


Final Internal Audit Report 2011/12

London Borough of Hammersmith and Fulham Direct Payments – Use of Funds November 2011

This report has been prepared on the basis of the limitations set out on page 11

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Introduction	<p>As part of the 2011/12 Internal Audit Plan, agreed by the Audit and Pensions Committee on 17 February 2011, we have undertaken an internal audit of Direct Payments - Use of Funds.</p> <p>This report sets out our findings from the internal audit and raises recommendations to address areas of control weakness and / or potential areas of improvement.</p> <p>The agreed objective and scope of our work is set out in the Audit Brief issued on 29 September 2011.</p>
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Audit Opinion & Direction of Travel	None	Limited	Substantial	Full
				

Area of Scope	Adequacy of Controls	Effectiveness of Controls	Recommendations Raised		
			Priority 1	Priority 2	Priority 3
Contractual Arrangements			0	1	0
Payment Process and Monitoring			0	0	0
Amendments to Standing data			0	1	0
Quarterly Monitoring Returns			1	0	0
Communication with the Social Care Team			1	0	0
Management Information			1	0	0

Please refer to the attached documents for a definition of the audit opinions, direction of travel, adequacy and effectiveness assessments and recommendation priorities.

Key Findings	Background
<ul style="list-style-type: none"> • From a sample of ten cases tested: <ul style="list-style-type: none"> ○ One agreement was not signed by the social worker; ○ The contract was signed after the agreed start date in two cases; and ○ One contract was signed but not dated by the social worker. • Two instances were identified where requests for changes to bank account details were sent via e-mail with no evidence of verification of whether the e-mail address was from a valid source; • Quarterly monitoring returns are submitted by the recipient of direct payments. These returns were not always supported by receipts and bank statements and therefore no assurance was gained that returns were accurate and that expenditure was appropriate; • One case was found where private money had been paid into the direct payment bank account; • Investigation of cases where variances or unusual balances are identified are not always undertaken due to resource restrictions in the Adult Social Services Teams. Furthermore, a record of cases investigated was not maintained; and • Management information relating to the use of direct payments is not provided to the Assistant Director, Adult Social Care. 	<ul style="list-style-type: none"> • A direct payment is a cash payment made to a service user who chooses to arrange their own care package rather than have directly managed services; • There are 358 users that receive direct payments from the London Borough of Hammersmith and Fulham; and • The total payment cycle for the four weekly period ending on 11 September 2011 was £368,379.

Summary of Findings

Contractual Arrangements

Service users sign an agreement before they can be set up on the system to receive direct payments. The contract is countersigned by a social worker. The contract outlines the scenarios in which the direct payment can be suspended. From a sample of ten cases tested:

- One agreement was not signed by the social worker;
- The contract was signed after the agreed start date in two cases; and
- One contract was signed but not dated by the social worker.

We were informed that these packages may have been backdated, resulting in the agreement being signed after the start date; however we were unable to confirm that this is an acceptable practice.

One recommendation has been raised as a result of our work in this area.

Payment Process and Monitoring

Payment amounts are based on a purchase order value recorded in the Frameworki system. From a sample of ten cases tested, we found that the weekly payment on the system was higher than the maximum weekly payment on the purchase order in four cases. Further investigation identified that this was due to a change in direct payment rates which is not automatically updated on the Purchase Order and therefore no recommendation has been raised. We were further informed that the Frameworki system shows the maximum amount paid in any week, including back dated pay.

Direct Payment cycles cover a four week period. The Finance Officer extracts a list of payment amounts by service user from Frameworki and compares it to a separate manually maintained expenditure spreadsheet. Payments with variances on individual accounts of more than £1 are rejected. The payment cycle is released for authorisation and is authorised by the Senior Accountant within the Community Services Finance Team. The payment is automatically uploaded on OLAS for payment. Any variances and errors are communicated to the Finance Team and rectified before the payment cycle is processed.

Manual payments can be made in cases where a Purchase Order has not been set up on the system. These are signed as certified by a member of staff and authorised by a manager. All five cases tested were appropriately certified and authorised.

Monthly direct payments expenditure is discussed as part of the budget monitoring cycle within the Community Services Department and communicated to the Assistant Director, Adult Social Care.

No recommendations have been raised as a result of our work in this area.

Amendments to Standing Data

New service users provide bank details to the Corporate Finance Team and a designated member of staff has the responsibility for inputting the details onto the CedAr system. Any requests for changes to payment details, including the bank details, should come from the service users. In two of four relevant cases tested, the requests for changes were provided via an e-mail sent from a third party and there was no verification process to confirm that the e-mail address was valid. We were informed that this is acceptable as a family member may manage the funds on behalf of the service user. However, there was no evidence of additional checks being undertaken to verify the requestor's identity or authority to request changes.

One recommendation has been raised as a result of our work in this area.

Quarterly Monitoring Returns

Service users are required to complete a quarterly monitoring return stating their bank account balance. The quarterly monitoring returns examined were not always supported by receipts and bank statements as this is not currently a requirement and there are no other controls to monitor income and expenditure on direct payment accounts.

Where quarterly returns indicate that more than two months worth of direct payments are held in the bank account, these cases are passed to the social care teams for investigation.

There is a requirement that a separate bank account is opened and used solely for direct payments income and expenditure. In one of ten cases tested the service user had paid private funds into the direct payments account. There was no evidence of investigation of this case to confirm why private funds were being paid into the account.

One recommendation has been raised as a result of our work in this area.

Communication with the Social Care Team

Social Workers are required to investigate cases where there is more than two months income in the account or where no quarterly returns have been provided to the Finance team. A list of cases to investigate is sent out to Social Work Teams quarterly. Discussions with one of the Social Care teams established that the list is not always up to date and that not all cases are investigated due to resource limitations and restructuring within the Social Care Teams.

Although discussions established that Frameworki is updated following investigations, a record of cases investigated and action taken was not maintained by the two social work teams contacted. Furthermore, there is no formal process and timetable for information flows between the social care teams and the Finance Team.

One recommendation has been raised as a result of our work in this area.

Management Information

The Assistant Director of Adult Social Care receives information about monthly direct payment expenditure; however, management information relating to the use of funds is not produced.

One recommendation has been raised as a result of our work in this area.

Acknowledgement

We would like to thank the management and staff of the Finance team within CSD for their time and co-operation during the course of the internal audit.

1. Direct payment agreements

Priority	Issue	Risk	Recommendation	
2	<p>From a sample of ten agreements tested:</p> <ul style="list-style-type: none"> One agreement was not signed by the social worker; The contract was signed after the agreed start date in two cases; and One contract was signed but not dated by the social worker. <p>We were informed that the packages may have been backdated, resulting in the agreements being signed after the start date; however we were unable to confirm that this is an acceptable practice.</p>	Where agreements signed by both parties are not in place before the start date of the package, there is a risk that the service users cannot be held to the conditions within the agreement.	<p>Staff should be instructed that contracts should be signed and dated in all cases prior to the agreed start date. Consideration should be given to spot checking a sample of cases to confirm that agreements have been signed prior to the agreed start date.</p> <p>Any cases where packages have been backdated should be investigated and their validity confirmed.</p>	
Management Response			Responsible Officer	Deadline
Agreed.			Senior Accountant – Care Packages	31/12/2011

2. Amendments to bank details

Priority	Issue	Risk	Recommendation	
2	<p>Requests for changes to bank account details may be sent via e-mail without verification of whether the e-mail address is from a valid source.</p> <p>From a sample of four amendments to standing data tested, two cases were identified where a request to change bank details was submitted by a third party.</p> <p>We were informed that a third party, including a family member, can manage the funds on behalf of a service user in cases where the service user does not have the capacity to do so. However, there was no evidence of additional checks being undertaken to verify the requestor's identity or authority to request changes.</p>	<p>Where the origin of e-mails requesting changes to bank details are not verified, there is a risk that these are not valid. Details may be fraudulently changed and payment may be made to individuals not entitled to receive payment.</p>	<p>Requests for changes to personal details should be accompanied with proof of the requestor's identity or further checks should be undertaken to confirm that the request is genuine.</p> <p>The Senior Accountant (Care Packages) should liaise with the Payments team to agree a protocol for making changes to personal details.</p>	
Management Response			Responsible Officer	Deadline
Agreed.			Senior Accountant – Care Packages	31/12/2011

3. Quarterly Monitoring

Priority	Issue	Risk	Recommendation
1	<p>Recipients of direct payments are requested to submit quarterly monitoring returns for their direct payment bank account including:</p> <ul style="list-style-type: none"> • Opening balance; • Direct payment income received; • Independent Living Fund Income received; and • Closing balance. <p>Quarterly monitoring returns examined were not always supported by receipts and bank statements as this is not a requirement. There were no additional controls in place to monitor the use of direct payments.</p> <p>From a sample of ten cases tested, one case was identified where the service user had paid private funds into an account that should be used only for direct payments. There was no evidence of investigation of this case to confirm why private funds were being paid into the account. In two further cases, the balance was significantly higher than expected but there was no record of this being investigated.</p>	<p>Where monitoring of the use of direct payments is not undertaken, there is a risk that payments may not be used in line with the terms of the agreement or that exploitation of vulnerable service users may not be identified.</p>	<p>Consultation with the Council's Legal Services team; the Corporate Anti Fraud Service and other local authorities should be undertaken to establish whether there are any legal restrictions to obtaining bank statements and receipts from the recipients of direct payments.</p> <p>Subject to this consultation, bank statements and, where it is considered practical, receipts should be requested from service users to facilitate monitoring the usage of funds.</p> <p>In addition, staff should be reminded to:</p> <ul style="list-style-type: none"> • Be aware of, and report, potential misuse of the direct payments account when undertaking their reviews; and • Document the results of any investigations.
Management Response			Responsible Officer
Agreed.			Senior Accountant – Care Packages
			Deadline
			31/01/2011

4. Investigating Cases

Priority	Issue	Risk	Recommendation
1	<p>Social Workers are required to investigate cases with more than two months income in the account or where no quarterly returns have been provided to the Finance team. A list of cases to investigate is sent out to Social Care teams quarterly. Discussions with one of the Social Care teams established that the list is not always up to date.</p> <p>Although discussions established that Frameworki is updated with any action taken following investigations, a record of cases investigated and action taken was not maintained by the two Social Care teams contacted. Furthermore, there is no formal protocol, or timetable, for information flows between the Social Care teams and the Finance Team.</p> <p>Discussions with one Social Care Team also established that not all cases are investigated due to resource shortages and current restructuring within the Social Care teams.</p>	<p>Where there is no record of cases investigated by social work teams there is reduced assurance that all required cases have been investigated, corrective action taken and systems updated to reflect any changes required.</p> <p>Where investigation of unusual activity is not undertaken, there is a risk that payments are not being used in line with the terms of the agreement and this may not be identified.</p> <p>Where there is no agreed protocol between the Finance team and Social work teams, there is a risk that:</p> <ul style="list-style-type: none"> • Potential cases of misuse of direct payments may not be identified and investigated; • Corrective action may not be taken to address instances of misuse; and • System data may be inaccurate. 	<p>The potential risk of misuse of direct payments should be considered and cases should be prioritised for investigation.</p> <p>The Finance team and Social Work teams should formulate a protocol for communicating the results of investigations including the procedures and timescales for:</p> <ul style="list-style-type: none"> • Reporting cases showing unusual activity to social work teams; • Investigating cases and taking any corrective action required (such as making amendments to care plans or reporting suspicious activity); • Communicating the results of investigations to the finance team and ensuring that systems are updated; and • Fraud involvement and social worker responsibility in investigating misuse of funds should be agreed. <p>Where it is not possible to investigate all cases, agreement should be reached on an acceptable level of checks based on the risk of misuse. This may involve a system of prioritising which cases to investigate or incorporating these checks into the six monthly review process.</p>
Management Response			Responsible Officer
Agreed.			Assistant Director – Adult Social Care
			Deadline
			31/01/2011

5. Management Information

Priority	Issue	Risk	Recommendation	
1	Monthly direct payment expenditure is reported to senior management; however, there is no formal reporting of investigations conducted and cases of suspected of misuse of direct payments.	Where information on investigations conducted and cases of suspected misuse of direct payments is not reported to Senior Management, there is reduced assurance that direct payments are being used for their intended purpose.	<p>A summary of investigated cases and respective outcomes should be collated and reported to the Assistant Director of Adult Social Care at least bi-annually.</p> <p>This should include:</p> <ul style="list-style-type: none"> • Number of cases investigated; • A summary of cases of misuse or suspicion of misuse; • Number of suspended and terminated direct payments on Frameworki and reasons; and • Any cases transferred to the Corporate Anti Fraud team for investigation. 	
Management Response			Responsible Officer	Deadline
Agreed.			Assistant Director – Adult Social Care	31/01/2011

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system. The assurance level awarded in our internal audit report is not comparable with the International Standard on Assurance Engagements (ISAE 3000) issued by the International Audit and Assurance Standards Board.

Deloitte & Touche Public Sector Internal Audit Limited

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