

REPORT TO: Audit and Governance Committee

MEETING DATE: 13 September 2016

BY: Depute Chief Executive – Resources & People Services

SUBJECT: Internal Audit Report on Direct Payments – Children's Wellbeing

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the recently issued audit report on Direct Payments – Children's Wellbeing.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the Executive Summary and Action Plan.

3 BACKGROUND

- 3.1 A review of Direct Payments – Children's Wellbeing was undertaken as part of the audit plan for 2015/16.
- 3.2 The main objective of the audit was to ensure that the internal controls in place were operating effectively.
- 3.3 The main findings from our audit work are outlined in the attached report.

4 POLICY IMPLICATIONS

- 4.1 None

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

6 RESOURCE IMPLICATIONS

- 6.1 Financial – None
- 6.2 Personnel – None
- 6.3 Other – None

7 BACKGROUND PAPERS

- 7.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Internal Audit Manager
CONTACT INFO	01620 827326
DATE	1 September 2016

EAST LOTHIAN COUNCIL – INTERNAL AUDIT DIRECT PAYMENTS – CHILDREN’S WELLBEING

1. EXECUTIVE SUMMARY

1.1 Introduction

As part of the Audit Plan for 2015/16 a review was undertaken of Direct Payments – Children’s Wellbeing. A summary of our main findings is outlined below.

1.2 Areas where Expected Controls were Met

- Key information on Direct Payments including the start date, the assessed needs of the child/young person, the care provider, the number of hours for each provider and the total cost is recorded on the Direct Payments Application Form.
- All Direct Payments Application Forms held on Frameworkki had been properly authorised.
- For the sample of cases examined, we found that Direct Payments had been correctly calculated.

1.3 Areas with Scope for Improvement

- There was a lack of operational procedures in place to assist staff with responsibility for administering Direct Payments. *Risk – an inconsistent approach may be adopted.*
- The existing arrangements in place for the authorisation of care packages following a Panel decision require to be formalised. *Risk – lack of a clear audit trail.*
- The Letter of Agreement and the accompanying ‘Responsibilities and Duties’ leaflet require review. *Risk – information contained may not be accurate or complete.*
- There was a lack of procedures in place to ensure that Direct Payment calculations are checked by a person independent of the preparer. *Risk – errors and irregularities may occur and remain undetected.*
- In some cases, no supporting documentation had been provided by the Direct Payment recipient to the Council to support the expenditure that had been incurred, while in other cases there had been delays in the required financial information being submitted. *Risk – errors and irregularities may occur and remain undetected.*
- The financial monitoring and review arrangements in place require review – in a number of cases there had been a failure by Direct Payment recipients to adhere to their Responsibilities and Duties. *Risk – failure to use Direct Payments for their intended purpose.*

1.4 Summary

Our review of Direct Payments – Children’s Wellbeing identified a number of areas with scope for improvement. Detailed findings and recommendations are contained in our main audit report.

Mala Garden
Internal Audit Manager

September 2016

**EAST LoTHIAN COUNCIL – INTERNAL AUDIT
DIRECT PAYMENTS – CHILDREN’S WELLBEING**

ACTION PLAN

PARA REF	RECOMMENDATION	GRADE	RESPONSIBLE OFFICER	AGREED ACTION	RISK ACCEPTED/ MANAGED	AGREED DATE OF COMPLETION
3.1.1	Management should ensure that the draft procedures currently being reviewed are finalised and issued to staff with operational responsibility for the administration, management and monitoring of Direct Payments.	Medium	Self Directed Support Officer	Procedures for Direct Payments are being reviewed and amended to include Children’s Services. When completed these procedures will be issued to staff with operational responsibility for the administration, management and monitoring of Direct Payments.		November 2016
3.2.1	Management should ensure that all Section 23 Assessments are properly signed by both the parent/guardian and the social worker.	Medium	Team Leader - Disability	<p>Already raised with Children’s Disability Team members. Staff reminded that signed copies of S23 Assessments & Support Plans are uploaded on Frameworki.</p> <p>We will undertake a Qualitative Audit of recently undertaken Section 23 Assessments & Support Plans.</p>		<p>August 2016</p> <p>November 2016</p>

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3.3.1	<p>Management should ensure that all Direct Payment documentation currently in use is reviewed to ensure accuracy and completeness.</p> <p>Consideration should be given to introducing a separate form for recording Direct Payment recipient's bank details.</p>	Medium	Self Directed Support Officer / Systems Administrator / Group Service Manager, Long-term Care and Support	<p>We will redesign all paperwork for Direct Payments on Frameworki.</p> <p>We are designing a separate form for recording Direct Payment bank details. We will review current Direct Payment bank details held.</p>		<p>November 2016</p> <p>August 2016</p>
3.4.1	Management should ensure that a clear audit trail exists for the authorisation of all care packages following a Panel decision and of any subsequent changes approved.	Medium	Group Service Manager, Long-term Care and Support / Team Leader - Disability	<p>Have already put this in place since initial feedback from this audit.</p> <p>Minutes & letters from June 2016 Respite Support Panel were all signed off by Group Service Manager, Long-term Care and Support.</p> <p>Subsequent changes to care packages by Group Service Manager will be clearly recorded on Frameworki.</p>		<p>In Place</p> <p>In Place</p> <p>August 2016</p>

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3.5.1	<p>Management should review the adequacy and effectiveness of the Letter of Agreement and the accompanying 'Responsibilities and Duties' leaflet.</p> <p>Management should ensure that the Letter of Agreement is signed by all parties.</p>	Medium	Self Directed Support Officer / Team Leader - Disability	<p>All paperwork for Direct Payments is being reviewed and amended including Letters of Agreement and 'Responsibilities and Duties' leaflet.</p> <p>Team Leader has already raised with staff that signed copies of Letter of Agreement must be uploaded onto Frameworki.</p> <p>S23 Assessment & Support Plan Qualitative Audit will include signatures on Letters of Agreement.</p>		<p>November 2016</p> <p>In Place</p> <p>November 2016</p>
3.6.2	<p>Management should ensure that all Direct Payment calculations are checked by a person independent of the preparer.</p> <p>Management should liaise with the Information Systems Manager to explore the option of using the facility on Frameworki to calculate Direct Payments.</p>	Medium	Team Leader - Disability / Senior Business Support Assistant / Frameworki Team	We are going to explore whether Frameworki could undertake Direct Payment calculations. At present the variations of payments makes this a challenge to build into system. However, implementation of minimum wage in October 2016 may reduce complexity.		November 2016

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3.6.2 (cont)				In the interim we have identified an independent member of staff to check Direct Payment calculations.		August 2016
3.7.1	<p>Management should ensure that payments are only made to recipients where a separate bank account is held solely for Direct Payments.</p> <p>Management should ensure that Direct Payment recipients comply with their Responsibilities and Duties.</p> <p>Management should ensure that Direct Payment recipients do not transfer Direct Payment funds to other bank accounts.</p>	Medium	Team Leader - Disability / Group Service Manager, Long-term Care and Support / Self Directed Support Officer	<p>Our updated procedure will require workers undertaking the S23 Assessment & Support Plan to seek a copy of the zero balance bank account held solely for Direct Payments at the time they arrange for the Letter of Agreement to be signed.</p> <p>Qualitative Audit will include Direct Payments recipients' compliance with Responsibilities and Duties.</p> <p>This point refers to challenge with one case that has recently transferred to Adult Services. At transfer the young adult's carers have</p>		<p>November 2016</p> <p>November 2016</p> <p>August 2016</p>

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3.7.1 (cont)				<p>again been reminded by Team Leader of their need to comply with Responsibilities and Duties.</p> <p>The Children's Disability Team are aware that this is not acceptable practice.</p>		
3.7.2	<p>Management should ensure that the guidance document 'Responsibilities and Duties' clearly specifies that bank statements and receipts are attached to the Financial Statements of Expenditure.</p> <p>Management should ensure that relevant back-up documentation including bank statements, payslips and receipts are submitted with the Financial Statements.</p>	Medium	<p>Self Directed Support Officer / Team Leader – Disability</p> <p>Self Directed Support Officer/ Team Leader - Disability / Group Service Manager, Long-term Care and Support</p>	<p>Updated 'Responsibilities and Duties' guidance will clearly specify that bank statements and receipts are attached to the Financial Statements of Expenditure.</p> <p>Qualitative Audit will check that relevant back-up documents are submitted with the Financial Statements and that appropriate action is taken if Financial Statements are not submitted within agreed timescales.</p>		<p>November 2016</p> <p>November 2016</p>

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3.7.2 (cont)	<p>Management should ensure that appropriate action is taken where there has been a failure by the recipient in submitting Financial Statements.</p> <p>Management should ensure effective monitoring of Financial Statements – consideration should be given to implementing a grading system (red, amber and green) to monitor on an exception basis.</p> <p>Where there has been a consistent failure by recipients to provide Financial Statements to the Council, Management should assess if the parent/guardian has the ability to manage the Direct Payments process.</p>			<p>We will explore with colleagues in Adult Services how this system might be improved.</p> <p>We have case examples to evidence we are doing this already.</p> <p>This will be checked at Qualitative Audit.</p>		<p>November 2016</p> <p>August 2016</p> <p>November 2016</p>
3.7.3	<p>Management should ensure that a consistent approach is adopted for dealing with unspent balances that exceed the two 4 week periods.</p>	Medium	<p>Team Leader - Disability / Group Service Manager, Long-term Care and Support</p>	<p>Part of planned Direct Payment Review is a financial review which will address these issues.</p>		<p>August 2016</p>

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3.8.1	Management should ensure that regular reconciliations are undertaken between payments processed on Frameworki and the amounts posted to the General Ledger.	Medium	Group Service Manager, Long-term Care and Support / Team Leader - Disability	We are consulting with the Creditors Section to achieve this recommendation.		August 2016
3.9.1	<p>Management should ensure that the existing guidance is updated to reflect the provisions of the Protection of Vulnerable Groups (Scotland) Act 2007.</p> <p>Management should ensure that all Direct Payment recipients sign a user agreement confirming their knowledge of the PVG Scheme, their understanding of the importance of Scheme Membership and their acceptance of the responsibility for managing any risk arising from employing an unsuitable person.</p>	Medium	<p>Team Leader - Disability / Group Service Manager, Long-term Care and Support</p> <p>Team Leader - Disability / Group Service Manager, Long-term Care and Support</p>	<p>Guidance will be updated to reflect the provisions of the Protection of Vulnerable Groups (Scotland) Act 2007.</p> <p>We are implementing this recommendation immediately and propose to use Adult Services template to achieve this.</p>		<p>November 2016</p> <p>August 2016</p>

Grading of Recommendations

In order to assist Management in using our reports, we categorise our recommendations according to their level of priority as follows:

Level	Definition
High	Recommendations which are fundamental to the system and upon which Management should take immediate action.
Medium	Recommendations which will improve the efficiency and effectiveness of the existing controls.
Low	Recommendations concerning minor issues that are not critical, but which may prevent attainment of best practice and/or operational efficiency.