



Internal Audit Report
Housing and Community Care
Financial Assessment & Charging
Assignment No. 16-07
August 2016

Final Report

Finance Division
Corporate and Democratic Services
Perth & Kinross Council
Blackfriars Development Centre
North Port
Perth PH1 5LU

Internal Audit

“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”. Public Sector Internal Auditing Standards (PSIAS)

On 27th March 2013, the Council’s Audit Committee approved the PSIAS as the relevant standard for its Internal Audit activity.

Background and Introduction

This audit was carried out as part of the audit plan for 2016/17, which was approved by the Audit Committee on 30 March 2016. The Assessment & Charging Team (ACT) complete financial assessments (FA) for clients accessing residential and non-residential community care services. Information gathered from these assessments is then used to evaluate the individual’s financial situation and set an appropriate level of contribution for chargeable services being provided to them, where applicable. These assessments also assist clients to identify if they are in receipt of all appropriate benefits and discount entitlements; this is commonly referred to as income maximisation.

The Self-Directed Support (Scotland) Act 2013, implemented in February 2014, effected a large change in the way that non-residential services are being provided and how associated charges and calculations are applied. Current charging arrangements are based on a combination of legislative responsibilities and Convention of Scottish Local Authorities (COSLA), Scottish Government and local guidance.

Housing and Community Care’s (HCC) Internal Control team carried out a review on the application of the Contributions Policy in 2015. This report highlighted areas for improvement and actions required. Target dates were set for completion within 2016.

Audit testing was carried out in June and July 2016.

Scope and Limitations

In order to arrive at an opinion on the achievement of the control objectives, the audit included interviews with staff from the ACT and the HCC Internal Control team and a review of documentation relating to FAs and associated charges.

The audit concentrated on testing controls in place within the ACT to ensure that FAs and resultant calculations are carried out timeously and accurately, with relevant information being communicated to services and clients to ensure prompt and accurate invoicing. The audit included sample testing of financial/income maximisation assessments and processes completed by Financial Support Assistants (FSA), Financial Assessment Officers (FAO) and Finance Officers (FO) for both residential and non-residential care.

The audit did not evaluate the level of service provision or care package assessment undertaken by Community Care professionals. In addition, it did not look at one-off chargeable services, such as Occupational Therapy Equipment installation, debt recovery or residential care home charging and reconciliation duties undertaken by the ACT. Similarly the audit did not look at Social Work Appointee processes.

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Control Objectives and Opinions

This section describes the purpose of the audit and summarises the results. A 'control objective' is a management objective that requires the maintenance of adequate and effective internal controls to ensure that it is achieved. Each control objective has been given a rating describing, on the basis of the audit work done, the actual strength of the internal controls found to be in place. Areas of good or poor practice are described where appropriate.

Control Objective 1: To ensure that that relevant information and guidance is available to the Assessment and Charging team and their clients

Audit Comments:

Audit confirmed that relevant information is available to clients in receipt of care services through correspondence, leaflets and the PKC website. Some of this information, however, is out of date or incomplete.

Enhanced documentation and processes were implemented in December 2015 to improve communication regarding the FA process and invoicing. Whilst, there was limited evidence at the time of the audit to support the application of these, it was observed that the ACT management is working with staff to ensure that these process changes are fully embedded.

The ACT management advised that localised procedures are being developed and updated and will be in place by December 2016.

Previous internal audit actions have been classed as complete based on the understanding that the improved control environment would be maintained. Audit testing has revealed occasions where controls have not been sustained.

Audit observed that ACT members were not carrying out data protection security checks.

In addition, there may be merit in introducing call recording facilities to the ACT and FOs. This would provide a level of protection for both clients and staff and enhance training. The Service has recognised that call recording would be beneficial and has carried out initial investigations into the work required to implement this.

To ensure that Audit Committee are kept informed of progress, it is proposed that internal audit carry out an extended follow up and update the Committee accordingly in July 2017.

Strength of Internal Controls:

Weak

Control Objective 2: To ensure that financial assessments and calculation of charges are identified, completed and invoiced promptly

Audit Comments:

There are processes in place to identify when FAs are required and Audit has

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observed ongoing improvements within the ACT to help manage the workload. These include the development of Swift to facilitate more detailed recording and reporting of the FA process, weekly team updates and protected time for FSAs to complete charging calculations. The Service has reported an improvement in clearing the backlog of assessments.

However, Audit testing has highlighted weaknesses in the control environment which has resulted in clients not being assessed and invoiced in a timely manner. This has also impacted on the reliability of Management Information. In light of this, a number of additional controls require to be introduced to ensure that all FAs and calculation of charges are identified, completed and invoiced promptly.

As in control objective 1 it is proposed that internal audit carry out an extended follow up and update the Committee accordingly in July 2017.

Strength of Internal Controls:

Weak

Control Objective 3: To ensure that that charges invoiced are accurate

Audit Comments:

It was observed that the ongoing development work to Swift, as referred to in control objective 2, will assist in simplifying the client calculation process. FSAs will be responsible for data input and verification and the Swift system will calculate the charges based on this information. This model is already in use for clients in receipt of residential services and it is the ACT Managements' intention to have this set up for non-residential clients. Further process improvements are being investigated which will also see Swift communicate directly with Integra to raise invoices without the need for manual input by a FSA.

Even with these developments, the Auditor noted that there is still scope to improve the control environment as there is a lack of documented oversight to provide assurance that all charges have been invoiced accurately. Additional controls are required to detail oversight checking of the entire process from FA, client calculations and resultant invoicing accuracy.

Audit testing revealed that the Service had recently introduced a system for recording cases considered by the Discretion Panel. There is no such system in place for recording cases assessed for deprivation and there is scope to improve the assessment documentation to show review by more than one person.

Auditor observed that there is scope to improve controls in relation to the issue of credit notes and invoices on hold.

As in control objective 1 it is proposed that internal audit carry out an extended follow up and update the Committee accordingly in July 2017.

Strength of Internal Controls:

Moderately Weak

Management Action and Follow-Up

Responsibility for the maintenance of adequate and effective internal controls rests with management.

Where the audit has identified areas where a response by management is required, these are listed in Appendix 1, along with an indication of the importance of each 'action point'. Appendix 2 describes these action points in more detail, and records the action plan that has been developed by management in response to each point. Appendix 3 lists issues identified during the audit, which would benefit from attention, but are considered to be out-with the scope. This will also be monitored via the follow up arrangements.

It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.

Achievement of the action plan is monitored through Internal Audit's 'follow up' arrangements.

Management should ensure that the relevant risk profiles are reviewed and updated where necessary to take account of the contents of Internal Audit reports. The completeness of risk profiles will be examined as part of Internal Audit's normal planned work.

Acknowledgements

Internal Audit acknowledges with thanks the co-operation of the ACT and HCC Internal Control Team during this audit.

Feedback

Internal Audit welcomes feedback from management, in connection with this audit or with the Internal Audit service in general.

Distribution

This report has been distributed to:

B Malone, Chief Executive

J Walker, Depute Chief Executive, HCC (Corporate and Community Development Services) and Chief Operating Officer

B Atkinson, Director of Housing & Community Care

A Taylor, Head of Corporate IT and Revenues

J Symon, Head of Finance

K McNamara, Head of Strategic Commissioning and Organisational Development

G. Taylor, Head of Democratic Services

L Simpson, Head of Legal and Governance Services

N Copland, Business and Resource Manager

F Low, Business and Resources Team Leader

P Dickson, Complaints & Governance Officer

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External Audit

Other officers may be added if necessary.

Authorisation

The auditor for this assignment was L Ferguson. The supervising auditor was M Morrison.

This report is authorised for issue:

Jacqueline Clark
Chief Internal Auditor
Date:

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Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	Published Information and Guidance	Medium
2	Previous Internal Audit Actions	High
3	Data Protection	High
4	Supervisory Oversight	High
5	Annual Review Process	High
6	Deprivation Recording	Low
7	Credit Notes & Invoices on Hold	High
8	Appendix 3: Action Plan	Low

Appendix 2: Action Plan

Action Point 1 - Published Information and Guidance

Audit testing revealed a number of areas in relation to published information and guidance where there is scope for improvement. These are listed below:

- The Auditor observed information published on the Council's website and documents which are given to clients where information was incorrect or incomplete. The Contributions Policy was not available in the link provided to clients. In addition, the financial guidance for entering a care home page was out of date, and there were inconsistencies in the provision of information to residential and non-residential clients regarding the Discretion Panel.
- There is no version control document which would identify and evidence the frequency and review of published information and guidance.
- There was a lack of evidence to confirm that Financial Assessment Request Forms had been completed in all cases tested. The Service states that this may be due to revised procedures being rolled out during April to June.
- There is evidence that the ACT Management is working on collating and updating localised procedures and aims to have these implemented by December 2016.

Management Action Plan

1. Information available on the pck.gov.uk/care charges site and information leaflets provided to clients will be reviewed to ensure up to date information is available.
2. A version control document which outlines all documents/webpages for clients and staff which require review and update will be introduced.
3. Operational staff will be reminded of the requirement to complete the Financial Assessment Request. Reports detailing noncompliance will be provided regularly to CCMT.
4. Procedures will be collated, updated as required and uploaded to the team SharePoint site.

Importance:	Medium
Responsible Officer:	1.,2. & 4. F Low, Business & Resources Team Leader 3. D Fraser / C. Johnston, Heads of Community Care and Business & Resources Team Leader
Lead Service:	Housing & Community Care

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Date for Completion (Month / Year):	1.,2.,3. October 2016 4. December 2016
Required Evidence of Completion:	1. Confirmation that PKC website and leaflets have been updated 2. Version control document for published information and guidance which shows evidence of review for current financial year 3. Evidence of reminder 4. Access to ACT SharePoint site to review availability of procedures

Auditor's Comments

Satisfactory

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Action Point 2 - Previous Internal Audit Actions

In September 2014 the line management responsibility for the FAOs was transferred from Revenue & Benefits to Business & Resources. Testing confirmed that some procedures for FAOs which were in place whilst within Revenue & Benefits were no longer available. Whilst it is acknowledged that this is due to Service Management change, there are concerns that areas such as lone working and cash collection are not documented.

Similarly, in late 2015, an internal audit report identified the need for additional control in relation to manual bills. Evidence was provided at that time that this had been addressed. Current audit testing has revealed, however, that this control has not been continued. This has resulted in 3 clients not receiving an invoice since November 2015.

Management Action Plan

1. Specific areas highlighted such as lone working procedure and cash handling will be updated immediately. Due to changes in the roles, responsibilities and working practices of the FAOs previous procedures may no longer be relevant. These will be reviewed and where appropriate reinstated; where they are no longer valid, procedures will be reviewed and/or prepared as part of the wider team review of procedures
2. The previously agreed action in relation to manual bills has been reinstated. Clients impacted will be invoiced.

Importance:	High
Responsible Officer:	F. Low, Business & Resources Team Leader
Lead Service:	Housing & Community Care
Date for Completion (Month / Year):	1. December 2016 2. October 2016
Required Evidence of Completion:	1. Procedures for Financial Assessment Officers detailing cash handling and lone working 2. Evidence of manual bill review and evidence of 3 clients being invoiced

Auditor's Comments

Satisfactory

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Action Point 3 - Data Protection

Auditor observed that ACT members were not carrying out data protection security checks when dealing with telephone enquiries in line with the Data Protection Act and internal guidance.

The Auditor also noted that telephone calls were not recorded. The monitoring of such calls would provide a level of protection for staff and vulnerable clients and enhance performance and training.

Management Action Plan

1. The Service accept that data protection security checks require to be undertaken, and will liaise with the Information Security Manager to agree a protocol which is appropriate for this client base.
2. Management will liaise with the Information Security Manager and consider implementation of call recording facilities within the current review of performance and quality and available resources.

Importance:	High
Responsible Officer:	F. Low, Business & Resources Team Leader
Lead Service:	Housing & Community Care
Date for Completion (Month / Year):	1. December 2016 2. March 2017
Required Evidence of Completion:	1. Protocol for data protection security checks to be completed by ACT staff 2. Evidence of review

Auditor's Comments

Satisfactory

Action Point 4 - Supervisory Oversight

Audit testing revealed a number of areas in relation to Supervisory oversight where there is scope for improvement. A brief summary of these are listed below:

- Much of the work processed by the ACT is allocated directly to individual staff from Community Care Teams and others. This has created a lack of audit trail to allow oversight. Examples of areas highlighted by audit testing as not being fully completed in line with Supervisory expectations are;
 - Logging and checking of funding memos.
 - Service ceased notification and processing.
 - Transfer of work process.
- Audit testing revealed a lack of documented oversight checks in relation to FA and Income Maximisation.
- The FSAs use the information from FAs to calculate client contributions and invoices. It has been observed that there are process and system controls in place to facilitate checking of information in relation to the work carried out by the FSAs. However, testing confirmed that there is no equivalent check to ensure that invoices issued reflect the calculated charges or that payment information has been entered as appropriate.
- There is no collation of information on volumes and trends of errors made by, and impacting on the work of, the ACT to facilitate training and performance management.

All of the above has an impact on the timely and accurate invoicing of clients, as well as the reliability of management information used by the Service.

Management Action Plan

The Service will review and document procedures and oversight checks for the full scope of the FA and charging process. This will include reviewing the arrangements for the oversight of the allocation of work within the team alongside verifying FAs and invoices and ensuring that there is an adequate audit trail. As per the third action at Action Point 1, the Service will review how errors are communicated to CC teams.

Importance:	High
Responsible Officer:	F. Low, Business & Resources Team Leader
Lead Service:	Housing & Community Care
Date for Completion (Month / Year):	March 2017
Required Evidence of Completion:	Procedure and associated template documents

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Auditor's Comments

Satisfactory

Action Point 5 - Annual Review Process

The ACT completes a review process in April each year to update client and charging information. In 2016, there were approximately 3,500 clients in receipt of non-residential services who were subject to review. During the audit it was observed that 59 clients identified as being in receipt of non-residential services showed no indication of review within the ACT records.

A sample of 9 of these clients was tested; of these, 6 clients had not been billed for services for 2016 or referred for a FA.

The audit further noted that there is scope to improve the annual review process to ensure that all clients in receipt of services have been identified. An initial review of information from a Swift report which detailed clients in receipt of services in April revealed a client whom the Service had not identified. This client is receiving services, for which they may be liable to pay a charge, but has never received a FA.

Management Action Plan

1. The 59 cases identified above have been reviewed.
2. The Service will document the annual review procedures and ensure that an audit trail and control checks are implemented. Should any historic cases be highlighted, relevant action will be taken.

Importance:	High
Responsible Officer:	F. Low, Business & Resources Team Leader
Lead Service:	Housing & Community Care
Date for Completion (Month / Year):	1. Complete 2. December 2016
Required Evidence of Completion:	1. Evidence of the review of the 59 cases. 2. Documented annual review procedures

Auditor's Comments

Satisfactory

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Action Point 6. Deprivation Recording

“Deprivation” is an assessment of whether a client has given away/spent capital/assets deliberately in order to avoid paying care home fees.

Whilst the Auditor was advised that 2 FOs review each deprivation case, there is no evidence to substantiate this. The deprivation assessment form only requires the signature of one FO and conversations are not documented.

Management Action Plan

The form used to assess deprivation cases has been amended.

Importance:	Low
Responsible Officer:	F. Low, Business & Resources Team Leader
Lead Service:	Housing & Community Care
Date for Completion (Month / Year):	Complete
Required Evidence of Completion:	Amended deprivation assessment form

Auditor's Comments

Satisfactory

Action Point 7 - Credit Notes & Invoices on Hold

Audit observed that, whilst there are manual processes in place within the team for authorisation and review of credit notes, any of the FSAs can raise credit notes on Integra without the need for authorisation. This is a corporate action and will be taken forward as part of 16-03, Sales Ledger Internal Audit, regarding controls on Integra.

The Service completes manual authorisation of credit notes in line with Corporate guidance. There is, however, scope to improve the current control system in relation to investigating and documenting why a credit note is being issued.

The Service receives a report detailing where the invoice and credit note have been raised by the same person. There is a lack of evidence to verify the resultant investigation and any management action taken. Similarly, although there is a control to ensure that invoices on hold are authorised by an FO, audit testing confirmed that there is a lack of evidence of review of these by the ACT to ensure that appropriate and timely action is taken.

Management Action Plan

1. The Service will implement a procedure which outlines steps requiring to be taken to investigate the need for a credit note to be issued; this should also document audit trail requirements for rationale of issuance
2. The Service will document the review of the credit note control report along with resultant discussions/actions
3. The Service will undertake a one-off exercise to ensure that all invoices on hold are reviewed with appropriate action taken. Additionally, the Service will introduce a documented control which provides assurance that invoices which have been placed on hold are being reviewed on a regular, at least once a quarter, basis.

Importance:	High
Responsible Officer:	F. Low, Business & Resources Team Leader
Lead Service:	Housing & Community Care
Date for Completion (Month / Year):	1. & 2. December 2016 3. November 2016

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Required Evidence of Completion:	<ol style="list-style-type: none">1. Procedure document2. Evidence of regular review of credit note control reports and discussion as applicable3. Evidence of one-off review of all invoices on hold. Procedure and accompanying template documents
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Auditor's Comments

Satisfactory

Appendix 3: Action Plan

Action Point 8 - Scheme of Administration & Scheme of Delegation

The National Assistance (Assessment of Resources) Regulations 1992 provide the framework for local authorities to charge for care that they provide or arrange in residential care homes.

At time of audit testing the National Assistance (Assessment of Resources) Regulations 1992 is not referenced in either the Scheme of Administration or the HCC Scheme of Delegation.

Management Action Plan

1. These will be updated at the next available opportunity.
2. The Service will liaise with appropriate personnel to update the Scheme of Administration and HCC Scheme of Delegation to reflect National Assistance (Assessment of Resources) Regulations 1992

Importance:	Low
Responsible Officer:	F. Low, Business & Resources Team Leader
Lead Service:	Housing & Community Care
Date for Completion (Month / Year):	1. October 2016 2. June 2017
Required Evidence of Completion:	1. Updated Scheme of Administration 2. Updated Scheme of Delegation

Auditor's Comments

Satisfactory