

Personalisation, Direct Payments & Individual Budgets
City of York Council
Internal Audit Report 2013/14

Business Unit: Adult Social Care
Responsible Officer: Assistant Director, Assessment & Safeguarding
Service Managers: Group Manager, Personalisation; Head of Financial Procedures
Date Issued: 09/05/2014
Status: Final
Reference: 11480/004

	P3	P2	P1
Findings	0	2	1
Overall Audit Opinion	Limited Assurance		

Summary and Overall Conclusions

Introduction

Personal budgets are a mechanism for facilitating personalisation of social care services and are being rolled out to all adults in England who are eligible for social care. Historically, customers received Direct Payments in respect of these into bank accounts set up for this purpose, a number of which are managed by the Independent Living Service (ILS).

The council has decided to move towards a system of pre-paid cards. The transition process began in September 2013.

Objectives and Scope of the Audit

The purpose of the audit was to provide assurance to management that the controls it has put in place to manage key risks relating to Direct Payments are effective.

The audit evaluated the following key risks:

- Reconciliations between the new pre-paid cards and old accounts are not completed accurately.
- A robust selection process has not been undertaken to choose the pre-paid card provider.
- Insufficient monitoring of the contract with the ILS takes place.
- Personal information in relation to the pre-paid cards is inappropriately stored.
- Monitoring of the new accounts is not carried out and surplus funds are not identified.

Key Findings

Prior to September 2013, when responsibility for monitoring the use of Direct Payments transferred to the Charging Unit within the Financial Procedures service area, no effective monitoring of the use of Direct Payments was undertaken. Since this transfer of responsibility a substantial amount of work has been performed in implementing prepaid cards, addressing the issues that emerged during this process and in reconciling old customer bank accounts but it has not been possible to undertake regular monitoring while the issues surrounding transfer and reconciliation have been in progress.

If the lack of ongoing monitoring and reconciliation were not addressed this could result in the council failing to identify instances where Direct Payments are not spent in line with agreed support plan, potential fraud or cases of potential financial abuse. An escalation policy is needed to ensure that any issues raised as part of Direct Payments reconciliations or monitoring are effectively resolved. In addition, the latest annual review for the ILS contract is still outstanding.

The actions agreed in this report, once implemented, should ensure that an effective control environment is in operation but based on the procedures and controls that have been in operation in the past and throughout the last year, it is felt that a Limited Assurance opinion is necessary at this stage.

Overall Conclusions

For the majority of the period covered by the audit testing, it was found that the arrangements for managing risk were poor with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation. Our overall opinion of the controls within the system during the period reviewed was that they provided Limited Assurance.

There is currently no agreed escalation policy for addressing issues with Direct Payments. This means that it is unclear what further steps should be taken with the customers who do not provide the necessary information, responses to queries with expenditure or repayment of an

identified surplus. An agreed policy should clarify who is responsible for ensuring appropriate action is taken, at what stage Direct Payments should be removed and what the council's approach to recovery will be where information is not provided by customers.

Although significant progress has been made, the lack of ongoing monitoring of the use of Direct Payments is a serious issue that has been raised in previous audit reports and specifically reported to the Audit and Governance Committee. While the transition to prepaid cards should provide the opportunity for an improvement in control compared to the previous arrangements, it will not be possible to confirm that this improvement has materialised until a regular, systematic monitoring and reconciliation process is in place for all customers. Effective ongoing monitoring is dependent on agreement and application of a full escalation policy to ensure that appropriate action is taken where issues are identified.

1.1 Agreed Action

In conjunction with the income services team, a policy will be drafted and approved which covers procedures, timescales and responsible officers for escalating and resolving issues related to non-compliance, failure to provide information and misuse of Direct Payments.

Priority	2
Responsible Officer	AD Adult Assessment and Safeguarding
Timescale	31 st July 2014

1.2 Agreed Action

A full reconciliation will be undertaken for each customer every 8 weeks. This will compare details of actual expenditure to the agreed care package on Frameworki, ensure that any agreed customer contributions are being paid and identify whether there is any surplus to be recovered by the council. Any unusual activity identified in these reconciliations will be followed up in line with the escalation policy discussed in action 1.1.

Priority	1
Responsible Officer	Income Services Manager
Timescale	31 st July 2014

Area Reviewed: ILS contract monitoring

Severity
Probability

11

11

2 Issue/ Control Weakness

Risk

Annual reviews have not been carried out in line with the contract specification. The contract with the ILS no longer meets the council's needs.

Findings

The Independent Living Service (ILS) provides support with employing Personal Assistants for a total of 278 Direct Payments customers. The council's agreed contract monitoring arrangements require that an annual survey is undertaken including customer comments and opinions and that the council undertakes an annual review concentrating on overall policies, procedures and value for money analysis.

No annual review was carried out for 2012-13 or 2013-14. The 2013-14 review was delayed as part of an agreed approach with the ILS as it will form part of the council's wider strategic review of Personalisation/Brokerage within the Re-wiring Public Service Programme. As the strategic analysis for the project will commence in April 2014, an in depth review of the services that ILS provide and where they will fit within a revised service delivery model is planned to be undertaken at this stage.

Since the council is planning on extending the contract with the ILS for a further year, it is important that the review is completed as part of this wider strategic analysis to ensure that the current and future arrangements with the ILS are effective.

2.1 Agreed Action

The annual review will be undertaken as part of the wider review of Personalisation/Brokerage within the Re-wiring Public Services Programme in April/May 2014.

Priority

2

Responsible Officer

Commissioning & Contracts Manager

Timescale

31 July 2014

Audit Opinions and Priorities for Actions

Audit Opinions	
<p>Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.</p> <p>Our overall audit opinion is based on 5 grades of opinion, as set out below.</p>	
Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Moderate assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

