



Internal Audit Report
Housing & Community Care
15-41 Assessment & Charging, Community Meals
August 2015

Final Report

Chief Executive's Service
Finance Division
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 an addition to the approved audit plan for 2015/16 following the receipt of information regarding the Council not raising an invoice on a timely basis.

The Assessment & Charging Team in Housing & Community Care invoice clients or their appointed representative for the chargeable elements of their care package in line with the Contributions Policy for Non-Residential Care Services, which was implemented with effect from February 2014. As part of the arrangements for implementing this Policy, transitional arrangements were put in place for those clients with existing care packages. Clients with care packages in place when the Policy was implemented will only be subject to the conditions of the Contributions Policy when there is a change in the care package provided. Therefore there remains a decreasing number of clients who have yet to progress onto this charging framework. The transitional arrangements provide for clients to receive 4-weekly invoices for the chargeable elements of their care packages, such as chargeable home care, day care and other day opportunities.

As a result of changes in staffing within the Assessment & Charging Team, it was revealed that, for some clients, invoices had not been raised for the period of September 2014 to May 2015. The Service contacted the relevant clients or their representatives to highlight the issue and to make arrangements for the payment of the amounts outstanding. The representative of one of the clients affected contacted the Council and expressed concern over the arrangements which allowed the situation to occur. The Service highlighted this to Internal Audit.

As a result of Internal Audit’s review of the charging arrangements and other associated issues regarding the specific client’s representative, Internal Audit also reviewed some aspects of the community meals contract where the Council is exposed to risk in the event of the contract not being managed effectively.

Findings

Charging

The review highlighted that arrangements are in place for the Assessment & Charging Team to record the care services received by individual clients on a spreadsheet. The spreadsheet is based on information which is provided to the Team by Day Care Services and Home Care. Information from the spreadsheet is copied on a 4-weekly basis into the Integra sales ledger system and invoices are issued to the client for payment. Payments are then received by direct debit, standing order, or by cash / cheque paid in at the post office or bank. As at July 2015, there are 52 current clients for whom this arrangement exists.

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However there are a small number of clients who have additions to the care packages, for example for the payment of meals. In order to ensure that invoices are accurate and complete, it is necessary to raise these invoices individually. For the period from September 2014 to May 2015, these individually processed invoices were not raised, in error. This affected invoices relating to 4 clients.

Internal Audit has reviewed the overall control environment for the identification of care services received and the invoicing for these services. Internal Audit has confirmed that the Assessment & Charging Team reviewed all clients who are not subject to the Contributions Policy and verified the clients for whom invoices had not been raised. The spreadsheet maintained details of 6 clients for whom manual invoicing is required, with two of these clients not receiving services during the period. Contact has been made with the 4 clients or their representatives to explain the situation and provide the opportunity for payment to be made over the rest of financial year 2015/16.

Detailed checking on the accuracy of the invoicing has not been undertaken by Internal Audit at this time as the review has concentrated on the overall control environment.

Community Meals

The Council has accessed a framework contract put in place by Scotland Excel for the supply of frozen meals to clients. The contractor (apetito) has in place local arrangements with a sister organisation (Wiltshire Farm Foods) to deliver the meals to clients.

Clients can access the meals service either as a result of a social work review of their care needs or by referral directly to the Council from the client or family members where a need has been identified. An assessment is made by the Council's Community Meals Coordinator and clients are then directed to the meals provider for the number of meals per week, with the contract then taking place between these two parties. The Assessment & Charging Team should have no involvement in the transactions for this service, however the Council is required to take on any bad debt on behalf of clients. It is noted that the meals provider does not cease deliveries due to unpaid invoices but awaits instruction from the Council.

Due to historic difficulties and misunderstandings between the community meals provider and two clients, special arrangements involving the Assessment & Charging Team have been put in place to collect the income due to the meals provider.

The Scotland Excel contract in place for 2011-2015 states that payments can be made by clients for the meals received by either cash or cheque on delivery, by credit or debit card payment over the phone when ordering or by direct debit. However, the meals provider for Perth & Kinross does not have the facility to receive payments by direct debit and this is therefore not offered to Perth & Kinross clients. One client's representative has sought over a number of years to change the provider's position however this has not been successful. The Council does not appear to have insisted that this option is offered to its clients or their representatives. Instead, in order to ensure the smooth running of the meals provision service, the Assessment & Charging Team includes the number of meals delivered to these two clients within their 4-weekly invoice to the client's representative. The meals provider's parent company subsequently invoices the Council for the meals delivered to the two clients.

Scope and Limitations

The review concentrated on the controls in place within the Assessment & Charging Team to ensure that all income is promptly identified for collection and invoiced and on an overview of the contract in place for the provision of community meals. This review did not include invoices raised for clients who are charged through the Contributions Policy.

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: To ensure that financial control over income due for non-residential care services outwith the Contributions Policy is adequate	
<p>Auditor's Comments: The review highlighted that arrangements are in place to record the care services received by individual clients within a spreadsheet. The spreadsheet is based on information which is provided to the Finance Team by Day Services and Home Care. Information is copied on a 4-weekly basis into the Integra sales ledger system and invoices are issued to the client for payment.</p> <p>However there are a small number of clients who have additions to the care packages invoiced, for example for the payment of community meals under a special arrangement. In order to ensure that invoices are accurate and complete, these clients require their invoices to be raised individually. For the period from September 2014 to May 2015, the invoices were not raised and the checks in place did not highlight this error for 9 months. This came to light following the reallocation of tasks within the team.</p> <p>There is scope to improve the efficiency of the invoicing to process by utilising the tools available through SWIFT to generate invoices.</p>	
Strength of Internal Controls:	Moderately weak

Control Objective: To ensure that the Community Meals contract is properly administered to ensure that vulnerable clients are protected from the risk of fraud.	
<p>Auditor's Comments: The contractual requirements for the payment for meals were examined. The Council utilises a contract entered into by Scotland Excel.</p> <p>Arrangements are in place for signposting clients to the meals provider which include as assessment of need and the arrangements for the ordering and payment for meals. Arrangements are in place for the day to day operation of the contract to ensure that meals are delivered at the appropriate time. Processes are in place for drivers to raise concerns regarding the welfare of a client following a visit.</p>	

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The Scotland Excel contract states that clients may pay for their meals on delivery by cash or cheque, over the phone by debit / credit card at the point of ordering, or by direct debit. When meals are delivered, some clients can pay the driver for the meals delivered where this is permitted by the assessment. A delivery note / invoice is left by the driver, who should annotate any payment details on the delivery note. This is then left with the client and functions as the receipt for payment.

The Council is responsible for any bad debts on the part of clients and then seeks to recover these from the clients or their representative.

However:

The local meals provider does not have the facility to receive payment through direct debit and therefore this option is not available to Perth & Kinross clients; and

There is no requirement for drivers to leave sequentially numbered, duplicate receipts, which would provide the client, the client's representative and the Council with assurance that there is appropriate control over money collected from clients.

Furthermore, the contract allows the Council to undertake spot checks on the meal provider to provide assurance that their arrangements are in place and operating effectively, however this has not taken place.

Strength of Internal Controls:	Moderate
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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.

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 Financial Assessment & Charging 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, Executive Director, Housing & Community Care

J Gilruth, Depute Director, Housing & Community Care

D Fraser, Joint Head of Community Care

C Johnstone, Joint Head of Community Care

A Taylor, Head of Finance & Support Services

L Cameron, Head of Housing & Strategic Commissioning

J Symon, Head of Finance

N Copland, Business & Resources Manager

F Low, Business & Resources Team Leader

C Barnett, Finance Officer (Assessment & Charging)

G Peters, Team Leader, Commissioning and Contracting

B Sutherland, Community Meals Coordinator

G Taylor, Head of Democratic Services

P Dickson, Complaints and Governance Officer

External Audit

Authorisation

The auditor for this assignment was J Clark.

This report is authorised for issue:

Jacqueline Clark
Chief Internal Auditor
Date: 25 August 2015

Appendix 1: Summary of Action Points

No.	Action Point	Risk/Importance
1	Management Review	High
2	Automating Processes	High
3	Reconciling income and expenditure for meals	Medium
4	Direct Debit	High
5	Payment at the Point of Delivery	High
6	Ensuring Adequate Control by the Contractor	High

Appendix 2: Action Plan

Action Point 1 - Management Review

The checks in place within the Service did not highlight that the invoice runs were incomplete between September 2014 and May 2015. As such, four clients were affected by the situation and invoices totalling £28,304.57 were raised in July 2015 to cover the back-dated amounts.

A review has revealed scope to improve the verification process for invoices being raised for non-residential charges.

Management Action Plan

The Finance Officer will review the spreadsheet of invoices to be raised every four weeks. The checks will include a reasonableness check on the values being raised for each client, verification that all clients are included within the invoice run and that additional charges are invoiced as appropriate. These checks will be documented and the procedures updated accordingly.

Importance:	High
Responsible Officer:	C Barnett, Finance Officer (Assessment & Charging)
Lead Service:	Housing & Community Care
Date for Completion (Month / Year):	August 2015
Required Evidence of Completion:	Updated procedure & evidence of checking having been undertaken

Auditor's Comments

Satisfactory

Action Point 2 - Automated Processes

The systems in place for the invoicing of non-residential care services are cumbersome.

There is scope within the SWIFT system to utilise pre-existing tools to streamline the process and ensure that regular, accurate and complete invoicing occurs. A similar module is currently used for residential clients.

Management Action Plan

The Service will review the options available for utilising SWIFT to automate the invoicing process for non-residential clients.

Importance:	High
Responsible Officer:	C Barnett, Finance Officer (Assessment & Charging)
Lead Service:	Housing & Community Care
Date for Completion (Month / Year):	December 2015
Required Evidence of Completion:	Automated invoicing

Auditor's Comments

Satisfactory

Action Point 3 - Reconciliation of Income and Expenditure

As part of a special arrangement, the Council pays invoices to the contractor for the meals received for two clients and seeks to recover the value of these invoices from the clients' representatives. When the invoices to clients' representatives are being calculated, a discussion takes place with the meal provider to ascertain the number of meals delivered within the four-weekly period.

There is no reconciliation, when the contractor invoices the Council for these meals, which ensures that the number of meals paid for by the Council and the number of meals invoiced to the client agrees.

Management Action Plan

The Service will reconcile the income and expenditure for the two clients for whom the special arrangements are in place.

Importance:	Medium
Responsible Officer:	C Barnett, Finance Officer (Assessment & Charging)
Lead Service:	Housing & Community Care
Date for Completion (Month / Year):	August 2015
Required Evidence of Completion:	Reconciliation of income due and expenditure for meals for the two clients

Auditor's Comments

Satisfactory

Action Point 4 - Direct Debit

The Scotland Excel contract for the provision of community meals, and the contractor's Schedule of Acceptance, which were in place at the time of the review states that "where payment is made by the service user [the contractor] shall accept payment by cash, cheque, credit / debit card and direct debit". The contract which comes into effect in September 2015 also requires that "the provider must accept payment from the customer by a variety of means including direct debit, cash, cheque, credit card and debit card" however this is not included within the contractor's Schedule of Acceptance.

The local meal provider does not have the facility to collect income through direct debit, despite the repeated request being made by at least one client. The Service has not required the contractor to comply with this aspect of the contract.

Management Action Plan

The Service will encourage the contractor to facilitate payment by direct debit.

Importance:	High
Responsible Officer:	G Peters, Team Leader, Commissioning & Contracting
Lead Service:	Housing & Community Care
Date for Completion (Month / Year):	September 2015
Required Evidence of Completion:	Confirmation that the contractor is taking ownership of direct debits

Auditor's Comments

Satisfactory

Action Point 5 - Payment at the Point of Delivery

As part of the contract established through Scotland Excel for the provision of meals, there is the facility for clients to pay the delivery driver at the point of the delivery for the meals. Where clients are assessed as being particularly vulnerable, arrangements are put in place to notify the contractor to ensure that cash or cheques are not collected by the delivery driver.

For those clients where cash or cheques are collected, the process is that the delivery driver should record on the delivery note that payment has been collected and this delivery note should then be left with the client. It is not clear what records should be held by the driver and returned to the meal provider of the amount received from each client. It is expected that the contractor will have established procedures for ensuring that all income received by the delivery driver is reconciled to the number of meals delivered. However, there is no requirement within the contract to require the meal provider to leave proforma duplicate receipts with clients where money has been collected. This issue was raised with Scotland Excel as part of the re-tendering process, and in the new contract there is a requirement that "the provider must have in place an auditable system for receipting cash and cheque payments and for recording all payments which ensures proper financial control for payments received..."

As clients who use the service are vulnerable, the Council has a responsibility to protect them. This includes ensuring that the client is not exposed to the risks associated with fraud or theft. Without a clear, transparent, auditable system for controlling the payments received (such as issuing duplicate, sequentially numbered receipts with appropriate controls over reconciliations), there is a risk that the client and contractor may not be able to provide adequate evidence of payment where any payment is disputed.

Management Action Plan

The Service will raise the issue of the requirement for an auditable system for receipting cash and cheque payments directly with the contractor, with a view to ensuring that all income is receipted by using a duplicate, sequentially numbered receipt book. The Service will further seek assurance that these receipt books are used to reconcile the income due from each delivery driver.

Importance:	High
Responsible Officer:	G Peters, Team Leader, Commissioning & Contracting
Lead Service:	Housing & Community Care
Date for Completion (Month / Year):	December 2015
Required Evidence of Completion:	Local arrangements documented and verified

Auditor's Comments

Satisfactory

Action Point 6 - Ensuring Adequate Control by the Contractor

The contract requires that the provider must make available to Council's information regarding the proper financial control for payments received. This information should be available on request.

The Council has not sought to verify the adequacy of the controls in place. The Service states that it initially intended to review these arrangements however this has not taken place. Therefore there has been no verification that assurance can be placed on the controls in place for the delivery of and payment for meals.

Management Action Plan

The Team Leader, Commissioning and Contracting will liaise with the Business & Resources Team Leader to instigate a periodic review of the procedures in place within the local meals providers to ensure that there are adequate and effective arrangements in place for the payment for meals. This will include a review of the proper financial controls with the meals provider.

Importance:	High
Responsible Officer:	G Peters, Team Leader, Commissioning & Contracting
Lead Service:	Housing & Community Care
Date for Completion (Month / Year):	December 2015
Required Evidence of Completion:	Outcome of first review

Auditor's Comments

Satisfactory