the Final Audits, which commence 5<sup>th</sup> February 2018.



## Personal Budgets and Homecare

- 5.6 The total budgeted gross expenditure for 2017/18 to the Council for Direct Payments (£11.5m) and Community Homecare (£8.6m) is £20.1m. The Directorate Adults Social Care Team administers both the Personal Budget and Homecare services for clients. The team allocates services to clients, visiting clients directly at their homes, and provides Personal Budgets to those clients who wish to retain greater control over their own affairs and who can procure services to assist in their own care needs.
- 5.7 The Personal Budgets Audit team conduct audit reviews to verify that client the Personal Budgets are spent in accordance with the agreed Care Plan and that client contributions to their care have been made. This team has a dual role as a compensating internal control, tasked with the responsibility to recover over-payments/unrecovered client contributions, and also to ensure the client is spending the agreed funds advanced in accordance with the agreed Support Plan. The Team's results for 2017, year to date, are reported in **Section 7 (7.1 to 7.9)** of this report.
- 5.8 The agreed 2017/18 interim audit assessment is that systems and controls are inadequate. This was due to the four outstanding key control issues raised in 2015/16 and 2016/17 around open episodes, annual reviews, six weekly assessments and client agreements.
- 5.9 However, there has been some progress made, which is detailed in the action plan. It is also evident that the migration to Mosaic from FWi in May 2017 has resulted in issues around obtaining key management information such as the production of reports for the service which are used for monitoring performance and processes. As a result these have had an impact on the completion of these actions in particular around the review process.
- 5.10 The 2017/18 Interim Audit agreed two new actions for managers as follows:
- It was noted during the review that 26 invoices which totalled £60,361 were not processed for recovery of income following a Direct Payment audit and approval by panel. Further analysis of this particular workflow is required for these cases to identify any process issues and to reduce the risk of any future delays in raising invoices to clients.
  - The payment cycles produced by the Brokerage and Payments (BAP) Team involves the processing of 8 payment runs on either a weekly or 4 weekly basis. Before the payment cycles are processed there are specific reports produced to ensure the data on the payment run is correct. In relation to Direct Payments and Homecare, there are 13 separate reports produced for the quality assurance of the payment runs. Whilst some of these reports were found to be necessary there are a number of reports produced outside the Mosaic system to change administrative errors or to correct system inaccuracies in the Mosaic System. As such following our observations, it is suggested these reports are reviewed in order to streamline the payment process and to solve the issues arising in the system such as incorrect budget codes defaulting in the payment cycle following the purchase of additional services.

## Residential Care System

- 5.11 The Residential Care Payments system is one of the Council's key Fundamental Financial Systems, with a budgeted net cost of £16.4m in 2017/18. Clients who are unable to support themselves in their own home are able to choose a residential care home. The value of their assets is taken into consideration in determining the amount that they will have to contribute to their care.
- 5.12 Clients may have to pay for all of their care, pay a contribution towards the cost, or have all their care paid for (subject to the collection of pensions by the Council). Where a client has a property, the Council will pay for their care and put a charge on their property until it is disposed of and the Council recovers the amounts owed.
- 5.13 The 2017/18 interim audit concluded that the audit opinion of the systems and controls is adequate. The fact that the audit opinion has remained the same should be viewed as a positive by this Committee. The audit review identified evidence that improvements continue to be made. There is evidence of positive developments to the processes in place for Residential Homecare, including:
- adequate controls are in place around the assessment and decision process for clients being placed into permanent Residential Care, clients are moved into permanent care based on their needs and was evidenced through better interests meetings notes stored on Mosaic. It was also evident that Heads of Service used these notes to support their decision to approve the placement;
  - the process for agreed contracts received from the Care Homes has improved from prior years, which is due to the efficient monitoring of contracts by the Brokerage and Payments Team. A continued process is also in place to ensure in these instances payments are not made to the non-compliant care homes;
  - financial assessments are completed by the Income and Assessments team on an annual basis, with all the relevant documentation stored in the Mosaic system for each of the clients reviewed; and
  - effective monitoring of CHC clients and the recovery of income with close contact and joint working with the CCG to ensure funding is obtained where necessary.
- 5.14 However, the audit has identified some actions for managers:
- It was found during the review of payments to Care Homes that the payment to the Home for the Short Stay contract, for one client, had not been made from 28<sup>th</sup> April 2017 to 31<sup>st</sup> October 2017. This resulted in an outstanding invoice of £62,872; 50% of this cost would be funded by the CHC funding, making the total cost to the Council £31,436. This was due to the renewal of the contract to the home being overlooked after the key case worker had left. The Interim review advised that the report for short stay contracts, that are due to expire for high cost care packages, should be prioritised by Team Managers to reduce the risk of care home payments not being processed in a timely manner.
  - Statutory Annual reviews need to be investigated to ensure they are all up to date. During the interim review it was noted that this is an ongoing exercise and the final position around statutory reviews will be reviewed during the final stage.

## 6. Operational and Business Reviews

6.1 A number of desk top operational and business reviews were performed by Internal Audit in order to support the service around potential risks, processes and internal control matters. These are at various stages from field work to draft report and Internal Audit is currently collaborating with Adults Services around the outcomes. These are further detailed in this section of this report and comprise the following desk top reviews taken place in 2017:

- Finance “Walkthrough” issues (**Sections 6.2 to 6.4**)
- High Cost Care Packages (**Sections 6.5 to 6.6**)
- Mosaic End to End Process (**Sections 6.7 to 6.8**) and
- Direct Payment Process (**Sections 6.9 to 6.10**)

### Finance Walkthrough Issues

6.2 The aim of the review was to work alongside Finance to identify the potential impact on budgets in 2017/18 to support the business to deliver a service in line with the agreed budget. It was highlighted that, as at 31<sup>st</sup> March 2017 the significant areas of overspend were:

- Independent Nursing Home Care: Variance: c. £2m (62%) overspend to budget.
- Personal Budgets: Variance: c. £1.8m (18.9%) overspend to budget.

6.3 Based on the information provided by Finance the main reasons for the issues highlighted were as a result of case management and FWi data administration, training issues, staffing issues and development of FWi. Internal Audit identified three of the main control issues during the FFS audits, these related to:

- Open episodes – these are now being investigated by a Project Officer who is working through the list with relevant teams.
- Annual Reviews – the service are aware of the issue and are currently working through a backlog of client reviews this in turn presents a risk of new reviews also being delayed. This will remain as an action on the FFS report until the reviews are completed. This is seen as a key action; as the progression of this process will assist in ensuring clients receive the correct care needs alongside the right level of financial support.
- Non-submission of contracts for Residential Homes – the Care Homes do not receive payment for clients until the agreement has been sent by the home to the Brokerage & Payments Team. Once the contract has been received this can at times present a large expense due to a backlog of payments. The Brokerage & Payments Team now follow up the homes on a regular basis and this list of outstanding payments is also sent to the Finance team to assist in the budget monitoring.

6.4 It is envisaged that a number of issues could be linked into the FWi system upgrade to Mosaic which took place in May 2017. Internal Audit agreed to look at the end to end processes for Mosaic in Client Services in order to assist in the process and identify any potential control issues.

### High Cost Care Packages

6.5 The aim of the review was to ensure that high cost care packages have been subject to sufficient control. In the review of the expected controls of high cost care packages four key controls were identified as detailed in the testing summary below.

- Where healthcare needs are identified as primary and not secondary Continuing Health Care (CHC) funding will be sought by the Council as appropriate, with the correct process for CHC applications followed. Where CHC is not applicable other cost reduction methods will be sought and documented.
- Reviews will be undertaken in a timely period, annual reviews of cases will be the baseline review period
- Evidence of review of client finances has been completed and retained.

6.6 Internal Audit are in discussion with the service around the key observations and ways to address any internal control issues identified.

### Mosaic End to End Process

6.7 The upgrade of Frameworki to Mosaic in May 2017 presented an opportunity to look at the processes in place through Mosaic, how the Adults system is being utilised and to ensure controls are in place and being adhered to specifically in Client Support Services. The following areas were reviewed below and are currently being discussed with the Service area

- Brokerage & Payments Process,
- Income and Assessments,
- Continuing Health Care Funding Process and,
- Notice to Close (end of services).

### Direct Payments Process

6.8 The Direct Payments (DP) Audit team conducts audit reviews to verify whether clients with a Direct Payments have spent the agreed funds in accordance with the agreed Support Plan and that client contributions associated to their care have been applied and collected. This team has a dual role as a compensating internal control, tasked with the responsibility to identify over-payments/unrecovered client contributions and underspends, and also to ensure the client is spending the agreed funds in accordance with the agreed Support Plan to meet their assessed needs. During the review of the list of DP Audits from 2016/17, conducted in April/May 2017, Internal Audit focused on the clients where high values of funds had been recovered, to determine what actions had been made throughout the year to reduce the amounts clawed back. A sample of 27 cases (totalling £300k) out of the 697 audits with high recovery values during 2016/17, were reviewed in order to identify trends and current processes in place following an Audit.

6.9 The following observations were made and were highlighted to managers:

- It was noted the majority of the clients with high balances were managed by various Brokers out of the 27 reviewed 14 were broker managed as follows:
  - 2 managed by Oldham Care and Support

- 1 managed by Independent Living Brokerage Partnership (ILBP)
- 4 managed by Yvonne Mooney
- 5 managed by Instream
- 3 managed by Sica Support

Given that high balances appear to be associated with Brokers, it was noted that a worthwhile exercise would be for the service to review the brokerage process around high balances, and consider how this balance can be managed more effectively in order to reduce the amount of outstanding balances in line with the service level agreement.

- It was also noted through the FWi work flow the majority of the reviews appear to be directed to one social worker. Potentially this may be where the processes may need to be strengthened, in order to progress reviews promptly and improve resilience.
- Another factor identified as part of the review process, demonstrates that Social Workers may not consistently refer to the DP Audit notes during a re-assessment/review of the client to ensure all issues are considered prior to agreeing the Personal Budget. Ensuring that DP Audit notes are considered would perhaps assist the Social Worker in the re-assessment process to ensure careful consideration is given when awarding a revised Personal Budget.
- During the FFS process it was noted the statutory annual reviews were an action for management and the team are currently working through a backlog of 1,003 which are being completed on a priority basis. This could be a contributory factor in progressing re-assessments requests following a Direct Payment Audit as the workload is being managed by the same team.
- In the meantime it is proposed that the list of clients, in particular where significant amounts of monies have been recovered and have not been re-assessed should be shared with Finance on a monthly basis. It is envisaged that these issues will assist Finance in the Budget Recovery meetings with the service.

## **7. Direct Payment Audit Service**

- 7.1 In accordance with section 6.8, the Direct Payment Audit team verifies that the utilisation of the Direct Payment and any agreed client contributions are in line with the agreed Care Plan.
- 7.2 In December 2015, the Direct Payment Audit Team commenced a pilot programme to conduct audits of Children's Direct Payments. The Pilot programme was considered by the business as meeting its objectives, and the Audit and Counter Fraud Team have been commissioned to conduct these reviews.
- 7.3 The results from the Direct Payment audits for Adults and Children are shown in **Table 4** overleaf. As at the 31<sup>st</sup> October 2017, the Team have exceeded the full year targets for the year for audits undertaken and funds requested during the audits for the Adults Service. The team are on track to deliver the full year target and funds requested in Children's Services.

- 7.4 Whilst a residual level of overpayments is to be expected, **Table 4** reports that the value of invoices raised to recover excess payments is c. £961k from 1<sup>st</sup> April to 31<sup>st</sup> October 2017, against a target of £900k. The audits identify overpayments and agreed recoveries with clients, but there is an expectation that over time, these values should reduce following the implementation of robust controls and processes.
- 7.5 The value of recoveries is considered to be too high and the service is working to develop controls to reduce these overpayments. The actions agreed in the Internal Audit reviews will contribute towards this end. Managers in the service are very positive to the need for this change.

**Table 4: Directorate Direct Payment Audits**

Performance Indicator/Output Measure	2016/17 Actual	2017/18 Full Year Target	2017/18 1 <sup>st</sup> Apr – 31 <sup>st</sup> Oct 2017
<b>Children's Services:</b>			
Audits undertaken (no.)	152	130	49
Funds requested during Audit	£161,886	£100,000	£51,773
<b>Adults Services:</b>			
Audits undertaken (no.)	697	500	574
Funds requested during Audits	£1,398,078	£800,000	£909,389
<b>Total Children's and Adults Services:</b>			
Audits undertaken (no.)	Adult Audits results only	<b>630</b>	<b>623</b>
Funds requested during Audit		<b>£900,000</b>	<b>£961,162</b>

- 7.6 The Direct Payments Audit Team continue to collaborate with service colleagues as follows:
- The Direct Payment Audit Task and Finish Group is reviewing the approach to the audit review of complex, high risk, high cost care packages. The outcome of this review is being tracked by a pilot exercise, the outcome and results arising from this, will be reported to the Adults Managements Team Meeting, chaired by the Director of Adults Services, in March 2018.
  - The Direct Payments Audit Team, in collaboration with Counter Fraud colleagues, continue review protocols around the response to, and the investigation of, complex and high profile cases. The teams are currently collaborating on three complex case to ensure the best way forward for the Council. This reflects the potential risks associated with direct payments.

## **8. Management Response to Audit Reviews**

- 8.1 Response to audit recommendations has been relatively effective and senior managers continue to be supportive of the audit process. **Appendix 1** records the progress made by managers across the Directorate to the agreed audit recommendations. In summary, there has been some progress against the agreed recommendations by the service. Where actions arising are not fully implemented by managers at this time, these will be followed up during 2017/18 and 2018/19, and reported to Members of the Audit Committee as appropriate.

8.2 The Audit and Counter Fraud team would like to thank the Executive Director for the Health and Wellbeing Directorate and her colleagues for their assistance, receptiveness and support during the Audit and Counter Fraud reviews in 2016 and 2017, and they look forward to working with them during the next 12 months.

9. **Options/Alternatives**

9.1 N/A

10 **Preferred Option**

10.1 N/A

11 **Consultation**

11.1 N/A

12 **Financial Implications**

12.1 N/A

13 **Legal Services Comments**

13.1 N/A

14 **Cooperative Agenda**

14.1 N/A

15 **Human Resources Comments**

15.1 N/A

16 **Risk Assessments**

16.1 N/A.

17 **IT Implications**

17.1 N/A

18 **Property Implications**

18.1 N/A

19 **Procurement Implications**

19.1 N/A

20 **Environmental and Health & Safety Implications**

20.1 N/A

21 **Equity, Community Cohesion and Crime Implication**

21.1 None.

**22 Equality Impact Assessment Completed**

22.1 No

**23 Forward Plan Reference**

23.1 N/A

**24 Key Decision**

24.1 N/A

**25 Background Papers**

25.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act.

File Ref: Background papers are included as Appendices  
Officer Name: Jane Whyatt  
Contact No: 4773

**26 Appendices**

26.1 **Appendix 1:** Health and Wellbeing Summary of Audit and Counter Fraud Reviews: 1<sup>st</sup> December 2016 to 30<sup>th</sup> November 2017.



## OLDHAM AUDIT AND COUNTER FRAUD TEAM

### Summary of Audit and Counter Fraud Reviews Health and Wellbeing Directorate: 1st December 2016 to 30th November 2017

- **Introduction**

This Appendix details the Internal Audit work undertaken in relation to the Health and Wellbeing Directorate between 1st December 2016 and 30th November 2017.

For each audit review, there is an **audit opinion**, **main findings** and **recommendations** arising at the time of finalising the report, followed by the management comments received.

The following summarises the guidance given to the auditor as to the meaning of the opinions contained in the audit reports:

<b>Audit Opinion</b>	<b>Opinion Guidance</b>
<b>Good</b>	Few issues raised in the report, no high priority recommendations.
<b>Adequate</b>	Some issues raised; with one or two being high priority.
<b>Inadequate</b>	A number of issues raised; with less than half of the issues as high priority.
<b>Weak</b>	A large number of issues with most high priority.

Recommendations are prioritised in order that managers can focus their attention on the important issues raised in the Internal Audit report. High priority recommendations are those that the managers should resolve as soon as possible. The above is a guide and it is up to the auditor to determine the audit *opinion* and agree with the manager involved.

#### **Summary of Audit and Counter Fraud Reviews**

The following pages are the **agreed Action Plans** arising from Audit and Counter Fraud reviews within the Directorate in the agreed period, which set out recommendations, responsibilities, management responses and progress updates where actions are due and updates have been provided by managers. Where it has not been possible to obtain updates for recommendations, it is intended to provide a verbal update at the Audit Committee meeting.

## Health and Wellbeing Directorate

## Action Plans arising from Audit and Counter Fraud Reviews - 1st December 2016 to 30th November 2017

Audit Committee Report Section Ref	Audit Review	Audit Opinion	Appendix 1 Pages
<b>Sections 4 and 5:</b>	<b>Financial Systems Implementations and Reviews:</b>		
• <b>Sections 4.1 to 4.6</b>	Mosaic Assurance Reviews	Various	17 – 24
• <b>Sections 5.6 to 5.10</b>	2017/18 Personal Budgets, Home Care and Direct Payments Interim	Inadequate	25 – 28
• <b>Sections 5.11 to 5.14</b>	2017/18 Residential Care Interim	Adequate	29 – 32
<b>Section 6:</b>	<b>Business/ Operational Reviews:</b>		
• <b>Sections 6.2 to 6.4</b>	Finance Walkthrough Issues	Advisory	33 – 34
• <b>Sections 6.5 to 6.6</b>	High Cost Care Packages	Advisory	35
• <b>Sections 6.7 to 6.8</b>	Mosaic End to End Processes	Advisory	36
• <b>Sections 6.9 to 6.10</b>	Direct Payments Process	Advisory	37 - 38

**Audit Type: Financial Systems Implementations and Reviews**

Area	Overview
<p><b>Implementation Coverage:</b></p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 17</p>	<p><u>Mosaic implementation- Accounts Payable and Billing Cycles</u></p> <p>Planned roll-out of the Mosaic: This is an upgrade of the system from Framework-i (FWi) to the new Adult Social Care system Mosaic.</p> <p>The system is reported to be a “one solution, one platform”. Mosaic is intended to provide a fully integrated solution for Adults, Children’s and financial case management on a single platform.</p> <p>Mosaic has been designed based on four areas:</p> <ul style="list-style-type: none"> <li>• Improving decision making</li> <li>• detailing the client’s history</li> <li>• Saving time for practitioners</li> <li>• Supporting collaboration with families and other agencies</li> </ul> <p>As part of this, Internal Audit liaised with the Agresso Finance Team to gain assurance around the interfaces between Mosaic and Agresso Financial System- Adults Payment and Billing Cycle and the Council’s Information Governance Team to discuss the assurances they obtained around potential data protections risks.</p>
<p><b>Transaction Details and Frequency:</b></p>	<p>In line with the current FWi system, Mosaic will process all payment and invoicing cycles. There will be 4 weekly cycles; i.e. 13 periods each financial year for all payments and invoicing cycles but weekly cycles for invoices relating to Community Homecare Providers.</p> <p>The tables overleaf record the frequency and values for each financial processing cycle:</p>

Area	Overview																												
Page 18	<b>Payments</b>																												
	<table border="1"> <thead> <tr> <th style="background-color: #d9d9d9;">Type</th> <th style="background-color: #d9d9d9;">Frequency</th> <th style="background-color: #d9d9d9;">Amount</th> <th style="background-color: #d9d9d9;">Annual</th> </tr> </thead> <tbody> <tr> <td>Residential Care</td> <td>4 weekly</td> <td>£1.88m</td> <td>£24m</td> </tr> <tr> <td>Direct Payments</td> <td>4 weekly</td> <td>£0.863m</td> <td>£11.2m</td> </tr> <tr> <td>Community Home Care</td> <td>Weekly</td> <td>£0.1m</td> <td>£5.2m</td> </tr> <tr> <td>Supported Living</td> <td>4 weekly</td> <td>£0.433m</td> <td>£5.6m</td> </tr> <tr> <td>Shared Lives</td> <td>4 weekly</td> <td>£0.035m</td> <td>£0.46m</td> </tr> <tr> <td><b>Total</b></td> <td></td> <td></td> <td><b>£46.m</b></td> </tr> </tbody> </table>	Type	Frequency	Amount	Annual	Residential Care	4 weekly	£1.88m	£24m	Direct Payments	4 weekly	£0.863m	£11.2m	Community Home Care	Weekly	£0.1m	£5.2m	Supported Living	4 weekly	£0.433m	£5.6m	Shared Lives	4 weekly	£0.035m	£0.46m	<b>Total</b>			<b>£46.m</b>
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The audit outcomes in the schedule include RAG ratings, the key to which is set out below:

Significant issues, low level of assurance due to absence of key controls and/ or system test results significantly outside tolerance. There are no plans in place to resolve prior to Go Live.	<b>R</b>
Medium level of assurance due to absence of some key controls and/or test results outside tolerance. Managers have plans in place to resolve/re-test prior to Go Live/No Go Live decision.	<b>A</b>
Reasonable assurance - no significant issues.	<b>G</b>

Top Line Risks Reviewed Pre-Implementation	Chartered Institute of Public Finance (CIPFA) Control Objective – Theme	Associated Controls/ Mitigating Actions	Internal Audit RAG Rating

Top Line Risks Reviewed Pre-Implementation	Chartered Institute of Public Finance (CIPFA) Control Objective – Theme	Associated Controls/ Mitigating Actions	Internal Audit RAG Rating
<p>Data can be introduced into the system which has not been validated in Mosaic</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 10</p>	<p>Payment and Billing Control 1: Legitimacy and appropriates of raising Payment and Billing files.</p>	<p><b><u>Generic key control applicable to all Payment and billing Cycle</u></b></p> <p>Only data from Mosaic can be used to generate the Payment and Billing files. Support plans/contracts are in place with the care provider and approved by the Adult Service panel as part of the authorisation process to ensure the amount is the approved amount.</p> <p><b><u>Conclusion</u></b> From the information provided reviewed, adequate control and segregation of duties exist. There is a risk around creditor and debtor values being updated incorrectly, and not in alignment with Agresso.</p> <p>Note: An end to end process review would be required to obtain further assurance on the process.</p>	<b>G</b>
<p>Invalid data gets through to the Payment and Billing Cycle.</p>	<p>Payment and Billing Control 2: Payment and Billing value made to the value Cycle</p>	<p><b><u>Only data from Mosaic can be used to generate a payment</u></b></p> <p>Payment and brokerage Team run and check file for the payment and billing cycle to assess if the cycle being processed is correct for individual client.</p> <p>5% check by service area will be carried out confirmation required from the Brokerage and Payments Team. This was reviewed during the 2016/17 FFS audit and compliance will be assessed in the 2017/18 interim FFS review.</p> <p><b><u>Conclusion</u></b> From the data reviewed, appropriate levels of segregation duties exist, where an officer runs the payment and billing cycle and review the file which is then sent for final authorisation by the team leader.</p>	<b>G</b>
<p>Agresso is not updated with the data from Mosaic and reconciliations are not</p>	<p>Payment and Billing Control 3: Update and review of Records</p>	<p><b><u>IT Payment and Billing Cycle Process Finance</u></b></p> <p>Automated Agresso file import run processed. If no errors are identified, the payment and billing files are produced.</p>	<b>G</b>

Top Line Risks Reviewed Pre-Implementation	Chartered Institute of Public Finance (CIPFA) Control Objective – Theme	Associated Controls/ Mitigating Actions	Internal Audit RAG Rating
possible/performed		<p>File failure will be picked up by Agresso team via Batch input. Senior Accountant Agresso Team will create email alert if anything fails. This will be identified through the <b>Interface Log</b>, and referred back to the service highlighting any errors.</p> <ul style="list-style-type: none"> <li>• Electronic transfer process of Payment and billing data to Agresso.</li> <li>• Effective reconciliations are programmed to be undertaken by Finance.</li> </ul> <p><b>Conclusion</b> From the work conducted there is both a process and guidance in place where the Agresso Team investigates files which fails.</p>	
<p>Errors in the Payment and Billing file go undetected.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 20</p>	Payment and Billing Control 4:	<p><b><u>Payment and Billing File Mosaic stage</u></b></p> <p>Validation checks built into the processes, e.g. Customer No. references accuracy checks on Mosaic prior to the Payment and Billing file being processed by the Brokerage and Payment Team. This team create the payment and billing files and any errors such as missing creditor/debtor numbers etc. are investigated.</p> <p>Team Leader reviews total value in line with the expected amount compared with the previous cycle.</p> <p>Due to the nature of the service and potential variances, a 10% sample check will be carried out on invoices.</p> <p><b>Conclusion</b> From the work conducted, any errors will be highlighted to the Agresso Team via the agreed technical process within Unity. Appropriate action will be taken by the AP on AR team, as required, and resolved by Finance or the Service area, where applicable.</p>	<b>G</b>
There are interface issues with Agresso, that prevent the go live.	Payment and Billing Control 5:  Update and review of Records	<p><b><u>Interface: Agresso and Mosaic</u></b></p> <p>The interface file between Mosaic and Agresso process does not appear to have any issues.</p>	<b>G</b>

Top Line Risks Reviewed Pre-Implementation	Chartered Institute of Public Finance (CIPFA) Control Objective – Theme	Associated Controls/ Mitigating Actions	Internal Audit RAG Rating
		<p>A test has been carried out by the Business Analyst and the Senior Accountant in the Agresso Team, and provided assurance that there are no outstanding issues following their file testing (confirmed 11<sup>th</sup> May 2017). Failed files will be picked up by Unity It and Agresso Team/Corporate Control (via through the Interface Log).</p> <p><b><u>Conclusion</u></b> From the information provided, the interface processes adequately where payment and billing file from Mosaic is interfaced with Agresso Financial.</p> <p>However there is an inherent risk around the process being successful due to potential unknown errors in running the process as there a number of cycles which need to take place during the month, depending on the service being delivered. Contingency arrangements are in place as detailed below.</p>	
<p>Risk of Payment and billing cycle processed twice if FWi is not closed prior to the go live date.</p>	<p>Payment and Billing Control 6: Update and review of Records</p>	<p><b><u>Contingency Arrangements</u></b></p> <p>Agresso Team (Senior Accountant) is the main lead on this, where a process has been established. The current FWi Payment and Billing will be closed prior to the run of Mosaic payment process.</p> <p>A back up of the old process (FWi) will be retained by the Agresso team in the event of Mosaic failure. This is a “business as usual” process.</p> <p><b><u>Conclusion</u></b> An additional check will be carried out by the Senior Accountant in the Agresso Team during the week of Transfer to ensure duplicate files are not sent/processed.</p> <p>From the data reviewed, adequate controls are in place to close the old file for the direct payment.</p> <p>Each stage of the Mosaic interface procedure on the Agresso side is documented. It is a BAU process for the service to receive automated notifications when the GL has been updated and to raise it with the Agresso Helpdesk if this notification is not received.</p>	<b>G</b>

Top Line Risks Reviewed Pre-Implementation	Chartered Institute of Public Finance (CIPFA) Control Objective – Theme	Associated Controls/ Mitigating Actions	Internal Audit RAG Rating
		In the event of a Mosaic failure the Agresso team are able to refer to previously processed Frameworki files or replicate the previous GL transaction if we are advised that this is the most appropriate course of action to ensure payments are made.	
<p><b>Data Protection Policy</b></p> <p style="text-align: center;">Page 22</p>	<p>Payment and Billing Control 7</p> <p>Data consideration around Information Governance Arrangements.</p>	<p><b><u>Information Governance Assurance – in summary:</u></b></p> <p>Principle 7 of the Data Protection Act requires appropriate technical and organisational measures to be taken against unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data.</p> <p>The Council is to use a third party data processor to process personal data on its behalf. In this case Servelec-Corelogic, provide a managed-hosted solution and use a third party “Iomart” as their data centre provider.</p> <p>Particular care is needed because the Council (and not the data processor) will be held responsible under the Data Protection Act for what Servelec-Corelogic treatment of the Council’s personal data. The Act states that, where you use a data processor:</p> <ul style="list-style-type: none"> <li>• the data processor should provide sufficient guarantees about its security measures to protect the processing it will do for you;</li> <li>• the Council must take reasonable steps to check that those security measures are being put into practice; and</li> <li>• there must be a written contract setting out what the data processor is allowed to do with the personal data. The contract must also require the data processor to take the same security measures you would have to take if you were processing the data yourself. A model data processing contract has been published by the European Committee for Standardisation.</li> </ul> <p>Following the decision by the Council to move to a hosted solution for FWI / Mosaic and to ensure compliance around the above, the Information Governance Team sought assurances over the requirement when using a cloud based solution to ensure that the CESG Cloud Security principles were followed. Specifically, the team:</p>	<b>G</b>



Top Line Risks Reviewed Pre-Implementation	Chartered Institute of Public Finance (CIPFA) Control Objective – Theme	Associated Controls/ Mitigating Actions	Internal Audit RAG Rating
Page 23		<ol style="list-style-type: none"> <li>1. Visited the Servelec-Corelogic offices in London with colleagues from ICT across the Partnership.</li> <li>2. Obtained numerous supporting documents as evidence of compliance with the CESG principles, including various certifications held by both Servelec-Corelogic and their hosting partner Iomart.</li> <li>3. Obtained Servelec-Corelogic signature to the Council's Handling Oldham Council Information policy.</li> <li>4. Reviewed in detail the contract provided by the Council's Legal Department and ensured that specific clauses were inserted to protect the Council's position.</li> <li>5. Within the contract, included the European Committee for Standardization model data processing contract referred to above.</li> </ol> <p><b>Conclusion</b> Information Governance confirmed that they obtained appropriate assurances around these issues so the issue of data protection has received the relevant Council professional input.</p>	
<b>Migration to External Host.</b>	Data integrity at external host	<p>In line with the assessment of the <b>Data Protection</b> risks, reliance has been placed on the assurances obtained by the Information Governance Team in their assessment. As above, the Information Governance Team sought assurances over the requirement when using a cloud based solution to ensure that the CESG Cloud Security principles were followed.</p> <p><b>Conclusion</b> Information Governance confirmed that they obtained appropriate assurances around these issues so the issue of data protection has received the relevant Council professional input. A post implementation review will be conducted to review the process designed to ensure data integrity.</p>	<b>G</b>
<b>Opinion</b>		<p><b>Summary:</b></p> <p><b>Overall:</b> Based on the feedback from the Senior Accountant in Agresso, all files relating to payment and billing cycle- FWi to Mosaic interface works as expected with Agresso financial system, and no issues have come to the Agresso Teams attention which</p>	<b>G</b>

Top Line Risks Reviewed Pre-Implementation	Chartered Institute of Public Finance (CIPFA) Control Objective – Theme	Associated Controls/ Mitigating Actions	Internal Audit RAG Rating
Page 24		<p>indicates the files will not process as intended.</p> <p><b>Contingency:</b> the previous file on all Payment and Billing Cycle are retrieved and, should any file fail this can be used as a backup file to process payments and recall billing: however the monthly adjustments would need to be reflected in the subsequent payment.</p> <p>Electronic evidence provided and files observed via emails but no data test has been carried out.</p> <p><b>Post implementation:</b> It is suggested that a post implementation test around payment and billing files should be carried out as part of the end to end process of mosaic via brokerage and payments team; such to carry out sample test around Mosaic payment file to Agresso, to ensure payments and billing are being processes accurately.</p> <p><b>Additional Migration Risk:</b> the risk around transfer error to the external Host is an outstanding factor as the previous cause of error, which led to an implementation delay, is yet to be identified as per the Social Care Board report.</p> <p>Based on the assessment above, it is acknowledged that there are potential risks with the process, and it would be a favourable approach to carry out further work to obtain a better understanding of the new system in order to provide additional assurance.</p> <p><b>Assurance Level: Reasonable assurance, but not absolute assurance can be provided that the Payment and Billing Cycle will be processed accurately following the migration. Audit testing will be conducted as part of the post implementation review.</b></p>	

**Audit Type: Financial Systems and Implementations**

**Audit Review:** Personal Budgets, Home Care and Direct Payments  
**Audit Opinion:** Inadequate  
**Date of Report:** December 2017

Page 25

Background and Key Audit Objectives	Key Audit Conclusions
<p>The total budgeted gross expenditure for 2017/18 to the Council for Direct Payments (£11.5m) and Community Homecare (£8.6m) is £20.1m.</p> <p>The Health and Wellbeing Team administer both the Personal Budget and Community Homecare services for clients. The team allocates services to clients, visiting clients directly at their homes, and provides Personal Budgets to those clients who wish to retain greater control over their own affairs and who can procure services to assist in their own care needs.</p> <p>The Personal Budgets Audit team verifies that spending of the Personal Budget is in line with the agreed Care Plan and that client contributions to their care have been made. This team has a dual role as a compensating control, tasked with the responsibility to recover over-payments/unrecovered client contributions and also to ensure the client is spending the agreed funds advanced in accordance with the agreed Support Plan.</p> <p>In 2016/17, the team conducted 697 audits and identified overpayments, inappropriate use and financial contributions to the value of over £1,398k. Year to date, this figure to the 31<sup>st</sup> September 2017 is 518 audits at £842k.</p> <p>A key system change was implemented for Adults though the introduction of the system upgrade from Frameworki (FWi) to Mosaic in May 2017; in order to meet the business needs due to FWi becoming an end of life product.</p> <p>The objective of the audit is to review and test the operation of the system, including controls, to ensure that laid down procedures are being complied</p>	<p>The interim audit assessment for Personal Budgets and Home Care is that systems and controls are <u>inadequate</u>. This was due to the four outstanding key control issues raised in 2015/16 and 2016/17 around open episodes, annual reviews, six weekly assessments and client agreements.</p> <p>However, there has been some progress made, which is detailed in the action plan in section 5. It is also evident that the migration to Mosaic from FWi in May 2017 has resulted in issues around obtaining key management information such as the production of reports for the service which are used for monitoring performance and processes. As a result these have had an impact on the completion of these actions in particular around the review process.</p> <p>From the audit review conducted, it is also evident that, on balance, the migration to FWi has led to good progress around the controls and processes around payments, income collection and administration of key documents on FWi.</p> <p>The 2017/18 Interim Audit has agreed new actions to address the following findings:</p> <ul style="list-style-type: none"> <li>It was noted during the review that 26 invoices totalling £60,361 were not processed for recovery of income following a Direct Payment audit and approval by panel. Further analysis of this particular workflow is required for these cases to identify any process issues and to reduce the risk of any future delays in raising invoices to clients.</li> </ul>

Background and Key Audit Objectives	Key Audit Conclusions
<p>with. In addition, the work will ensure that recommendations made for 2016/17 have been implemented. The key system control objectives are to:</p> <ul style="list-style-type: none"> <li>• confirm clients receive a needs assessment in line with statutory requirements;</li> <li>• verify that the Resource Allocation Panel agrees a level of client funding;</li> <li>• confirm that debtor invoices are raised and approved for client contributions or they are correctly deducted from their overall payments;</li> <li>• data held on Mosaic is adequately controlled to ensure the accuracy, completeness and reliability of information;</li> <li>• provider invoices are approved and correctly recorded in Agresso; and</li> <li>• income and expenditure are correctly reconciled between Mosaic and Agresso.</li> </ul> <p>Therefore the scope of the review is:</p> <ul style="list-style-type: none"> <li>• Follow up previous recommendations from the 2016/17 Personal Budgets and Homecare audit report and progress toward actions agreed.</li> <li>• Validation of the updated flowcharts previously reviewed in 2016/17 to ensure that the system is operating as documented from information supplied by management and that any changes are subsequently recorded.</li> <li>• Perform a walkthrough test to ensure that the processes in the flowchart(s) are accurate and reflect the documentation used with controls operating throughout the year.</li> <li>• Undertake detailed compliance testing of the agreed key control assertions approach and the CIPFA System Based Control Matrices.</li> </ul>	<ul style="list-style-type: none"> <li>• The payment cycles produced by the Brokerage and Payments (BAP) Team involves the processing of 8 payment runs on either a weekly or 4 weekly basis as follows: <ul style="list-style-type: none"> <li>- Direct Payments,</li> <li>- Home Care (Electronic Call Monitoring (ECM)),</li> <li>- Residential Home Care,</li> <li>- Supported Living,</li> <li>- Shared Lives Short Term,</li> <li>- Shared Lives Long Term,</li> <li>- Manual Invoice Payments, and</li> <li>- Carers.</li> </ul> </li> </ul> <p>Before the payment cycles are processed there are specific reports produced to ensure the data on the payment run is correct. In relation to Direct Payments and Homecare, there are 13 separate reports produced for the quality assurance of the payment runs. Whilst some of these reports were found to be necessary there are a number of reports produced outside the Mosaic system to change administrative errors or to correct system inaccuracies in the Mosaic System. As such following our observations, it is suggested these reports are reviewed in order to streamline the payment process and to solve the issues arising in the system such as incorrect budget codes defaulting in the payment cycle following the purchase of additional services.</p> <p>It is noted that Adult Social Care had concurrently commissioned an additional review of these payment mechanisms via the additional audit review 'Mosaic end to end process'; as they are actively seeking to continually improve the recently implemented Mosaic payment processes. This particular recommendation had also been identified as part of that review. Progress towards these matters, and the actions brought forward from last year, will be reviewed during the 2017/18 Final Audit, in February 2018</p>

### Audit Action Plan: 2017/18 Interim - Personal Budgets and Direct Payments

No	Recommendation	Priority	Management Comments	Who	When
1	<p><b>Reassessment of Clients</b> Investigation should be made into any clients who have outstanding episodes where reviews have started but not been completed.</p> <p><b>Recommendation brought forward from 2016/17.</b></p>	High	<p>Agreed - Those clients with open episodes have been reviewed and, out of 746, most have now been closed. Some outstanding episodes cannot be closed, due to ongoing and active tasks they are linked to which need to be completed.</p> <p>The Project Officer is working on the remaining 164 outstanding with a nominated officer from each relevant team.</p>	<p>Head of Client Services</p> <p>Head of Adult Social Care</p> <p>Head of Mental Health and Learning Disabilities</p>	28th February 2018
2	<p><b>Annual Reviews</b> The arrears for those clients requiring the statutory annual review should be cleared as soon as possible.</p> <p><b>Recommendation brought forward from 2015/16.</b></p>	High	<p>Agreed - There is an issue with the monthly report for reviews since the upgrade to Mosaic. The review team is working through the reviews from historical reports but cannot prioritise without the up to date overdue list. There is also a recent reduction of staffing in the team. This area is being looked at in the current service redesign.</p>	<p>Head of Adult Social Care</p> <p>Head of Mental Health and Learning Disability Services.</p>	29 <sup>th</sup> March 2018
3	<p><b>Six Weekly Assessment</b> The six weekly assessments waiting processing should be prioritised and reviewed on a regular basis.</p> <p><b>Recommendation brought forward from 2015/16.</b></p>	Medium	<p>Agreed - There is a dedicated team of Social Workers who are now allocated to this task to look at Clients who require a six weekly assessment. These clients are individuals who have come out of reablement or hospital.</p> <p>As of the 4<sup>th</sup> December 2017 this process will alter where clients will have a light touch assessment in hospital and a full trusted assessment once they are back into the community, this could delay the assessments longer than six weeks depending on their</p>	Head of Adult Social Care	29 <sup>th</sup> March 2018

No	Recommendation	Priority	Management Comments	Who	When
			<p>discharge from hospital care.</p> <p>Again the outstanding assessments cannot be monitored or prioritised due to the reports not being available from Mosaic.</p>		
4	<p><b>Client Agreements</b> There should be a signed Client Agreement on file for all clients receiving Direct Payments.</p> <p><b>Recommendation brought forward from 2015/16.</b></p>	Medium	<p>Agreed - This is now part of core business and Direct Payments will not commence without a signed agreement.</p> <p>The Project Officer wrote to outstanding clients in September and agreed that if no response by the end of October we would review them.</p> <p>We are unable to report figures completed due to reporting issues after the upgrade to Mosaic. This will be reviewed once the report is available in the final stage review.</p>	Head of Client Services	29 <sup>th</sup> March 2018
5	<p><b>New Recommendation Invoice Cancellation</b> Further analysis of the workflow issues for raised invoices is required to prevent any further delays on the collection of income.</p>	Medium	Agreed - The initial review has been completed and developments within Mosaic are now being progressed to improve workflow and minimise future occurrence of cancelled invoices. The improvements will be implemented by the end of January 2018	Head of Client Services	31 <sup>st</sup> December 2017
6	<p><b>New Recommendation Payment Cycles</b> The reports processed for the assurance of payment cycles should be reviewed to reduce the amount of time taken to produce each payment run.</p>	Low	Agreed - this action will be dependent on Business Intelligence capacity to re-work all the reports, due to the priority of outstanding reports to be corrected after the Mosaic transfer.	Head of Client Services	29 <sup>th</sup> March 2018

## Audit Type: Financial Systems and Implementations

**Audit Review:** Residential Care Payments  
**Audit Opinion:** Adequate  
**Date of Report:** December 2017

Background and Key Audit Objectives	Key Audit Conclusions
<p>The Residential Care Payments system is one of the Council's key Fundamental Financial Systems, with a budgeted net cost of £16.4m in 2017/18.</p> <p>Clients who are unable to support themselves in their own home are able to choose a residential care home. The value of their assets is taken into consideration in determining the amount that they will have to contribute to their care.</p> <p>Clients may have to pay for all of their care, pay a contribution towards the cost, or have all their care paid for (subject to the collection of pensions by the Council). Where a client has a property, the Council will pay for their care and put a charge on their property until it is disposed of and the Council recovers the amounts owed.</p> <p>A key system change was implemented for Adults though the introduction of the system upgrade from Frameworki (FWi) to Mosaic in May 2017; in order to meet the business' needs due to FWi becoming an end of life product.</p> <p>The Care Act 2014 builds on recent reviews and reforms, replacing numerous previous laws, to provide a coherent approach to adult social care in England. Part one of the Act (and its Statutory Guidance) consolidates and modernises the framework of care and support law; it set out new duties for local authorities and partners, and new rights for service users and carers.</p> <p>A wider Adult Service Working Group has been established the Resource Allocation Scoring (RAS) process will be included as part of this, Internal</p>	<p>The draft interim audit opinion of the systems and controls continues to be <u>adequate</u>. The audit review identified that improvements to the system continue to be made, including:</p> <ul style="list-style-type: none"> <li>adequate controls are in place around the assessment and decision process for clients being placed into permanent Residential Care, clients are moved into permanent care based on their needs and was evidenced through better interests meetings notes stored on Mosaic. It was also evident that Heads of Service used these notes to support their decision to approve the placement;</li> <li>the process for agreed contracts received from the Care Homes has improved from prior years, which is due to the efficient monitoring of contracts by the Brokerage and Payments Team. A continued process is also in place to ensure in these instances payments are not made to the non-compliant care homes;</li> <li>financial assessments are completed by the Income and Assessments team on an annual basis, with all the relevant documentation stored in the Mosaic system for each of the clients reviewed; and</li> <li>effective monitoring of CHC clients and the recovery of income with close contact and joint working with the CCG to ensure funding is obtained where necessary.</li> </ul>



Background and Key Audit Objectives	Key Audit Conclusions
<p>Audit will be involved in this group to provide advice and guidance to ensure the assurance is provided around any risks.</p> <p>The objective of the audit is to review and test the operation of the system, including controls, to ensure that laid down procedures are being complied with. In addition, the audit will ensure that previously agreed recommendations made for 2016/17 have been implemented.</p> <p>The key system control objectives are to confirm that:</p> <ul style="list-style-type: none"> <li>• Data held on Mosaic is adequately controlled to ensure the accuracy, completeness and reliability of information;</li> <li>• Individual Client Financial Assessments are completed fairly and accurately, with all appropriate funding sources being identified and correctly actioned;</li> <li>• Placement of clients into Residential Care is approved in all cases by the Approval Panel;</li> <li>• All residents placed in Residential Care are: <ul style="list-style-type: none"> <li>○ covered by an agreed funding contract; and</li> <li>○ receive at least one on site review, per year, to confirm the suitability of their care;</li> </ul> </li> <li>• Payments made to Residential Homes are accurate and fully reflect the number of clients in care and their agreed care needs;</li> <li>• Financial contributions towards the cost or care, which are due to the Council from clients, or other funding bodies (such as NHS) are invoiced in a timely manner; and</li> <li>• Income and expenditure in relation to Residential Care is reconciled to the financial ledger.</li> </ul> <p>Therefore the scope of the review is:</p>	<p>Colleagues from Finance and Internal Audit have been working together to look at various business processes within the Adults service to improve the budget monitoring process. A review of High Cost Care Packages was carried out, which involved mainly clients under S117 and who are in receipt of CHC funding. The majority of these clients are in permanent residential care due to their complex needs. Various meetings have been set up following these reviews involving Finance Colleagues and Internal Audit to discuss and implement improvements.</p> <p>From the audit review conducted, it was noted that the migration to Mosaic from FWi in May 2017 has resulted in issues and delays in the production of key reports for the service for monitoring. In addition issues have been identified in the permissions and access to Mosaic for Age UK who are contracted to review a majority of the Residential Home Care clients. This has had an impact on the progression of the action around the review process.</p> <p>The 2017/18 Interim Audit has agreed the new action to address the following finding:</p> <ul style="list-style-type: none"> <li>• It was found during the review of payments made to Care Homes that the payment to the Home for one client's Short Stay contract had not been made from 28<sup>th</sup> April 2017 to 31<sup>st</sup> October 2017, which resulted in an outstanding invoice to be paid for £62,872, half of which would be in receipt of CHC funding making the total cost to the Council £31,436. This was due to the renewal of the contract to the home being overlooked after the key case worker had left. It is advised that the report for short stay contracts that are due to expire for placements, should be prioritised by Team Managers to reduce the risk of care home payments not being processed in a timely manner.</li> </ul>



Background and Key Audit Objectives	Key Audit Conclusions
<ul style="list-style-type: none"><li>• Follow up previous recommendations from the 2016/17 Residential Care Payments System.</li><li>• Validation of the updated flowcharts previously reviewed in 2016/17 to ensure that the system is operating as documented from information supplied by management and that any changes are subsequently recorded.</li><li>• Perform a walkthrough test to ensure that the processes in the flowchart(s) are accurate and reflect the documentation used with controls operating throughout the year.</li><li>• Undertake detailed compliance testing of the agreed key control assertions approach and the CIPFA System Based Control Matrices.</li><li>• Confirm accuracy of payments generated by Mosaic in relation to Residential Care Clients.</li><li>• Review the accuracy of Individual Client Financial Assessments and confirm that correct action is taken in respect of Residential Care funding.</li></ul>	

## Audit Action Plan: 2017/18 Interim - Residential Care Payments

No	Recommendation	Priority	Management Comments	Responsibility	Implementation Date
1	<p><b>Statutory Annual Review</b></p> <p>Any arrears for those clients requiring the statutory annual review should be cleared as soon as possible.</p> <p><b>Recommendation brought forward from 2016/17</b></p>	Medium	There is an issue with the monthly report for reviews since the upgrade to Mosaic. The review team are working through the reviews from historical reports but cannot prioritise without the up to date overdue list. There is also a recent reduction of staffing in the team. This will be looked at in the service redesign which is currently underway.	Head of Adult Social Care with Head of Mental Health & Learning Disability Services.	29 <sup>th</sup> March 2018
2	<p><b>High Cost Short Stay Contracts</b></p> <p>The service should review and update the list of short stay placements that are due to expire; to include the costs of care and care provider.</p> <p>This will enable Team Managers to prioritise the processing of high cost placements.</p>	Medium	<p>This will require a combined approach from business intelligence and contracts to identify short stay / high cost cases to enhance the list for review.</p> <p>New contracts will then be issued to avoid gaps in contract, gaps in payment, risk to provider / placement security and council reputation.</p>	<p>Head of Adult Social Care</p> <p>Head of Mental Health &amp; Learning Disability Services and,</p> <p>Head of Client Services</p>	31 <sup>st</sup> January 2018

## Audit Type: Operational and Business Reviews

**Audit Review:** Finance Issues Walkthrough  
**Audit Opinion:** Advisory  
**Date of Report:** 27<sup>th</sup> June 2017

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Background and Key Audit Objectives	Key Audit Conclusions
<p>Due to increase in demands and service pressure the Adults Service area for 2016/17 reported an overspend position as at 31<sup>st</sup> March 2017. Following the final stage of the 2016/17 Fundamental Financial Systems Audits of the systems based in Adults Services, it was agreed that Internal Audit would collaborate with Finance and Adults Service colleagues to provide further guidance around the business processes and controls, which were identified during the audits.</p> <p>The aim of the review is to identify the potential impact on budgets in 2017/18 to support the business to deliver a service in line with the agreed budget. As at 31<sup>st</sup> March 2017 the significant areas of overspend are:</p> <ul style="list-style-type: none"> <li>• Independent Nursing Home Care: Variance: c. £2m (62%) overspend to budget</li> <li>• Personal Budgets: Variance: c. £1.8m (18.9%) overspend to budget</li> </ul> <p>Whilst the Independent Day Care (IDC) service incurred an overspend, this is less material in value. Therefore Internal Audit agreed to collaborate with colleagues to review the processes and controls in the two service areas with the largest overspend noted above. If required, processes in the IDC service can be reviewed at a subsequent date.</p> <p>An initial planning meeting took place with the Senior Finance Manager and Senior Accountant for Adults Services on 8<sup>th</sup> May 2017.</p>	<p>It was agreed that the Senior Finance Manager would present <b>Appendix 1a</b> to the next Budget Monitoring meeting with the Adults Management Team and discuss the progression made on the above areas and on a way forward with any remaining issues, and also where Internal Audit can potentially assist around the process to strengthen controls.</p> <p>In the meantime, prior to this meeting, Finance colleagues met with the Director of Finance and discussed that an agreed way forward would be for Internal Audit to review the Direct Payment (DP) Audit income recoveries from 2016/17 and establish the controls and process in place to assist in identifying why the recovery rate has not reduced.</p> <p>A further briefing note has been drafted to cover this issue. Following this, Internal Audit has carried out an exercise around documenting the workflow and decisions taken following an IB cash audit review where underspend/misuse and non-contribution have been identified.</p>

Background and Key Audit Objectives	Key Audit Conclusions
<p>The emphasis of the meeting was to discuss and agree which processes Internal Audit could assist Finance around the Budget pressures in Adults Services. A subsequent meeting took place between the Head of Corporate Governance and the Assistant Director of Finance on the 14<sup>th</sup> June 2017. It was agreed to cover a number of key areas, and an Adult Social Care Improvements Group was set up to meet bi-weekly in order to monitor progress.</p> <p>Finance colleagues highlighted that it might be worthwhile to revisit the “Finance walkthrough”, which was an issue log from August 2016 created by Finance to identify a number of business issues from their perspective. This was subsequently passed onto Internal Audit for comments on individual issues identified.</p>	

**Audit Type: Operational and Business Reviews**

**Audit Review:** High Cost Care Packages  
**Audit Opinion:** Advisory  
**Date of Report:** 27<sup>th</sup> June 2017

Background and Key Audit Objectives	Key Audit Conclusions
<p>The aim of the review is to ensure that high cost care packages have been subject to sufficient control. In the review of the expected controls of high cost care packages four key controls were identified as detailed in the testing summary below.</p> <p>Internal audit undertook the necessary training on the correct use of the Mosaic system. Following this training internal audit were granted 'Read Only' access to the Mosaic system in order to review the documentation of consideration of key risks directly.</p>	<p><b><u>Observations</u></b></p> <p>Four key risks were identified in the testing. Of these four risks; three have evidence of sufficient control of these risks, however the test of sufficient documentation of timely review of client care needs has evidenced that annually scheduled reviews are not being completed as scheduled.</p> <p>These observations are currently being discussed with the service area.</p>

**Audit Type: Operational and Business Reviews**

**Audit Review:** Mosaic End to End Process  
**Audit Opinion:** Advisory  
**Date of Report:** 14<sup>th</sup> September 2017

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Background and Key Audit Objectives	Key Audit Conclusions
<p>Oldham Council agreed to upgrade the Frameworki (FWi) Adult Case Management System to Mosaic by Servelec Corelogic in order to meet the business needs. FWi is becoming an end of life product and will be replaced by Mosaic in the future, meaning FWi will become limited to only meeting statutory requirements.</p> <p>Mosaic provides key functionality for family and group based recording, which is one of the key requirements to meet legislative requirements around family and group based social care recording in light of the Children’s and Families Act 2014, whereas FWi can only record on a single client basis.</p> <p>FFS audits for Residential Home Care and Personal Budgets and Home Care have remained inadequate over the last 5 financial years with the exception of Residential Home Care which moved to adequate in 2016/17. Internal Audit have agreed to assist with Adults Services to look at processes in place prior to the 2017/18 FFS audits in October 2017 to look at ways of streamlining and improving the processes and controls in place</p> <p>The upgrade of FWi to Mosaic in May 2017 presented an opportunity to look at the processes in place through Mosaic, how the Adults system is being utilised and to ensure controls are in place and being adhered to specifically in Client Support Services.</p>	<p><b><u>Observations</u></b></p> <p>Internal Audit reviewed the Mosaic processes in the following areas:</p> <ul style="list-style-type: none"><li>• Brokerage &amp; Payments</li><li>• Income &amp; Assessments</li><li>• Continuing Health Care (CHC) Funding</li><li>• Notice to Close</li></ul> <p>These observations are currently being discussed with the service area to identify any improvements around workflow and processes.</p>

**Audit Type: Operational and Business Reviews**

**Audit Review:** Direct Payment Recovery Process  
**Audit Opinion:** Advisory  
**Date of Report:** 23<sup>rd</sup> June 2017

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Background and Key Audit Objectives	Key Audit Conclusions
<p>The Direct Payments (DP) Audit Team conducts audit reviews to verify whether clients with a Direct Payment have spent the agreed funds in accordance with the agreed Support Plan and that client contributions associated to their care have been applied and collected.</p> <p>This team has a dual role as a compensating internal control, tasked with the responsibility to identify over-payments/unrecovered client contributions and underspends, and also to ensure the client is spending the agreed funds in accordance with the agreed Support Plan to meet their assessed needs.</p> <p>Once an audit is completed, the DP Auditors report their findings on the Framework (FWi) system to the Adult Panel for review. Following the audit, there are three main outcomes, where recovery action is required:</p> <ul style="list-style-type: none"> <li>• underspend against the agreed support plan;</li> <li>• misuse of the agreed funds to items not included in the agreed support plan; and</li> <li>• non-payment by the user of the agreed financial contribution.</li> </ul> <p>The Adult Panel subsequently reviews the findings of the audit using the Framework (FWi) system, and takes the appropriate action. This may include sending a workflow to the Review Team with a note for the client to be re-assessed and sending instructions to the Income and Assessments Team to raise an invoice to recover any money owed. If the account is running to plan and there is no underspend to</p>	<p><b>Brokerage Services</b></p> <p>It was noted the majority of the clients with high balances were managed by various Brokers out of the 27 reviewed 14 were broker managed as follows:</p> <ul style="list-style-type: none"> <li>• managed by Oldham Care and Support</li> <li>• one managed by Independent Living Brokerage Partnership</li> <li>• managed by Yvonne Mooney</li> <li>• managed by Instream</li> <li>• managed by Sica Support</li> </ul> <p>Given that high balances appear to be associated with Brokers, it may be a worthwhile exercise for the service to review the brokerage process around high balances, and consider how this balance can be managed more effectively in order to reduce the amount of outstanding balances in line with the service level agreement.</p> <p><b>Workflow Delegation</b></p> <p>It was also noted that through the FWi work flow the majority of the reviews appear to be directed to one social worker. Potentially this may be where the processes may need to be strengthened, in order to progress reviews promptly.</p> <p><b>PB Audit Notes</b></p> <p>Another factor identified as part of the review process, demonstrates that Social Workers may not consistently refer to the DP Audit system notes during</p>

Background and Key Audit Objectives	Key Audit Conclusions
<p>recover, it is work flowed to 'ongoing DP audits' for an annual audit and no further action is required.</p> <p>If there are high underspends or the account has been misused, the Adult Panel makes a decision whether to reclaim funds and add an outcome decision if the care package needs to be reassessed.</p>	<p>a re-reassessment/review of the client to ensure all issues are considered prior to agreeing the Personal Budget.</p> <p>Ensuring that DP Audit notes are considered would perhaps assist the Social Worker in the re-assessment process to ensure careful consideration is given when awarding a revised Personal Budget.</p> <p><b>Annual Review Process FFS</b></p> <p>During the FFS process it was noted the statutory annual reviews were an action for management and the team are currently working through a backlog of 1,003 which are being completed on a priority basis. This could be a contributory factor in progressing re-assessments requests following a Direct Payment Audit as the workload is being managed by the same team.</p> <p><b>Data Sharing Adult Finance Team</b></p> <p>In the meantime it is proposed that the list of clients, in particular where significant amounts of monies have been recovered and have not been re-assessed should be shared with Finance on a monthly basis. It is envisaged that these issues will assist Finance in the Budget Recovery meetings with the service.</p>